

SHENZHEN ZHONGHENG HUAFU CO., LTD.

SEMI-ANNUAL REPORT 2020

August 2020

Section I. Important Notice, Contents and Interpretation

Board of Directors, Supervisory Committee, the directors, supervisors and senior executives (excluding the follow who has objection statement) 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 semi-annual report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Li Zhongqiu, Principal of the Company, Yang Bin, person in charger of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2020 Semi-Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

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

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

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

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Interpretation

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

Section II. Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	Shen HUAFU -A, Shen HUAFU - B	Stock code	000020, 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中恒华发股份有限公司		
Short form of the Company (in Chinese if applicable)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFU 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	Niu Zhuo	
Contact add.	618, East Tower, Huafa Building, No.411 Bldg, Huafa (N) Road, Futian District, Shenzhen	
Tel.	0755-86360201	
Fax.	0755-86360206	
E-mail	huafainvestor@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

Address for registration	No.411 Bldg, Huafa (N) Road, Futian District, Shenzhen
Post code of the address for registration	518031
Office address	6/F, East Tower, Huafa Building, No.411 Bldg, Huafa (N) Road, Futian District, Shenzhen
Post code of the address for office address	518031
Company's Internet Web Site	http://www.hwafa.com.cn/
E-mail	huafainvestor@126.com
Inquiry date for the extraordinary notice released on appointed website (if applicable)	

2. Information disclosure and preparation place

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

☒ Applicable ☐ Not applicable

Newspaper appointed for information disclosure	<i>Securities Times; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn

Preparation place for semi-annual report	Office of the Board in 6/F, Huaafa Building, Futian District, Shenzhen
Inquiry date for the extraordinary notice released on appointed website (if applicable)	

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)	300,703,421.38	339,190,174.05	-11.35%
Net profit attributable to shareholders of the listed company (RMB)	3,165,597.55	2,580,411.13	22.68%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	3,167,896.46	190,686.95	1,561.31%
Net cash flow arising from operating activities (RMB)	21,200,212.24	45,194,220.56	-53.09%
Basic earnings per share (RMB/Share)	0.0112	0.0091	23.08%
Diluted earnings per share (RMB/Share)	0.0112	0.0091	23.08%
Weighted average ROE	0.96%	0.79%	0.17%
	Period-end	Period-end of last year	Changes over period-end of last year (+, -)
Total assets (RMB)	610,602,250.47	614,163,899.86	-0.58%
Net assets attributable to shareholder of listed company (RMB)	332,593,647.44	329,428,049.89	0.96%

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)	-99,867.53	
Gains/losses from entrusted investment or assets management	66,780.40	
Other non-operating income and expenditure except for the aforementioned items	37,897.68	

Less: Impact on income tax	7,109.46	
Total	-2,298.91	--

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

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

II. Major changes in main assets

1. Major changes in main assets

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

2. Main overseas assets

☐ Applicable ☒ Not applicable

III. Core competitiveness analysis

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 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.

Affected by the outbreak of COVID-19, in the first half of 2020, the company achieved operation revenue of 300.7034 million yuan with a y-o-y declined of 11.35%; operation profit of 3.9651 million yuan, a y-o-y growth of 34.29%; net profit achieved 3.1656 million yuan, a y-o-y growth of 22.68%. The operation revenue from industry production has 281.1885 million yuan, a 11.79% down from a year earlier, operation profit has 987300 yuan loss, a declined of 158.28% on a y-o-y basis, net profit has 824100 yuan loss with a 150.38% down on a y-o-y basis. In property lease business, operation revenue achieved 18.7013 million yuan in first half of the year, a 6.22% increased over same period last year, operation profit achieved 4.9531 million yuan, a y-o-y growth of 292.85%, the net profit achieved 3.9904 million yuan, a y-o-y growth of 321.94%.

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
Operation revenue	300,703,421.38	339,190,174.05	-11.35%	
Operation cost	263,959,652.63	297,580,208.34	-11.30%	
Sales expenses	9,100,079.39	9,130,380.22	-0.33%	
Administrative expenses	17,082,362.66	19,616,991.39	-12.92%	
Financial expenses	3,484,228.81	5,068,371.24	-31.26%	Short-term loans declined in the period
Income tax expenses	837,369.58	603,910.08	38.66%	Profit from property increased in the period
R&D investment	2,423,425.26	3,726,992.86	-34.98%	Orders from new products declined in the period
Net cash flow from operating activities	21,200,212.24	45,194,220.56	-53.09%	Return of sales declined due to the COVID-19
Net cash flow from investment activities	-1,338,379.56	-3,964,794.99	66.24%	Production equipment have changed last period
Net cash flow from financing activities	-34,838,186.71	-32,459,238.76	-7.33%	
Net increase of cash and cash equivalent	-14,832,093.81	8,869,836.86	-267.22%	Return of sales declined due to the COVID-19

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 operation revenue

In RMB

	Current period		Same period last year		y-o-y changes(+,-)
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	300,703,421.38	100%	339,190,174.05	100%	-11.35%
According to industries					
Video	163,278,927.45	54.30%	164,964,344.94	48.63%	5.67%
Injection molding	85,278,752.42	28.36%	111,142,622.51	32.77%	-4.41%
EPS	19,908,274.02	6.62%	34,292,527.88	10.11%	-3.49%
Property leasing	18,701,335.82	6.22%	18,911,444.99	5.58%	0.64%
Income from materials	12,121,666.69	4.03%	7,710,873.76	2.27%	1.76%
Utilities and others	1,414,464.98	0.47%	2,168,359.97	0.64%	-0.17%
According to products					
Display	163,278,927.45	54.30%	164,964,344.94	48.63%	5.67%
Injection molding	85,278,752.42	28.36%	111,142,622.51	32.77%	-4.41%
EPS	19,908,274.02	6.62%	34,292,527.88	10.11%	-3.49%
Property leasing	18,701,335.82	6.22%	18,911,444.99	5.58%	0.64%
Income from materials	12,121,666.69	4.03%	7,710,873.76	2.27%	1.76%
Utilities and others	1,414,464.98	0.47%	2,168,359.97	0.64%	-0.17%
According to region					
Hong Kong, Taiwan	105,186,479.34	34.98%	63,962,270.03	18.86%	16.12%
Central China	136,683,631.65	45.45%	166,693,597.80	49.14%	-3.69%
East China	39,318,383.66	13.08%	88,099,858.28	25.97%	-12.89%
South China	19,514,926.73	6.49%	20,434,447.94	6.02%	0.47%

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

√Applicable □ Not applicable

In RMB

	Operation revenue	Operation cost	Gross profit ratio	Increase/decrease of operation revenue y-o-y	Increase/decrease of operation cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Video	163,278,927.45	152,549,452.35	6.57%	-1.02%	-2.75%	1.65%
Injection molding	85,278,752.42	78,749,817.82	7.66%	-23.27%	-19.11%	-4.75%
EPS	19,908,274.02	18,424,496.75	7.45%	-41.95%	-41.10%	-1.34%
Property leasing	18,701,335.82	2,040,226.11	89.09%	-1.11%	-35.68%	5.86%

According to products						
Display	163,278,927.45	152,549,452.35	6.57%	-1.02%	-2.75%	1.65%
Injection molding	85,278,752.42	78,749,817.82	7.66%	-23.27%	-19.11%	-4.75%
EPS	19,908,274.02	18,424,496.75	7.45%	-41.95%	-41.10%	-1.34%
Property leasing	18,701,335.82	2,040,226.11	89.09%	-1.11%	-35.68%	5.86%
According to region						
Hong Kong, Taiwan	105,186,479.34	98,581,390.01	6.28%	64.45%	63.55%	0.52%
Central China	124,089,406.22	114,338,203.97	7.86%	-21.63%	-18.90%	-3.10%
East China	39,318,383.66	36,804,172.94	6.39%	-55.37%	-56.30%	1.99%
South China	18,573,020.49	2,040,226.11	89.02%	-1.79%	-35.68%	5.79%

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Item	2020-6-30	2020-1-1	y-o-y changes(+,-)	Reasons of changes
Monetary fund	25,894,233.18	38,095,501.00	-32.03%	Sales declined and the return of sales decreased
Other current assets	234,014.36	1,395,071.36	-83.23%	Tax to be deducted for the current period
Long-term deferred expenses	193,613.23	309,781.15	-37.50%	Amortization of cloud service fee
Short-term loans	-	24,633,898.20	-100.00%	Pay back the short-term loans to the bank
Note payable	8,617,287.25	16,761,590.51	-48.59%	Issuance of notes decreased in the Period
Account received in advance	866,746.45	356,446.21	143.16%	Part of the customer deposit is received in advance
Including: dividend payable	-	89,365.28	-100.00%	Pay back the short-term loans to the bank
Deferred income	4,173,180.00	2,331,720.00	78.97%	Government subsidy related to assets received in the Period
Item	Jan.- Jun. 2020	Jan.- Jun. 2019	y-o-y changes(+,-)	Reasons of changes
R&D expenses	2,423,425.26	3,726,992.86	-34.98%	R&D investment declined in the Period
Financial expenses	3,484,228.81	5,068,371.24	-31.26%	Pay back the short-term loans to the

				bank
Other income	348,540.00	-		Subsidy revenue was recognized in the Period
Income from assets disposal	-99,867.53	129,039.57	-177.39%	Loss from assets disposal in the Period
Non-operation revenue	45,200.06	232,758.00	-80.58%	Outstanding enterprise award last period
Non-operation expenditure	7,302.38	1,100.00	563.85%	Liquidated damages incurred in the Period
Income tax expenses	837,369.58	603,910.08	38.66%	Profit from property increased in the Period
Item	Jan.- Jun. 2020	Jan.- Jun. 2019	y-o-y changes(+,-)	Reasons of changes
Cash paid for purchasing fixed assets, intangible assets and other long-term assets	1,816,159.96	4,360,231.13	-58.35%	Last period, Zhongzhou new workshop purchased production equipment
Cash received from borrowings	6,725,056.80	61,315,748.80	-89.03%	Pay back the short-term loans in the Period
Cash pay for debts	37,370,812.20	88,051,864.63	-57.56%	Pay back the short-term loans in the Period
Cash paid for dividend and profit distribution or interest payment	4,192,431.31	5,723,122.93	-26.75%	Pay back the short-term loans in the Period
Impact on cash and cash equivalent from change of foreign exchange	144,260.22	99,650.05	-44.77%	The effect of exchange rate fluctuation in the Period

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Description of formation	Whether be sustainable
Investment income	66,780.40	1.67%	Revenue from short-term financial products	N
Non-operation revenue	45,200.06	1.13%	Revenue from handling charge	N
Non-operation expense	7,302.38	0.18%	The liquidated damages paid	N

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	Amount	Ratio in		

		total assets		total assets		
Monetary fund	25,894,233.18	4.24%	47,981,541.61	7.69%	-3.45%	
Account receivable	162,983,895.27	26.69%	149,540,866.46	23.97%	2.72%	
Inventory	70,058,031.39	11.47%	86,709,541.76	13.90%	-2.43%	
Investment real estate	48,088,827.43	7.88%	49,817,157.72	7.98%	-0.10%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	196,754,132.05	32.22%	185,008,101.52	29.65%	2.57%	
Construction in process	500,000.00	0.08%	7,552,776.46	1.21%	-1.13%	
Short-term loans			134,676,280.00	21.58%	-21.58%	
Long-term loans	67,000,000.00	10.97%			10.97%	

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	4,081,265.38	Bank acceptance deposit: 2,529,797.38 yuan; court freeze: 1,551,468 yuan
Receivable financing	9,294,702.94	Pledge
Investment real estate	36,260,337.64	Mortgage to obtain bank loans
Fixed assets	12,779,094.73	Mortgage to obtain bank loans
Disposal of fixed assets	92,857,471.69	Court seizure
Intangible assets	2,761,798.94	Mortgage to obtain bank loans
Total	158,034,671.32	--

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 measured by fair value

☐ Applicable ☒ Not applicable

5. 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	467,146,282.12	222,329,622.80	281,188,494.65	-987,280.78	-824,054.38
Huafa Property Company	Subsidiary	Leasing and management of own property	1,000,000.00	8,014,037.30	-1,289,292.12	2,794,404.26	1,039,727.42	1,042,065.26
HUAFA Lease Company	Subsidiary	Leasing and management of own property	1,000,000.00	1,900,692.20	-5,026,990.71			
HUAFA Hengtian Company	Subsidiary	Leasing and management of own property	1,000,000.00	995,061.88	995,061.88	0.00	-393.10	-393.10

HUAFA Hengtai Company	Subsidiary	Leasing and manageme nt of own property	1,000,000. 00	996,097.86	996,097.86	0.00	-393.05	-393.05
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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 2020

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 and industrial upgrading, 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
2020 First Extraordinary General Meeting of Shareholders	Extraordinary general meeting	6.26%	2020-02-11	2020-02-12	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1207302289&orgId=gssz0000020&announcementTime=2020-02-12
Annual General Meeting of 2019	AGM	48.03%	2020-05-21	2020-05-22	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1207845176&orgId=gssz0000020&announcementTime=2020-05-22

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

There are no commitments that the committed party as the actual controller, shareholders, related party, buyer and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

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=000020&announcementId=120

							5326846 &announcementTime=2018-08-25 http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1205418798&orgId=gssz000020&announcementTime=2018-09-07
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.,	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?announcementTime=2016-09-1407:41

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							
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/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41
Application for arbitration in case of contract dispute between the V&T (Shenzhen) Law Firm and Shenzhen Zhongheng Huafa Co., Ltd. and Wuhan Zhongheng Group	1,940.2	No	Arbitration has been heard for adjudication	A ruling has been issued and the company filed an application for revocation	In trial	2018-11-14	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018

							http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1205880594&orgId=gssz000020&announcementTime=2019-03-06 http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1207111414&orgId=gssz000020&announcementTime=2019-11-25
Shenzhen Zhongheng Huafa Technology Co., Ltd sued the Company and controlling shareholder Wuhan	5,200	No	The court has opened a hearing	Found more in announcement of the Company	In trial	2020-04-21	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1207111414&orgId=gssz000020&announcementTime=2019-11-25

Zhongheng New Science & Technology Industrial Group Co., Ltd. for the dispute of assets replacement contract							d=1207540113&orgId=gssz000020&announcementTime=2020-04-21
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Other lawsuits

☐Applicable ☒Not applicable

IX. Major litigation and arbitration of the controlling shareholder

China Merchants Securities Asset Management Co., Ltd. (hereinafter referred to as CMAM) sued the Wuhan Zhongheng Group to The Shenzhen Intermediate Peoples Court (hereinafter referred to as Shenzhen Intermediate Court) against “dispute over repurchase of pledged securities”, CMAM changed the litigious claims later, and the case referred to the Guangdong Higher People’s Court (hereinafter referred to as Guangdong Higher Court), a verdict has yet to be issued. Found more in the Notice on major litigation and arbitration of the controlling shareholder (Notice No.: 2019-25) released on 5 September 2019, website on <http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz000020&stockCode=000020&announcementId=1206889179&announcementTime=2019-09-05>

X. Media questioning

☐Applicable ☒Not applicable

During the reporting period, the company had no media generally questioned matters.

XI. Penalty and rectification

☐Applicable ☒Not applicable

The Company has no penalty and rectification in the period

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

☐Applicable ☒Not applicable

XIII. 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.

XIV. 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	Sharin	Purch	Purch	Synch	6,753.	6,753.	38.95	13,77	N	Teleg	—	2020-	http:

Yutian	g the same contro lling shareh older	ase	asing LCD monit ors	ronize d with the marke t	81	81	%	5.2		aphic transf er		01-22	//w ww. cnin fo.c om.c n/ne w/di sclo sure/ detai l?pla te=s zse &or gId= gssz 000 002 0&st ock Cod e=0 000 20& anno unce men tId= 120 727 601 3&a nno unce men tTim e=2 020- 01-2 2
Hengsheng Photo electri	Sharin g the same contro	Purch ase	Purch asing LCD monit	Confir med with 1% of	3,476. 16	3,476. 16	20.05 %	13,77 5.2	N	Telegr aphic transf er	The avera ge marke	2020- 01-22	http: //w ww. cnin

city	lling shareh older		ors	curren t marke t avera ge price in princi ple, and refer to both their bargai ning power							t price refers to the price of same specif icatio ns which is search ed from throug h the world famou s profes sional marke t surve y comp any websit e http:// www. witsvi ew.co m recog nized author ity in the indust ry and LCD profes sional		fo.c om.c n/ne w/di sclo sure/ detai l?pla te=s zse &or gId= gssz 000 002 0&st ock Cod e=0 000 20& anno unce men tId= 120 727 601 3&a nno unce men tTim e=2 020- 01-2 2
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											marke t surve y comp any websit e http:// www. witsvi ew.co m		
Hengsheng Photo electricity	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	According to the order price, deducted 1 Yuan each for operation charge	2,547.12	2,547.12	14.69 %	16,530.24	N	Telegraphic transfer	——	2020-01-22	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orGId=gssz0000020&stockCode=00020&announcementId=120727

													6013&announcemen tTime=2020-01-22
HK Yutian	Sharin g the same contro lling shareh older	Sales	Sales LCD overall l monit or machi ne set	Accor ding to the custo mer sales order price sure	5,907.46	5,907.46	30.46 %	27,550.4	N	Telegr aphic transf er	——	2020-01-22	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000020&stockCode=000020&announcemen tId=1207276013&anno

													uncementTime=2020-01-22
Total	--	--	18,684.55	--	71,631.04	--	--	--	--	--	--	--	--
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\$ 9.5617 million approximately, 47.81% of the annual amount predicted at the beginning of the year; purchased LCD display screen from Hengsheng Photo-electricity with US \$ 4.9161 million approximately, 24.58% of the annual amount predicted at the beginning of the year; purchasing LCD from Hengsheng Photoelectricity with about US \$ 3.6022 million, 15.01% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with US \$ 8.3686 million approximately, 20.92% of the annual amount predicted at the beginning of the year. Sold LCD to Hengsheng Photo-electricity with US \$ 1.4543 million approximately, 11.63% of the annual amount predicted at the beginning of the year; the sales of LCD glass to Hengsheng Photo-electricity amounted to approximately US\$ 0.3751 million, accounting for 15.63% of the total amount expected 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.

XV. 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.

XVI. 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

The company and its subsidiaries' external guarantees (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2020-04-28	30,000			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)				
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)				
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)

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)	
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)	
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. Trust financing

☒Applicable ☐Not applicable

In 10 thousand Yuan

Type	Capital sources	Amount occurred	Outstanding balance	Overdue amount
Bank financial products	Own funds	3,500	0	0
Total		3,500	0	0

Details of the single major amount, or high-risk trust investment with low security, poor fluidity and non-guaranteed

☐Applicable ☒Not applicable

Entrust financial expected to be unable to recover the principal or impairment might be occurred

☐Applicable ☒Not applicable

4. Other material contracts

☐Applicable ☒Not applicable

No other material contracts for the Company in reporting period.

XVII. Social responsibility

1. Material environmental protection

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

No

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	Quantity /implementation
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	measure	
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

XVIII. Explanation on other significant events

√Applicable □ Not applicable

(1) The Company signed Asset Exchange Contract with Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. (Hereinafter referred to as "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 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 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, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. Shenzhen Court of International Arbitration (SCIA) has given a ruling in August 2017. On August 29, 2018, the court accepted the compulsory execution application of Shenzhen Vanke. In October 2019, as a number of outsiders filed an “execution objection” and applied for “no execution” to Shenzhen Intermediate People’s Court, the Shenzhen Intermediate People’s Court ruled to terminate the enforcement procedure on March 20, 2020. If the “execution objection” and “no execution” proposed by outsiders are rejected according to law, Shenzhen Vanke may continue to apply to the Shenzhen Intermediate People’s Court to resume execution. Progress of the case found more in the Notices released on Juchao website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017, 1 July 2017, 18 August 2017, 9 Feb. 2018, 25 Aug. 2018 and 7 Sept. 2018 respectively.

In November 2019, the company was listed by Shenzhen Intermediate People’s Court as the dishonest person subjected to execution, and was removed from the dishonest person subjected to execution list by the Shenzhen Intermediate People’s Court in December 2019. For details, see the “Announcement About the Company Being Included in the List of Dishonest Person Subjected to Execution” (Announcement No.: 2019-33) and “Announcement About the Company Being Removed from the List of Dishonest Person Subjected to Execution” (Announcement No.: 2019 -35) issued by the company on November 9, 2019 and December 14, 2019 on www.cninfo.com.cn.

(2) 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. 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.

(3) 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 by Shenzhen Intermediate People's Court (hereinafter referred to as "Shenzhen Intermediate Court") on September 27, 2016, 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.

(4) On September 29, 2016, the company and its controlling shareholder, Wuhan Zhongheng Group, signed the “Agency Contract” with V&T Law Firm. On October 8, 2016, the three parties also signed the “Supplemental Agreement for Agency Contract”, it was agreed that V&T acted as an agent for the company and Wuhan

Zhongheng Group to deal with the arbitration case with Shenzhen Vanke. After losing the lawsuit, due to differences in the payment of attorney fees, V&T sued our company and Wuhan Zhongheng Group to the Shenzhen Court of International Arbitration, and applied to the court to seize a bank account under our company's name and part of our company dormitories, please refer to "Other Announcements on the Progress Involving Litigation and Arbitration" (Announcement Numbers: 2018-43, 2019-02) released by our company on www.cninfo.com on November 14, 2018 and March 6, 2019. 02. In November 2019, the Shenzhen Court of International Arbitration ruled that the company and Wuhan Zhongheng Group paid the corresponding fees. According to the "Agency Contract" and "Supplemental Agreement for Agency Contract" signed by the three parties, the loss of the arbitrament in this case was borne by Wuhan Zhongheng Group, so it had no impact on the company's 2019 annual profit. For details, see the company's "Other Announcements on the Progress Involving Litigation and Arbitration" (Announcement No.: 2019-34) released on www.cninfo.com.cn on November 25, 2019.

(5) On April 29, 2009, the company signed an Asset Replacement Contract with Wuhan Zhongheng Group. According to the contract, the company would use the the land use rights of two plots of land located at Huaafa Road, Gongming Town, Bao'an District, Shenzhen, i.e. land parcel number A627-0005 (real estate registration number 8000101219) and A627-0007 (real estate registration number 8000101218), which are worth 18.55 million yuan, to increase capital to Shenzhen Zhongheng Huaafa Technology Co., Ltd. (hereinafter referred to as "Huaafa Technology") and transfer ownership to Huaafa Technology, Wuhan Zhongheng Group replaced the company's 100% equity in Huaafa Technology with its 56% equity in Wuhan Hengfa Technology Co., Ltd.. For the main content of the above-mentioned Asset Replacement Contract, please refer to the Announcement on Related Transactions of Asset Replacement with Controlling Shareholders published by the company on cninfo on April 30, 2009, with the announcement number 2009-17. After Wuhan Zhongheng Group fulfilled its obligations under the Asset Replacement Contract, the company transferred 100% of its equity in Huaafa Technology to Wuhan Zhongheng Group on December 21, 2009; the company also handed over the above two plots of land to Huaafa Technology for possession, management, and use, but the land use right has not been transferred to Huaafa Technology. In April 2020, the company received a court summons, Huaafa Technology sued the company, demanding that the company transfer the above two plots of land and compensate economic losses of 52 million yuan. As of the disclosure date of this report, the case has not yet been decided.

XIX. 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	0.00%
II. Unrestricted shares	283,161,227	100.00%						283,161,227	100.00%
1. RMB Ordinary shares	181,165,391	63.98%						181,165,391	63.98%
2. Domestically listed foreign shares	101,995,836	36.02%						101,995,836	36.02%
III. Total shares	283,161,227	100.00%						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	24,154	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	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	0	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	3.43%	9,722,000		0	9,722,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249		0	5,355,249	Pledged	0
							Frozen	0
Guoyuan Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.37%	3,870,117		0	3,870,117	Pledged	0
							Frozen	0
Li Zhongqiu	Overseas nature person	1.00%	2,830,000		0	2,830,000	Pledged	0
							Frozen	0
Zhong Jiachao	Domestic nature person	0.47%	1,329,602		0	1,329,602	Pledged	0
							Frozen	0
China Merchants Securities Hong Kong Limited	State-owned legal person	0.39%	1,113,288		0	1,113,288	Pledged	0
							Frozen	0
LI SHERYN ZHAN MING	Overseas nature person	0.38%	1,074,000		0	1,074,000	Pledged	0
							Frozen	0
Li Senzhuang	Domestic nature person	0.36%	1,017,773		0	1,017,773	Pledged	0
							Frozen	0
Strategy investors or general		N/A						

corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3)			
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. 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	9,722,000	Domestically listed foreign shares	9,722,000
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	5,355,249	Domestically listed foreign shares	5,355,249
Guoyuan Securities Brokerage (Hong Kong) Co., Ltd.	3,870,117	Domestically listed foreign shares	3,870,117
Li Zhongqiu	2,830,000	Domestically listed foreign shares	2,830,000
Zhong Jiachao	1,329,602	RMB common share	1,329,602
China Merchants Securities Hong Kong Limited	1,113,288	Domestically listed foreign shares	1,113,288
LI SHERYN ZHAN MING	1,074,000	Domestically listed foreign shares	1,074,000
Li Senzhuang	1,017,773	Domestically listed foreign shares	1,017,773
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict	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. 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.		

common shareholders and top 10 shareholders	
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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. Convertible Bonds

☐ Applicable ☒ Not applicable

The Company had no convertible bonds in the Period.

Section IX. Particulars about Directors, Supervisors and Senior Officers

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

☐ Applicable ☒ Not applicable

Shares held by directors, supervisors and senior officers have no changes in reporting period, found more details in Annual Report 2019.

II. Resignation and dismissal of directors, supervisors and senior officers

☐ Applicable ☒ Not applicable

The directors, supervisors and senior management of the company did not change during the reporting period, found more details in Annual Report 2019.

Section X. Corporate Bond

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

No

Section XI. 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 un-audited

II. Financial statement

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

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD

2020-06-30

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	25,894,233.18	38,095,501.00
Settlement provisions		
Capital lent		
Tradable financial assets		
Derivative financial assets		
Note receivable		
Account receivable	162,983,895.27	138,755,691.43
Receivable financing	29,776,291.10	42,096,834.02
Accounts paid in advance	22,083,401.55	23,007,637.46
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	4,804,531.82	6,351,361.16
Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventories	70,058,031.39	66,971,551.96
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	234,014.36	1,395,071.36
Total current assets	315,834,398.67	316,673,648.39
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		

Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	48,088,827.43	48,952,992.57
Fixed assets	196,754,132.05	198,229,817.31
Construction in progress	500,000.00	
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	42,056,797.73	42,968,600.44
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	193,613.23	309,781.15
Deferred income tax asset	6,948,781.36	6,803,360.00
Other non-current asset	225,700.00	225,700.00
Total non-current asset	294,767,851.80	297,490,251.47
Total assets	610,602,250.47	614,163,899.86
Current liabilities:		
Short-term loans		24,633,898.20
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable	8,617,287.25	16,761,590.51
Account payable	140,297,671.23	108,804,905.20
Accounts received in advance	866,746.45	356,446.21
Contractual liability		
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	4,280,621.68	5,877,341.25
Taxes payable	12,568,567.03	12,877,944.98
Other account payable	28,140,118.39	28,027,592.62
Including: Interest payable		89,365.28
Dividend payable		

Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	12,000,000.00	12,000,000.00
Other current liabilities		
Total current liabilities	206,771,012.03	209,339,718.97
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	67,000,000.00	73,000,000.00
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	4,173,180.00	2,331,720.00
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	71,237,591.00	75,396,131.00
Total liabilities	278,008,603.03	284,735,849.97
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	-174,546,444.31	-177,712,041.86
Total owner's equity attributable to parent company	332,593,647.44	329,428,049.89
Minority interests		
Total owner's equity	332,593,647.44	329,428,049.89
Total liabilities and owner's equity	610,602,250.47	614,163,899.86

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	2020-6-30	2019-12-31
Current assets:		
Monetary funds	3,898,679.16	3,494,245.90
Trading financial assets		
Derivative financial assets		
Note receivable		
Account receivable		
Receivable financing		
Accounts paid in advance	71,888.56	
Other account receivable	95,507,010.91	97,165,023.85
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		173,950.26
Total current assets	99,492,385.13	100,848,026.51
Non-current assets:		
Debt investment		
Other debt investment		
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	24,562,099.74	25,166,301.06
Fixed assets	97,873,874.16	98,410,024.38
Construction in progress	500,000.00	
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	4,469,157.57	4,553,709.24

Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	7,367,646.35	7,367,646.35
Other non-current assets		
Total non-current assets	321,381,677.82	322,106,581.03
Total assets	420,874,062.95	422,954,607.54
Current liabilities		
Short-term borrowings		
Trading financial liability		
Derivative financial liability		
Notes payable		
Account payable	9,740,367.33	10,745,840.16
Accounts received in advance	64,745.01	57,266.01
Contractual liability		
Wage payable	820,979.02	1,220,979.02
Taxes payable	7,498,209.68	8,489,130.72
Other accounts payable	22,460,372.88	19,100,375.42
Including: Interest payable		
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year	12,000,000.00	12,000,000.00
Other current liabilities		
Total current liabilities	52,584,673.92	51,613,591.33
Non-current liabilities:		
Long-term loans	67,000,000.00	73,000,000.00
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	67,064,411.00	73,064,411.00
Total liabilities	119,649,084.92	124,678,002.33
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	-205,915,113.72	-208,863,486.54
Total owner's equity	301,224,978.03	298,276,605.21
Total liabilities and owner's equity	420,874,062.95	422,954,607.54

3. Consolidated Profit Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Total operating income	300,703,421.38	339,190,174.05
Including: Operating income	300,703,421.38	339,190,174.05
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	297,053,804.80	336,433,054.05
Including: Operating cost	263,959,652.63	297,580,208.34
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	1,004,056.05	1,310,110.00
Sales expense	9,100,079.39	9,130,380.22
Administrative expense	17,082,362.66	19,616,991.39
R&D expense	2,423,425.26	3,726,992.86
Financial expense	3,484,228.81	5,068,371.24
Including: Interest expenses	4,018,202.27	5,355,676.92
Interest income	11,856.69	419,336.28
Add: other income	348,540.00	

Investment income (Loss is listed with “-”)	66,780.40	74,936.14
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 “-”)		
Income from assets disposal (Loss is listed with “-”)	-99,867.53	129,039.57
III. Operating profit (Loss is listed with “-”)	3,965,069.45	2,952,663.21
Add: Non-operating income	45,200.06	232,758.00
Less: Non-operating expense	7,302.38	1,100.00
IV. Total profit (Loss is listed with “-”)	4,002,967.13	3,184,321.21
Less: Income tax expense	837,369.58	603,910.08
V. Net profit (Net loss is listed with “-”)	3,165,597.55	2,580,411.13
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	3,165,597.55	2,580,411.13
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	3,165,597.55	2,580,411.13
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.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	3,165,597.55	2,580,411.13
Total comprehensive income attributable to owners of parent Company	3,165,597.55	2,580,411.13
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0112	0.0091

(ii) Diluted earnings per share	0.0112	0.0091
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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	2020 semi-annual	2019 semi-annual
I. Operating income	16,720,522.47	18,041,135.31
Less: Operating cost	2,040,226.11	3,172,031.59
Taxes and surcharge	542,709.33	562,061.05
Sales expenses		
Administration expenses	6,208,200.98	9,024,394.50
R&D expenses		
Financial expenses	4,015,977.09	4,423,699.05
Including: interest expenses	4,018,202.27	4,398,333.30
Interest income	6,881.46	9,938.10
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 "-")	3,913,408.96	858,949.12

Add: Non-operating income	17,754.80	1,300.00
Less: Non-operating expense		
III. Total Profit (Loss is listed with “-”)	3,931,163.76	860,249.12
Less: Income tax	982,790.94	215,062.28
IV. Net profit (Net loss is listed with “-”)	2,948,372.82	645,186.84
(i)continuous operating net profit (net loss listed with “-”)	2,948,372.82	645,186.84
(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 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.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign		

currency financial statements		
7.Other		
VI. Total comprehensive income	2,948,372.82	645,186.84
VII. Earnings per share:		
(i) Basic earnings per share	0.0104	0.0023
(ii) Diluted earnings per share	0.0104	0.0023

5. Consolidated Cash Flow Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	251,602,049.92	283,565,570.88
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	3,743,255.21	3,403,272.55
Subtotal of cash inflow arising from operating activities	255,345,305.13	286,968,843.43
Cash paid for purchasing commodities and receiving labor service	179,132,887.12	182,811,441.04
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 capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	24,991,943.90	33,770,584.01
Taxes paid	3,743,185.15	4,582,072.62
Other cash paid concerning operating activities	26,277,076.72	20,610,525.20
Subtotal of cash outflow arising from operating activities	234,145,092.89	241,774,622.87
Net cash flows arising from operating activities	21,200,212.24	45,194,220.56
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	66,780.40	74,936.14
Net cash received from disposal of fixed, intangible and other long-term assets	411,000.00	320,500.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	35,000,000.00	49,000,000.00
Subtotal of cash inflow from investing activities	35,477,780.40	49,395,436.14
Cash paid for purchasing fixed, intangible and other long-term assets	1,816,159.96	4,360,231.13
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	35,000,000.00	49,000,000.00
Subtotal of cash outflow from investing activities	36,816,159.96	53,360,231.13

Net cash flows arising from investing activities	-1,338,379.56	-3,964,794.99
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	6,725,056.80	61,315,748.80
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	6,725,056.80	61,315,748.80
Cash paid for settling debts	37,370,812.20	88,051,864.63
Cash paid for dividend and profit distributing or interest paying	4,192,431.31	5,723,122.93
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	41,563,243.51	93,774,987.56
Net cash flows arising from financing activities	-34,838,186.71	-32,459,238.76
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	144,260.22	99,650.05
V. Net increase of cash and cash equivalents	-14,832,093.81	8,869,836.86
Add: Balance of cash and cash equivalents at the period -begin	36,645,061.61	27,961,209.60
VI. Balance of cash and cash equivalents at the period -end	21,812,967.80	36,831,046.46

6. Cash Flow Statement of Parent Company

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	17,825,898.30	16,386,026.55

Write-back of tax received		
Other cash received concerning operating activities	7,210,631.17	4,240,814.47
Subtotal of cash inflow arising from operating activities	25,036,529.47	20,626,841.02
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	2,100,854.64	1,551,291.30
Taxes paid	1,790,646.36	791,510.74
Other cash paid concerning operating activities	11,480,046.39	25,327,205.64
Subtotal of cash outflow arising from operating activities	15,371,547.39	27,670,007.68
Net cash flows arising from operating activities	9,664,982.08	-7,043,166.66
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		
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		
Net cash flows arising from investing activities		

III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
Cash paid for settling debts	6,000,000.00	
Cash paid for dividend and profit distributing or interest paying	3,366,124.47	4,398,333.30
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	9,366,124.47	4,398,333.30
Net cash flows arising from financing activities	-9,366,124.47	-4,398,333.30
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	2,210.11	
V. Net increase of cash and cash equivalents	301,067.72	-11,441,499.96
Add: Balance of cash and cash equivalents at the period -begin	2,046,143.44	12,024,179.58
VI. Balance of cash and cash equivalents at the period -end	2,347,211.16	582,679.62

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

This Period

In RMB

Item	2020 semi-annual														
	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	283,161,2				146,587,271.				77,391,593.2		-177,712,041.		329,428,049.	329,428,049.	

	27.00				50				5		86		89		89
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	283,161,27.00				146,587,271.50				77,391,593.25		-177,712,041.86		329,428,049.89		329,428,049.89
III. Increase/Decrease in this year (Decrease is listed with “-”)											3,165,597.55		3,165,597.55		3,165,597.55
(i) Total comprehensive income											3,165,597.55		3,165,597.55		3,165,597.55
(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 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	283,161,277.00				146,587,271.50				77,391,593.25		-174,546,444.31		332,593,647.44		332,593,647.44

Last Period

In RMB

Item	2019 semi-annual														
	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		-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	283				146,				77,3		-183		323,		323,9

the beginning of this year	,16 1,2 27. 00				587, 271. 50				91,5 93.2 5		,172, 091. 01		968, 000. 74		68,00 0.74
III. Increase/Decrease in this year (Decrease is listed with “-”)											5,46 0,04 9.15		5,46 0,04 9.15		5,460 ,049. 15
(i) Total comprehensive income											5,46 0,04 9.15		5,46 0,04 9.15		5,460 ,049. 15
(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 converted 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	283,161,277.00				146,587,271.50				77,391,593.25		-177,712,041.86		329,428,049.89		329,428,049.89

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

This Period

In RMB

Item	2020 semi-annual											
	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	-208,863,486.54		298,276,605.21
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-208,863,486.54		298,276,605.21
III. Increase/Decrease in this year (Decrease is listed with "-")										2,948,372.82		2,948,372.82
(i) Total comprehensive income										2,948,372.82		2,948,372.82
(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 converted 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	283,161,227.00				146,587,271.50				77,391,593.25	-205,915,113.72		301,224,978.03
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Last period

In RMB

Item	2019 semi-annual											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Prefere d 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	-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 "-")										2,991,943.87		2,991,943.87
(i) Total comprehensive income										2,991,943.87		2,991,943.87
(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	-208,863,486.54		298,276,605.21

III. Company profile

1. 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., Huaafa (N) Road, Futian District, Shenzhen

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227.00

2. 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.

3. Relevant party offering approval reporting of financial statements and date thereof

The financial statement has been deliberated and approved by BOD on 21 August 2020. According to Article of Association, the statement shall be submitted for deliberation in shareholders general meeting.

Consolidate scope in the Period including: subsidiaries including Shenzhen HUAFA Property Lease 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 VIII. 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 expects that the production and sales will be in a virtuous cycle within 12 months from the end of the reporting period, and there is no risk that affects the continued operations.

V. Important accounting policy and estimation

Notes on specific accounting policies and accounting estimation:

The following disclosure has covered the specific accounting policies and accounting estimates formulated by the Company according to the actual production and operation characteristics.

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 2020 and the operation results as well as cash flow for the first half year of 2020.

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.

5. Accounting treatment of disposal subsidiaries

In the case of partial disposal of long-term equity investments in subsidiaries without loss of control, in the consolidated financial statements, the difference between the disposal price and the net asset share corresponding to the disposal of long-term equity investments and enjoying the subsidiaries' continued calculation from the purchase date or the merger date is used to adjust the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings are adjusted.

If the control power of the investee is lost due to the disposal of part of the equity investment, etc., when preparing the consolidated financial statements, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the

remaining equity minus the difference between the share of the original subsidiary's net assets that should be continuously calculated from the purchase date or the merger date is included in the current investment income when the control is lost and also offsets goodwill. Other comprehensive income related to the equity investment of the original subsidiary is converted into current investment income when the control is lost.

7. 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.

8. 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 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.

9. Financial instrument

1. Category and recognition of financial instrument

Financial instrument is the contract that taken shape of the financial asses for an enterprise and of the financial

liability or equity instrument for other units.

(1) Financial assets

The Company classifies financial assets that meet the following conditions as financial assets measured at amortized cost: ① The Company's business model for managing financial assets is to collect contractual cash flows as its goal; ② The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

The Company classifies financial assets that meet the following conditions as financial assets measured at fair value and whose changes are included in other comprehensive income: ① The Company's business model for managing financial assets is to collect contractual cash flows and sell the financial assets as its goal; ② The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only for the payment of principal and interest based on the outstanding principal amount.

For investment in non-trading equity instruments, the Company may irrevocably designate it as a financial asset measured at fair value and its changes included in other comprehensive income at initial recognition. The designation is made on the basis of a single investment, and the relevant investment meets the definition of equity instruments from the perspective of the issuer.

Except for financial assets classified as financial assets measured at amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income, the Company classifies the financial assets as financial assets measured at fair value and whose changes are included in current profit or loss. At the initial recognition, if the accounting mismatch can be eliminated or reduced, the Company can irrevocably designate the financial asset as a financial asset measured at fair value and its changes are included in the current profit and loss.

When the Company changes the business model for managing financial assets, it will reclassify all affected related financial assets on the first day of the first reporting period after the business model has been changed, and will apply future applicable methods from the date of reclassification for relevant accounting treatment, no retroactive adjustments shall be made for previously recognized gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified as financial liabilities measured at fair value and whose changes are included in the current profit or loss, financial liabilities formed by the transfer of financial assets that does not meet the conditions for derecognition or continues to be involved in the transferred financial assets, and financial liabilities measured at amortized cost at initial recognition. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The initial recognition of the Company's financial instruments is measured at fair value. For financial assets and financial liabilities measured at fair value and whose changes are included in the current profit and loss, the related transaction costs are directly included in the current profit and loss; for other types of financial assets or financial liabilities, the related transaction costs are included in the initial recognition amount. For the accounts receivable or bills receivable arising from the sale of products or the provision of labor services, not containing or not considering significant financing components, the Company shall use the amount of consideration expected to

be received as the initial recognition amount. The subsequent measurement of financial instruments depends on their classification.

(1) Financial assets

① Financial assets measured at amortized cost. After initial recognition, such financial assets are measured at amortized cost by using the effective interest method. Gains or losses arising from financial assets that are measured at amortized cost and do not belong to any hedging relationship are included in the current profit or loss when they are derecognized, reclassified, amortized in accordance with the effective interest rate method, or recognized for impairment.

② Financial assets measured at fair value and whose changes are included in the current profit and loss. After initial recognition, for such financial assets (except for a part of financial assets that belong to the hedging relationship), the fair value is used for subsequent measurement, and the resulting gains or losses (including interest and dividend income) are included in the current profit and loss.

③ Investment in debt instruments measured at fair value and whose changes are included in other comprehensive income. After initial recognition, the subsequent measurement of such financial assets is conducted at fair value. Interest, impairment losses or gains calculated by using the effective interest rate method and the exchange gains and losses are included in the current profit and loss, and other gains or losses are included in other comprehensive income. In derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

(2) Financial liabilities

① Financial liabilities measured at fair value and whose changes are included in the current profit and loss. Such financial liabilities include transactional financial liabilities (including derivatives that belong to financial liabilities) and financial liabilities designated to be measured at fair value and whose changes are included in the current profit and loss. After initial recognition, the subsequent measurement of such financial liabilities is at fair value, except for those related to hedge accounting, gains or losses (including interest expenses) resulting from changes in the fair value of transactional financial liabilities are included in the current profit and loss. If a financial liability designated to be measured at fair value and whose changes are included in the current profit or loss, the amount of change in the fair value of the financial liability caused by changes in the enterprise's own credit risk is included in other comprehensive income, other changes in fair value are included in the current profit and loss. If the impact of changes in the financial liability's own credit risk included in other comprehensive income causes or expands the accounting mismatch in profit or loss, the Company will include all gains or losses on the financial liability in the current profit and loss.

② Financial liabilities measured at amortized cost. After initial recognition, such financial liabilities are measured at amortized cost by using the effective interest method.

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

If the financial instrument has an active market, the fair value is determined by the quoted price in the active market; if the financial instrument doesn't have an active market, the fair value is determined by adopting the

valuation technique. Valuation techniques mainly include market approach, income approach and cost approach.

In limited circumstances, if the recent information used to determine fair value is insufficient, or the range of possible estimated amounts of fair value is widely distributed, and the cost represents the best estimate of fair value within this range, the cost may represent the appropriate estimates of fair value within this distribution range. The Company uses all information on the performance and operation of the investee gettable after the initial recognition date to determine whether the cost represents the fair value or not.

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

(1) Financial assets

If the Company's financial asset meets one of the following conditions, it shall be terminated for confirmation:

① The contract right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred, and the Company has transferred almost all risks and rewards of ownership of the financial asset; ③ The financial asset has been transferred, although the Company has neither transferred nor retained almost all the remuneration in the ownership of the financial asset, it has not retained control of the financial asset.

If the Company neither transfers nor retains almost all the remuneration in the ownership of financial assets, and retains control over the financial assets, the relevant financial assets are recognized according to the extent that they continue to be involved in the transferred financial assets, and the related liabilities are accordingly recognized.

If the transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profit and loss: ① The book value of the transferred financial assets on the date of derecognition; ② The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognized part of the cumulative amount of changes in fair value that was directly included in other comprehensive income (the financial assets involved in the transfer are classified as financial assets measured at fair value and their changes are included in other comprehensive income).

If partial transfer of financial assets satisfies the conditions for derecognition, the book value of the transferred financial assets as a whole is apportioned respectively according to the relative fair value on the transfer date between the derecognition portion and the non- derecognition portion, and then the difference of following two amounts is included in the current profit and loss: ① The book value of the derecognition part on the derecognition date; ② The sum of the consideration received in the derecognition part and the amount corresponding to the derecognized part of the cumulative amount of changes in fair value that was directly included in other comprehensive income (the financial assets involved in the transfer are classified as financial assets measured at fair value and their changes are included in other comprehensive income).

(2) Financial liability

If the current obligation of the financial liability (or part of it) has been discharged, the Company derecognizes the financial liability (or part of the financial liability).

If the financial liability (or part of it) is derecognized, the Company shall include the difference between its book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) into the current profit and loss.

10.Note receivable

Found more in 11.Account receivable

11.Account receivable

1. How to determine expected credit losses

Based on expected credit losses, the Company makes impairment accounting treatment and confirm loss provisions for financial assets (including receivables) measured at amortized cost and financial assets (including receivables financing) that are measured at fair value and whose changes are included in other comprehensive income, and lease receivables.

The Company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and divides the process of credit impairment of financial instruments into three stages, and adopts different accounting treatment methods for financial instruments impairment at different stages: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since its initial recognition, the Company shall measure the loss provisions according to the expected credit losses of the financial instrument in the next 12 months, and calculate the interest income according to its book balance (i.e. without deducting impairment) and actual interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the Company shall measure the loss provisions according to the expected credit losses of the financial instrument during the entire duration, and calculate the interest income according to its book balance and actual interest rate; (3) In the third stage, if the credit impairment occurs after initial recognition, the Company shall measure loss provisions based on the expected credit losses of the financial instrument for the entire duration, and calculate the interest income according to its book balance and actual interest rate.

(1) Methods of measuring loss provisions for financial instruments with lower credit risk

For financial instruments with lower credit risk on the balance sheet date, the Company can directly make the assumption that the credit risk of the instrument has not increased significantly since the initial recognition without comparing with the credit risk at the initial recognition.

If the default risk of financial instruments is low, the debtor's ability to fulfill its contractual cash flow obligations is strong in the short term, and even if there are adverse changes in the economic situation and operating environment over a long period of time, it may not necessarily reduce the borrower's ability to fulfill the contractual cash flow obligations, the financial instrument shall be considered to have lower credit risk.

(2) Methods of measuring loss provisions for accounts receivable and lease receivables

①Receivables that do not contain significant financing components. For the receivables formed by transactions regulated by "Accounting Standards for Business Enterprises No.14-Revenue" and without containing significant financing components, the Company adopts a simplified method, that is, it always calculates the loss provisions based on the expected credit losses for the entire duration.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of individual financial assets or financial assets portfolios. The Company divides the notes receivable and accounts receivable into several portfolios based on the characteristics of credit risk, and calculates the expected credit losses on the basis of the portfolios, the basis for determining the portfolios is as follows:

Accounts receivable portfolio 1: A portfolio that uses the aging of accounts receivables as credit risk characteristics,

Accounts receivable portfolio 2: Combination of related parties included in the scope of consolidated statements

Notes receivable portfolio 1: Same as the division of accounts receivable portfolio

Notes receivable portfolio 2: Management evaluates that this type of fund is bank acceptance portfolio with lower credit risk

For the accounts receivable and notes receivable being divided into portfolio 1, the Company refers to the historical credit loss experience, combines with the current conditions and the prediction of future economic situation, and prepares a comparison table of the aging of accounts receivable and the expected credit loss rate of the entire duration, and calculates the expected credit losses.

For accounts receivable and notes receivable being divided into portfolio 2, the Company refers to historical credit loss experience, combines with the current conditions and the predictions of future economic conditions, and calculates the expected credit losses of 0% through default risk exposure and expected credit loss rate for the entire duration.

②Accounts receivables and leases receivables that contain significant financing components. For accounts receivables that contain significant financing components and leases receivables regulated by “Accounting Standards for Business Enterprises No. 21-Leases”, the Company measures loss provisions in accordance with the general method, that is, the “third stage” model.

(3)Accrual method of bad debt provision for those accrual by account age as the portfolio

Account age	Expected credit loss rate of receivable (%)
Within one year (one year included)	0
1-2 years	5
2-3 years	10
Over 3 years	30

2. Accounting treatment methods of expected credit losses

In order to reflect the changes in the credit risk of financial instruments since initial recognition, the Company remeasures the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provisions should be counted as an impairment loss or gain and included in the current profit and loss, and based on the type of financial instrument, offsets the book value of the financial asset listed in the balance sheet or includes in the estimated liability (loan commitment or financial guarantee contract) or includes in other comprehensive income (debt investments measured at fair value and whose changes are included in other comprehensive income).

12.Receivable financing

Accounts receivable financing reflects the bills receivable and receivables that are measured at fair value on the balance sheet date and whose changes are included in other comprehensive income, for example, the company uses bank acceptance discounts or endorsements as a daily fund management business model, then the company aims to both collect contractual cash flow and sell the bank's acceptance bill, and classifies it as a financial asset measured at fair value and whose changes are included in other comprehensive income. The occasional bank acceptance discounts or endorsements not used as a daily fund management business model cannot be classified as financial assets measured at fair value and whose changes are included in other comprehensive income or be included in accounts receivable financing.

Accounting treatment reference to the 9.4 Classification, recognition basis and measurement method of financial assets above mentioned

13. Other account receivable

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

The Company measures the loss provisions according to the general method, that is, the "third stage" model.

When measuring the credit impairment of financial instruments, the Company considers the following factors to assess whether the credit risk has increased significantly:

The Company divides other receivables into several portfolios based on the nature of the payments, and calculates the expected credit losses on the basis of the portfolio, the basis for determining the portfolio is as follows:

Other receivables portfolio 1: Combination of non-related parties that make provision for impairment according to the expected loss rate

Other receivables portfolio 2: Combination of related parties included in the scope of consolidated statements

For other receivables being divided into portfolio 1, the Company refers to the historical credit loss experience, combines with the current conditions and the prediction of future economic situation, and prepares a comparison table of the aging of accounts receivable and the expected credit loss rate of the entire duration, and calculates the expected credit losses.

For other receivables being divided into portfolio 2, the Company refers to historical credit loss experience, combines with the current conditions and the predictions of future economic conditions, and calculates the expected credit losses of 0% through default risk exposure and expected credit loss rate for the entire duration.

Accrual method of bad debt provision for those accrual by account age as the portfolio

Account age	Expected credit loss rate of other receivable (%)
Within one year (one year included)	0
1-2 years	5
2-3 years	10
Over 3 years	30

14. Inventory

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 (wrappage and low-value consumption goods etc.), outside processing materials, 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

15. 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.

16. 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.

17. 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 house and 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.

18. 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.

19. 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.

20. 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 yea-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.

21. 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.

22. 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.

23. 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.

24. 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.

25. Revenue(Income)

Accounting policy for recognition and measurement of revenue(income)

1. Sales of goods

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

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

2. Labor service providing

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

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

3. Transition of asset use right

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

The Company's specific income recognition method: it is recognized as income when the product has been sent out and signed for receipt by the other party for domestic sales; it is recognized as income when the product has been shipped and its customs procedures have been completed with the relevant declaration documents for export sales. Income from house leases and property management is recognized according to the lease contract agreement, receipt of relevant payments, or relevant collection proof.

Different business models of similar business resulted in different accounting policies for revenue recognition

N/A

26. 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.

27. 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 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 deducted the deferred income tax assets, book value of the deferred income tax assets shall be kept in decreased.
3. The taxable temporary differences related to the investments of subsidiary companies and associated enterprises shall 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.

28. 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.

29. 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
On 5 July 2017, the Ministry of Finance	Deliberated and approved by 3 rd session	

issued the Notice on Revision and Issuance of Accounting Standards for Business Enterprise No.14- Revenue (Cai Kuai [2017] No.22), enterprises that are listed both at home and abroad, as well as those listed overseas and prepared their financial statements using IFRS or Accounting Standards for Business Enterprise, shall enter into force as of 1 Jan. 2018; other enterprise listed at home shall enter into force as of 1 Jan. 2020; and the non-listed enterprises that implement the Accounting Standards for Business Enterprise shall enter into force as of 1 Jan. 2021. In accordance with the requirements of the above document, the Company will implement the New Revenue Standards as of 1 Jan. 2020, and will make changes to the relevant accounting policies in line with the provisions of the New Revenue Standards.	of 10 th BOD	
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N/A

(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 revenue standards and new leasing standards since 2020**

Applicable

Is it necessary to adjust the items of balance sheet at beginning of the year

☐ Yes ☒ No

Explanation on the items of balance sheet at beginning of the year without adjustment

Implementation of the New Revenue Standards has no impact on the statement of the Company

(4) Retrospective adjustment of early comparison data description when initially implemented the new revenue standards and new leasing standards since 2020☐ 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%
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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 2020 was 15%.

VII. Notes to main items in consolidated financial statement

1. Monetary fund

RMB/CNY

Item	Closing balance	Opening balance
Cash on hand	363,912.99	432,301.32
Bank deposit	23,000,522.81	37,660,862.75
Other monetary fund	2,529,797.38	2,336.93
Total	25,894,233.18	38,095,501.00
The total amount of money that has restrictions on use due to mortgage, pledge or freezing	4,081,265.38	1,450,439.39

Other explanation

Other monetary funds are bank acceptance deposits.

2. 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	13,146,290.18	7.46%	13,146,290.18	100.00%		13,146,290.18	8.65%	13,146,290.18	100.00%	
Including:										
Ending Account receivable with single significant	7,556,363.72	4.29%	7,556,363.72	100.00%		7,556,363.72	4.29%	7,556,363.72	100.00%	

amount and withdrawal bad debt provision on single basis										
Ending Account receivable with single minor amount but with bad debts provision accrued on a single basis	5,589,926.46	3.17%	5,589,926.46	100.00%		5,589,926.46	3.17%	5,589,926.46	100.00%	
Account receivable with bad debt provision accrual on portfolio	162,988,083.33	92.54%	4,188.06	0.00%	162,983,895.27	138,759,879.49	91.35%	4,188.06	0.00%	138,755,691.43
Including:										
Take account ages of receivables as a combination of credit risk characteristics	162,988,083.33	92.54%	4,188.06	0.00%	162,983,895.27	138,759,879.49	91.35%	4,188.06	0.00%	138,755,691.43
Total	176,134,373.51	100.00%	13,150,478.24	7.47%	162,983,895.27	151,906,169.67	100.00%	13,150,478.24	4.53%	138,755,691.43

Accrual of bad debt provision on single basis: 5,589,926.46 Yuan

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
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
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	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
Wuhan Hongxin Communication Technology Co., Ltd.	2,282.97	2,282.97	100.00%	Uncollectible
Other	2,037,613.75	2,037,613.75	100.00%	Uncollectible
Total	5,589,926.46	5,589,926.46	--	--

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: 4,188.06 Yuan

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio
Within one year	162,906,849.90		
1-2 years	78,705.66	3,935.28	5.00%
2-3 years	2,527.77	252.78	10.00%
Over 3 years			
Total	162,988,083.33	4,188.06	--

Explanation on portfolio basis:

Take account ages of receivables as a combination of credit risk characteristics

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)	162,906,849.90
1-2 years	78,705.66
2-3 years	2,527.77
Over 3 years	13,146,290.18
Over 5 years	13,146,290.18
Total	176,134,373.51

(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	Other	
Take account ages of receivables as a combination of credit risk characteristics	4,188.06					4,188.06
Total	4,188.06					4,188.06

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

RMB/CNY

Company	Closing balance of account receivable	Proportion in total account receivables at year-end	Closing balance of bad debt provision
Qingdao Haidayuan Purchasing Service Co., Ltd.	40,178,068.82	22.81%	
Hong Kong Yutian International Investment Co., Ltd.	39,240,084.73	22.28%	
ViewSonic Technology (China) Co., Ltd.	20,316,906.99	11.53%	
Viewsonic International Copera	12,471,107.43	7.08%	
Wuhan Edmond Technology Co., Ltd.	8,322,183.18	4.72%	
Total	120,528,351.15	68.42%	

3. Receivable financing

RMB/CNY

Item	Closing balance	Opening balance
Note receivable	29,776,291.10	42,096,834.02
Total	29,776,291.10	42,096,834.02

Receivable financing Changes in the period and changes in fair value

☐ Applicable ☒ Not applicable

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

Other explanation:

The amount of pledged notes receivable at the end of the year is 9,294,702.94 yuan, and the amount of notes receivable endorsed or discounted at the end of the year but not yet due at the balance sheet date is 83,072,587.83 yuan. At the end of the year, there is no bill converted into accounts receivable due to the drawer's failure to perform the contract.

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

RMB/CNY

Account age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	21,510,905.11	97.41%	22,879,096.29	99.44%
1-2 years	114,550.00	0.52%	128,541.17	0.56%
2-3 years	457,946.44	2.07%		
Total	22,083,401.55	--	23,007,637.46	--

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

Company	Closing balance	Proportion in total accounts paid in advance (%)
Hong Kong Yutian International Investment Co., Ltd.	7,712,238.37	34.92%
Haier Digital Technology (Qingdao) Co., Ltd.	4,857,494.00	22.00%
Hubei Century United Innovation Technology Co., Ltd.	2,422,299.74	10.97%
Nanjing Zhongdian Panda LCD Technology Co., Ltd.	1,177,502.40	5.33%
Guangzhou Shikun Electronic Technology Co., Ltd.	1,102,431.05	4.99%
Total	17,271,965.56	78.21%

Other explanation:

Nil

5. Other account receivable

RMB/CNY

Item	Closing balance	Opening balance
Other account receivable	4,804,531.82	6,351,361.16
Total	4,804,531.82	6,351,361.16

(1)Other account receivable

1) By nature

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin and deposit	1,611,408.99	1,583,408.99
Borrow money	2,135,739.46	1,944,700.12
Intercourse funds	8,912,181.51	11,534,893.51
Rent receivable		5,847,389.48
Other	7,209,793.66	505,560.36
Less: bad debt provision	-15,064,591.80	-15,064,591.30
Total	4,804,531.82	6,351,361.16

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, 2020	252,531.52		14,812,059.78	15,064,591.30
Balance of Jan. 1, 2020 in the period	—	—	—	—
Balance on Jun. 30, 2020	252,531.52		14,812,059.78	15,064,591.30

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)	3,813,383.34
1-2 years	447,859.44
2-3 years	3.00
Over 3 years	15,607,877.84
3-4 years	2,250,126.00
Over 5 years	13,357,751.84
Total	19,869,123.62

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	written-off	Other	
Phase I	252,531.52					252,531.52
Phase III	14,812,059.78					14,812,059.78
Total	15,064,591.30					15,064,591.30

Nil

Including the important amount collected or switches back in the period:

RMB/CNY

Company	Amount collected or switches back	Way of collection
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Nil

4) 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	20.24%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd	Rent receivable	1,380,608.00	Over 3 years	6.95%	1,380,608.00
Fujian Jieliang Electronics Co., Ltd.	Margin & deposit	800,000.00	Over 3 years	4.03%	240,000.00
Traffic accident compensation	Intercourse funds	555,785.81	Over 3 years	2.80%	555,785.81
Hebei Botou Court	Intercourse funds	520,021.00	Over 3 years	2.62%	520,021.00
Total	--	7,278,149.03	--	36.63%	6,718,149.03

6. Inventory

Whether implemented the new revenue standards

☐Yes ☒No**(1)Category**

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Inventories fall provision or contract performance costs impairment provision	Book value	Book balance	Inventories fall provision or contract performance costs impairment provision	Book value
Raw materials	34,099,631.66	2,844,484.06	31,255,147.60	33,817,180.23	2,844,484.06	30,972,696.17
In product		0.00			0.00	0.00
Inventory goods	31,527,522.07	486,362.31	31,041,159.76	27,590,425.68	486,362.31	27,104,063.37
Low priced and easily worn articles	276,946.52	111,981.81	164,964.71	463,639.07	111,981.81	351,657.26
Homemade semi-finished products	7,828,849.32	232,090.00	7,596,759.32	8,775,225.16	232,090.00	8,543,135.16
Total	73,732,949.57	3,674,918.18	70,058,031.39	70,646,470.14	3,674,918.18	66,971,551.96

(2) Inventories fall provision or contract performance costs impairment provision

RMB/CNY

Item	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	2,844,484.06					2,844,484.06
In product	0.00					0.00
Inventory goods	486,362.31					486,362.31
Low priced and easily worn articles	111,981.81					111,981.81
Homemade semi-finished products	232,090.00					232,090.00
Total	3,674,918.18		0.00		0.00	3,674,918.18

Nil

(3) Explanation on the ending balance of inventory contains an capitalized amount of borrowing costs**(4) Explanation on the current amortization amount of contract performance costs****7. Other current assets**

RMB/CNY

Item	Closing balance	Opening balance
Value-added tax to be deducted	191,700.06	1,352,757.06
Advance payment of income tax	42,314.30	42,314.30

Total	234,014.36	1,395,071.36
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Other explanation:

Nil

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	84,708,694.37			84,708,694.37
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	85,572,859.51			85,572,859.51
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	48,088,827.43			48,088,827.43
2. Opening book value	48,952,992.57			48,952,992.57

9. Fixed assets

RMB/CNY

Item	Closing balance	Opening balance
Fixed assets	103,896,660.36	105,372,345.62
Disposal of fixed assets	92,857,471.69	92,857,471.69
Total	196,754,132.05	198,229,817.31

(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	73,200,617.41	94,646,254.95	6,170,584.89	8,754,968.35	7,180,143.39	21,250,262.83	3,211,408.06	214,414,239.88
1. Opening balance		4,837,879.93		144,092.43	61,543.16	566,194.98	6,637.17	5,616,347.67
2. Current increased		4,837,879.93		144,092.43	61,543.16	566,194.98	6,637.17	5,616,347.67
(1) Purchasing								
(2) Construction in process transfer-in								
(3) increased by combination								
		4,478,578.		76,005.58	38,466.72		21,550.00	4,614,600.

3.Current decreased		34						64
(1) Disposal or scrapping		4,478,578.34		76,005.58	38,466.72		21,550.00	4,614,600.64
4.Closing balance	73,200,617.41	95,005,556.54	6,170,584.89	8,823,055.20	7,203,219.83	21,816,457.81	3,196,495.23	215,415,986.91
II. Accumulative depreciation								
1.Opening balance	18,788,535.27	61,361,126.34	4,652,063.93	3,809,126.76	5,017,484.12	12,840,239.70	2,573,318.14	109,041,894.26
2.Current increased	1,023,481.84	2,617,622.15	371,522.84	567,726.36	163,539.20	1,772,335.30	65,549.82	6,581,777.51
(1)Accrual	1,023,481.84	2,617,622.15	371,522.84	567,726.36	163,539.20	1,772,335.30	65,549.82	6,581,777.51
3.Current decreased		3,985,319.96		65,010.21	34,620.05		19,395.00	4,104,345.22
(1) Disposal or scrapping		3,985,319.96		65,010.21	34,620.05		19,395.00	4,104,345.22
4.Closing balance	19,812,017.11	59,993,428.53	5,023,586.77	4,311,842.91	5,146,403.27	14,612,575.00	2,619,472.96	111,519,326.55
III. Depreciation reserves								
1.Opening balance								
2.Current increased								
(1)Accrual								

3.Current decreased								
(1) Disposal or scrapping								
4.Closing balance								
IV. Book value								
1.Ending book value	53,388,600.30	35,012,128.01	1,146,998.12	4,511,212.29	2,056,816.56	7,203,882.81	577,022.27	103,896,660.36
2.Opening book value	54,412,082.14	33,285,128.61	1,518,520.96	4,945,841.59	2,162,659.27	8,410,023.13	638,089.92	105,372,345.62

(2)Fixed assets leasing-out by operational lease

RMB/CNY

Item	Ending book value
House building	774,175.19

(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

At the end of the period, the original value of fixed assets that had been fully depreciated and still in use was RMB 43,595,200.48. At the end of the period, there was no fixed asset for which the property right certificate was not completed.

10. Construction in process

RMB/CNY

Item	Closing balance	Opening balance
Construction in process	500,000.00	
Total	500,000.00	

(1) Construction in process

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Gongming Electronic City	500,000.00		500,000.00			

Reconstruction Project						
Total	500,000.00		500,000.00			

(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
Gongming Electronic City Reconstruction Project			500,000.00			500,000.00						Other
Total			500,000.00			500,000.00	--	--				--

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

RMB/CNY

Item	Land use right	Patent right	Non-patented technology	Software charges	Total
I. Original book value	55,089,774.36			3,696,416.41	58,786,190.77
1. Opening balance					
2. Current increased					
(1) Purchasing					
(2) internal R&D					
(3) increased by combination					

3.Current decreased					
(1) Disposal					
4.Closing balance	55,089,774.36			3,696,416.41	58,786,190.77
II. Accumulated amortization	14,879,506.53			828,655.90	15,708,162.43
1.Opening balance	734,823.26			176,979.45	911,802.71
2.Current increased	734,823.26			176,979.45	911,802.71
(1)Accrual					
3.Current decreased					
(1) Disposal					
4.Closing balance	15,614,329.79			1,005,635.35	16,619,965.14
III. Depreciation reserves					
1.Opening balance				109,427.90	109,427.90
2.Current increased					
(1)Accrual					
3.Current decreased					
(1) Disposal					
4.Closing balance				109,427.90	109,427.90
IV. Book value					
1.Ending book value	39,475,444.57			2,581,353.16	42,056,797.73
2.Opening book value	40,210,267.83			2,758,332.61	42,968,600.44

The 100.00% 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
Cloud service charge	309,781.15		116,167.92		193,613.23
Total	309,781.15		116,167.92		193,613.23

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	28,835,877.81	6,787,257.25	28,835,877.80	6,787,257.25
Deductible loss	969,475.74	145,421.36		
Accrual liability	64,411.00	16,102.75	64,411.00	16,102.75
Total	29,869,764.55	6,948,781.36	28,900,288.80	6,803,360.00

(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		6,948,781.36		6,803,360.00

(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
Total	3,163,837.81	3,163,837.81

14. Other non-current assets

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Advance payment for equipment	225,700.00		225,700.00	225,700.00		225,700.00
Total	225,700.00		225,700.00	225,700.00		225,700.00

Other explanation:

Nil

15. Short-term loans**(1)Category**

RMB/CNY

Item	Closing balance	Opening balance
Loan in pledge		12,000,000.00
Secured portfolio loan		12,633,898.20
Total		24,633,898.20

Explanation on category of Short-term loans

Nil

16. Note payable

RMB/CNY

Category	Closing balance	Opening balance
Bank acceptance bill	8,617,287.25	16,761,590.51
Total	8,617,287.25	16,761,590.51

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)	128,535,980.81	95,647,603.05
Over one year	11,761,690.42	13,157,302.15
Total	140,297,671.23	108,804,905.20

(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**(1)Account received in advance**

RMB/CNY

Item	Closing balance	Opening balance
Within one year	713,265.94	257,789.27
Over one year	153,480.51	98,656.94
Total	866,746.45	356,446.21

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	5,848,652.79	28,058,836.53	29,658,577.70	4,248,911.62
II. Post-employment benefits-defined contribution plans	28,688.46	402,183.31	399,161.71	31,710.06
III. Dismiss welfare		45,365.00	45,365.00	
Total	5,877,341.25	28,506,384.84	30,103,104.41	4,280,621.68

(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	4,854,064.03	24,374,368.64	26,034,732.48	3,193,700.19
2. Welfare for workers and staff		2,866,768.25	2,816,528.25	50,240.00
3. Social insurance	37,448.18	624,962.00	615,419.33	46,990.85
Including: Medical insurance	35,718.92	536,635.36	527,221.51	45,132.77
Work injury insurance	740.73	9,908.69	9,881.12	768.30
Maternity insurance	988.53	78,417.95	78,316.70	1,089.78
4. Housing accumulation fund	24,310.00	191,777.64	190,937.64	25,150.00
5. Labor union expenditure and personnel education expense	932,830.58	960.00	960.00	932,830.58
Total	5,848,652.79	28,058,836.53	29,658,577.70	4,248,911.62

(3)Defined contribution plans

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Basic endowment insurance	27,561.59	386,165.97	383,205.97	30,521.59
2. Unemployment insurance	1,126.87	16,017.34	15,955.74	1,188.47
Total	28,688.46	402,183.31	399,161.71	31,710.06

Other explanation:

Nil

20. Tax payable

RMB/CNY

Item	Closing balance	Opening balance
VAT	2,937,402.63	3,192,458.47
Corporate income tax	5,779,084.29	7,032,715.76
Individual income tax	14,384.24	30,265.20
Urban maintenance and construction tax	1,033,187.22	1,050,282.59
Property tax	548,114.12	310,683.11
Land use tax	239,920.53	25,424.98
Educational surtax	443,562.78	450,889.35
Local educational surtax	229,494.62	234,049.86
Dike fee	1,665.00	1,665.00
Stamp tax	39,201.60	39,940.66
Disposal fund of waste electrical products	1,302,550.00	509,570.00
Total	12,568,567.03	12,877,944.98

Other explanation:

Nil

21. Other account payable

RMB/CNY

Item	Closing balance	Opening balance
Interest payable		89,365.28
Other account payable	28,140,118.39	27,938,227.34
Total	28,140,118.39	28,027,592.62

(1)Interest payable

RMB/CNY

Item	Closing balance	Opening balance
Interest of short-term loans payable		89,365.28
Total		89,365.28

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	9,918,627.97	10,354,134.67
Lease management fee	5,702,755.27	3,251,610.67
Intercourse funds	9,134,770.37	8,544,383.61
After sale and repairmen	1,318,518.00	1,747,809.47
Other	2,065,446.78	4,040,288.92
Total	28,140,118.39	27,938,227.34

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.	1,853,393.35	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	4,646,968.46	--

Other explanation

22. Long-term loans**(1) Category**

RMB/CNY

Item	Closing balance	Opening balance
Mortgage loan	67,000,000.00	73,000,000.00
Total	67,000,000.00	73,000,000.00

Description of Long-term loans classification:

Nil

Other explanation, including interest rate range:

The borrowing interest rate is the same as the bank's benchmark interest rate for loans of the same grade in the same period, and the current period is 7.9166%.

23. Accrual liability

RMB/CNY

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

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

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

24. Deferred income

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance	Causes
Government subsidy	2,331,720.00	2,190,000.00	348,540.00	4,173,180.00	Industrial transformation subsidies
Total	2,331,720.00	2,190,000.00	348,540.00	4,173,180.00	--

Items involving Government subsidy:

RMB/CNY

Liability	Opening balance	New subsidy increased in the period	Amount reckoned in non-operating income in the period	Amount included in other income in the current period	Amount of cost and expense offset in the current period	Other change	Closing balance	Assets-related/Income-related
Government subsidy	2,331,720.00	2,190,000.00		348,540.00			4,173,180.00	Assets-related

Other explanation:

Nil

25. 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 2020, 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.

26. 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

27. 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

28. Retained profit

RMB/CNY

Item	Current period	Last period
Retained profit at period-begin after adjustment	-177,712,041.86	-183,172,091.01
Add: net profit attributable to owners of the parent company	3,165,597.55	5,460,049.15
Retained profit at period-end	-174,546,444.31	-177,712,041.86

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

29. Operating income and cost

RMB/CNY

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	268,465,953.89	249,723,766.92	310,399,495.33	285,485,316.56
Other business	32,237,467.49	14,235,885.71	28,790,678.72	12,094,891.78
Total	300,703,421.38	263,959,652.63	339,190,174.05	297,580,208.34

Information relating to revenue:

RMB/CNY

Category	Branch 1	Branch 2		Total
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				

Information relating to performance obligations:

Nil

Information related to the transaction price apportioned to the remaining performance obligations:

The amount of income corresponding to the performance obligations that have been signed at the end of this reporting period but have not yet been fulfilled or have not done with fulfillment is 0.00 yuan, among them, yuan of revenue is expected to be recognized in YEAR, yuan of revenue is expected to be recognized in YEAR, and yuan of revenue is expected to be recognized in YEAR.

Other explanation

30. Tax and surcharges

RMB/CNY

Item	Current period	Last period
Urban maintenance and construction tax	61,315.21	68,304.63
Educational surtax	27,476.42	33,062.14

Property tax	463,763.85	706,398.83
Land use tax	247,776.03	278,113.28
Vehicle use tax	0.00	3,420.00
Stamp tax	187,803.80	205,372.70
Local education development fee	15,920.74	15,438.42
Total	1,004,056.05	1,310,110.00

Other explanation:

Nil

31. Sales expense

RMB/CNY

Item	Current period	Last period
Employees remuneration	1,544,285.76	2,350,311.18
Freight	3,120,326.41	2,883,611.66
Commodity inspection fee	512,749.42	46,041.22
Customs fee	30,322.36	85,340.66
Commodity loss	2,042,886.52	1,669,582.49
Other	1,849,508.92	2,095,493.01
Total	9,100,079.39	9,130,380.22

Other explanation:

Others are mainly after-sales service fees, low-value and easy-to-use amortization, and office expenses.

32. Administrative expense

RMB/CNY

Item	Current period	Last period
Salary	4,290,516.96	4,819,623.00
Depreciation charge	1,094,911.50	1,108,894.27
Social insurance premium	307,654.93	1,183,069.73
Social expenses	2,149,616.64	1,975,609.14
Taxes and surcharge	0.00	0.00
Employee benefits	975,973.80	453,205.88
Travel expenses	997,820.46	913,668.77
Amortization of intangible assets	911,802.71	872,474.94
Traffic expenses	728,044.47	880,726.46
Consulting fee	154,420.23	365,549.99
Security	826,723.53	478,584.83
Repairs	1,186,397.36	981,308.38
Audit fee	703,883.50	812,786.23
Office expenses	534,213.91	775,082.77
Communication fee	66,922.51	106,108.39
Amortization of low cost and short lived articles	204,519.80	76,180.62
Securities information disclosure fee	247,008.75	255,915.74
Litigation fee	0.00	0.00
Staff education	123,799.49	86,051.41

Water and electricity fee	194,204.27	336,221.83
Lease fee	496,532.52	2,444,912.69
Eco fee	202,101.81	194,709.07
Premium	0.00	45,221.73
Other expenses	685,293.51	451,085.52
Total	17,082,362.66	19,616,991.39

Other explanation:

Nil

33. R& D expenses

RMB/CNY

Item	Current period	Last period
Personnel cost	1,801,065.20	2,086,504.20
Direct input cost		846,252.61
Depreciation and amortization expenses	499,584.18	218,337.01
Other related expenses	122,775.88	575,899.04
Total	2,423,425.26	3,726,992.86

Other explanation:

Nil

34. Financial expense

RMB/CNY

Item	Current period	Last period
Interest expenditure	4,755,143.83	5,355,676.92
Less: interest income	529,170.31	419,336.28
Add: Exchange loss	-800,845.19	-87,878.70
Add: Other expense	59,100.48	219,909.30
Total	3,484,228.81	5,068,371.24

Other explanation:

Nil

35. Other income

RMB/CNY

Sources	Current Period	Last Period
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	100,000.00	200,000.00
Provincial special fund for transformation and upgrading of traditional industry for 2018	29,540.00	59,080.00
Industrial investment and technological transformation and intelligent transformation in 2020	219,000.00	
Total	348,540.00	259,080.00

36. Investment income

RMB/CNY

Item	Current period	Last period
Investment income generated by financial products	66,780.40	74,936.14
Total	66,780.40	74,936.14

Other explanation:

Nil

37. 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:

38. Assets impairment loss

RMB/CNY

Item	Current period	Last period
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Other explanation:

Nil

39. Asset disposal income

RMB/CNY

Source of asset disposal income	Current period	Last period
Income from fixed assets sold	-99,867.53	129,039.57

40. Non-operating income

RMB/CNY

Item	Current period	Last period	Amount included in current non-recurring profits or losses
Government subsidy		223,300.00	
Liquidated damages income	1,976.00		1,976.00
Fine income		9,458.00	
Other	43,224.06		43,224.06
Total	45,200.06	232,758.00	45,200.06

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
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Other explanation:

Nil

41. Non-operating expenditure

RMB/CNY

Item	Current period	Last period	Amount included in current non-recurring profits or losses
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Penalty expenditure	7,302.38	1,100.00	
Total	7,302.38	1,100.00	

Other explanation:

Nil

42. Income tax expenses

(1) Statement of income tax expense

RMB/CNY

Item	Current period	Last period
Current income tax expense	982,790.94	388,847.80
Deferred income tax expense	-145,421.36	215,062.28
Total	837,369.58	603,910.08

(2) Adjustment on accounting profit and income tax expenses

RMB/CNY

Item	Current period
Total profit	4,002,967.13
Income tax based on statutory/applicable rate	1,000,741.78
Impact by different tax rate applied by subsidies	96,947.57
Impact of deductible loss of un-recognized deferred income tax assets in the prior period of use	-260,516.32
Impact of the deductible temporary differences or deductible loss of deferred income tax asset without recognized in the period	196.54
Income tax expense	837,369.58

Other explanation

Nil

43. Annotation of cash flow statement

(1) Cash received with other operating activities concerned

RMB/CNY

Item	Current period	Last period
Unit intercourse account	423,061.34	1,869,387.03
Collection management fee and utilities etc.	870,339.55	1,189,095.86
Repayment from employees	538.70	32,462.10
Margin	178,441.66	40,263.30
Interest income	80,873.96	48,764.26
Government subsidy	2,190,000.00	223,300.00
Total	3,743,255.21	3,403,272.55

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
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Unit intercourse account	12,099,293.44	1,315,156.92
Advances to employees	1,518,843.50	2,563,755.64
Deposit, margin	777,760.00	1,656,408.00
Social expenses	2,225,069.64	1,299,864.19
Water and electricity	195,404.27	2,365,472.40
Travel expenses	631,364.12	638,939.25
Freight	2,885,107.75	2,983,611.66
Traffic expenses	708,540.18	521,848.44
Repairs	1,186,397.36	1,067,602.12
Audit and consulting fees	700,000.00	792,049.00
Security	363,200.00	620,945.00
Financial institutions handling fee	54,316.41	62,759.86
Office expenses	184,663.65	508,512.98
Communication fee	66,922.51	154,173.54
Lease fee	496,532.52	2,444,912.69
Other	2,183,661.37	1,614,513.51
Total	26,277,076.72	20,610,525.20

Note of cash paid with other operating activities concerned:

Other cash paid in this period related to operating activities mainly include cash payment of management expenses, sales expenses, personal transactions, deposits, payment of utilities and management fees.

(3)Cash received with other investment activities concerned

RMB/CNY

Item	Current period	Last period
Redemption of principal of financial products	35,000,000.00	49,000,000.00
Total	35,000,000.00	49,000,000.00

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	35,000,000.00	49,000,000.00
Total	35,000,000.00	49,000,000.00

Note of cash paid related with investment activities

Nil

44.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	3,165,597.55	2,580,411.13
Depreciation of fixed assets,	6,364,464.64	6,025,283.55

consumption of oil assets and depreciation of productive biology assets		
Amortization of intangible assets	911,802.71	872,474.94
Amortization of long-term deferred expenditure	116,167.92	116,167.92
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-156,701.09	-129,039.57
Financial expenses (gain is listed with “-”)	3,786,650.62	5,262,857.89
Investment loss (income is listed with “-”)	-66,780.40	-74,936.14
Decrease of deferred income tax assets (increase is listed with “-”)	-145,421.36	
Decrease of inventory (increase is listed with “-”)	-3,086,479.43	-23,735,632.38
Decrease of operating receivable accounts (increase is listed with “-”)	-15,138,062.18	-17,697,245.84
Increase of operating payable accounts (decrease is listed with “-”)	25,448,973.26	71,973,879.06
Net cash flow arising from operating activities	21,200,212.24	45,194,220.56
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	21,812,967.80	38,041,641.85
Less: Balance of cash at period-begin	36,645,061.61	29,171,804.99
Net increased amount of cash and cash equivalent	-14,832,093.81	8,869,836.86

(2)Constitution of cash and cash equivalent

RMB/CNY

Item	Closing balance	Opening balance
I . Cash	21,812,967.80	36,645,061.61
Including: Cash on hand	363,912.99	432,301.32
Bank deposit available for payment at any time	21,449,054.81	36,212,760.29
III. Balance of cash and cash equivalent at period-end	21,812,967.80	36,645,061.61

Other explanation:

Ending Monetary fund-other monetary fund refers to the margin of bank acceptance 2,529,797.38 Yuan, which is not belonging to the cash and cash equivalent. Ending monetary fund-Bank deposit has 1,551,468.00 Yuan frozen by the court, which is not belonging to the cash and cash equivalent either.

45. Assets with ownership or use right restricted

RMB/CNY

Item	Ending book value	Restriction reasons
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Monetary fund	4,081,265.38	Bank acceptance deposit is 25,297.38 yuan, and the court freezes 1,551,468 yuan
Fixed assets	12,779,094.73	Bank loan secured
Intangible assets	2,761,798.94	Bank loan secured
Receivable financing	9,294,702.94	Pledged
Investment real estate	36,260,337.64	Bank loan secured
Disposal of fixed assets	92,857,471.69	Court closure
Total	158,034,671.32	--

Other explanation:

Nil

46. 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	760,991.14	7.07	5,380,968.35
Euro			
HKD	100,032.66	0.91	91,369.83
Account receivable	--	--	
Including:USD	9,158,403.66	7.07	64,759,072.28
Euro			
HKD			
Long-term loans	--	--	
Including:USD			
Euro			
HKD			
Account paid in advance			
Including:USD	1,090,685.67	7.07	7,712,238.37

Other explanation:

Nil

47. Government subsidy**(1)Government subsidy**

RMB/CNY

Category	Amount	Item	Amount reckoned into current gains/losses
Industrial investment and technological transformation and intelligent transformation in 2020	2,190,000.00	Deferred income	2,190,000.00

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%		New investment
HUAFA Property Company	Shenzhen	Shenzhen	Property management	100.00%		New investment
Hengfa Technology Company	Wuhan	Wuhan	Production sales	100.00%		New investment
HUAFA Hengtian Company	Shenzhen	Shenzhen	Property management	100.00%		New investment
HUAFA Hengtai Company	Shenzhen	Shenzhen	Property management	100.00%		New investment

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.

Various risk management goals and policies

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 2020, 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	2020-6-30(RMB conversion)	2019-12-31(RMB conversion)	2018-12-31(RMB conversion)
Monetary fund -USD	760,991.14	9,356,958.43	2,010,146.81
Monetary fund -HKD	100,032.66	28.61	28.62
Account receivable -USD	9,158,403.66	40,836,244.74	44,086,655.90
Account paid in advance-USD	1,090,685.67	15,454,592.53	19,035,307.91
Account payable -USD	-	-	-
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 2020, the Group's interest-bearing debt was mainly the floating interest rate loan contract denominated in Renminbi and US dollars, amounting to RMB 79,000,000.00 (December 31, 2019: RMB 109,633,898.20).

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 June 30, 2020, 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 120,528,351.15.

(3) Liquidity risk

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

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

Amount on 30 June 2020

Item	Within one year	1-2 years	2-3 years	Over 3 years	Total
Financial assets					
Monetary funds	25,894,233.18				25,894,233.18
Receivable financing	29,776,291.10				29,776,291.10
Account receivable	162,906,849.90	78705.66	2,527.77	13,146,290.18	176,134,373.51
Other account receivable	3,813,383.34	447859.44	3.00	15,607,877.84	19,869,123.62
Account paid in advance	22,083,401.55				22,083,401.55
Financial liabilities					
Notes payable	8,617,287.25				8,617,287.25
Account payable	140,297,671.23				140,297,671.23
Other accounts payable	28,140,118.39				28,140,118.39
Advance receivable	866,746.45				866,746.45
Wage payable	4,280,621.68				4,280,621.68

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. 2020		Jan.-Jun. 2019	
		Impact on net profit	Impact on owner's equity	Impact on net profit	Impact on owner's equity
All foreign currency	5% appreciation of the RMB	2,984,313.25	2,984,313.25	1,031,885.69	1,031,885.69
All foreign currency	5% devaluation of the RMB	-2,984,313.25	-2,984,313.25	-1,031,885.69	-1,031,885.69

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. Equity in other entity in the Note

3. Other Related party

Other Related party	Relationship with the Enterprise
Shenzhen Zhongheng Huafa 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
Wuhan Henglian Optoelectronics Co., Ltd.	Control by same controlling shareholder and ultimate controller

Other explanation

Nil

4. Related transaction**(1) Goods purchasing, labor service providing and receiving**

Goods purchasing/labor service receiving

RMB/CNY

Related party	Content	Current Period	Trading limit approved	Whether over the approved limited or not (Y/N)	Last period
Hong Kong Yutian International Investment Co., Ltd.	Purchasing goods	67,538,078.36	137,752,000.00	N	55,314,886.74
Wuhan	Purchasing	60,232,724.51	303,054,400.00	N	57,732,114.71

Hengsheng Photo-electricity Industry Co., Ltd.	goods				
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Goods sold/labor service providing

RMB/CNY

Related party	Content	Current period	Last period
Hong Kong Yutian International Investment Co., Ltd.	Sales of goods	59,074,589.93	64,136,216.85
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales of goods	10,283,633.89	12,184,138.45

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)
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As the secured party

RMB/CNY

Guarantor	Amount guarantee	Start	End	Completed or not (Y/N)
Li Zhongqiu	90,000,000.00	2020-07-01	2022-07-01	N

Explanation on related guarantee

Nil

(3) Remuneration of key manager

RMB/CNY

Item	Current period	Last period
Total remuneration	721,500.00	781,248.00

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.	39,240,084.73		25,582,267.94	
Account receivable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.			350,779.63	
Account paid in advance	Hong Kong Yutian International	7,712,238.37		13,902,631.23	

	Investment Co., Ltd.				
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(2) Payable item

RMB/CNY

Item	Related party	Closing book balance	Opening book balance
Account payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	3,491,812.05	3,186,713.37
Notes payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.		138,355.71

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

Nil

2. Contingency**(1) Contingency on balance sheet date**

On April 17, 2020, Shenzhen Zhongheng Huafa Co., Ltd. (hereinafter referred to as the "company" or the "defendant") received the Notice of Response to the Prosecution sent by the Shenzhen Intermediate People's Court of Guangdong Province (hereinafter referred to as the Shenzhen Intermediate Court) [(2020) Yue 03 Minchu No. 17] and other related materials. Shenzhen Zhongheng Huafa Technology Co., Ltd. (hereinafter referred to as "Huafa Technology" or "plaintiff") sued the company and its controlling shareholder Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd (hereinafter referred to as "Wuhan Zhongheng Group" or "third party") for the Asset Replacement Contract disputes, the Shenzhen Intermediate Court has filed a case, the case number is (2020) Yue 03 Minchu No. 17.

Shenzhen Zhongheng Huafa Technology Co., Ltd.'s claims ① Request to order the defendant and the third party to continue to perform the Asset Replacement Contract; ② Request to order the defendant to assist the plaintiff to register the land use right and transfer ownership of the land parcel numbers A627-0005 and A627-0007 to the plaintiff within the time limit; ③ Request to order the defendant to compensate the plaintiff for the economic losses of 52 million yuan (including the loss of benefits available); the lawsuit has not yet been heard.

(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. Explanation on other events after balance sheet date**

Nil

XIII. Other important event

1. Other

(i) Matters of adjudication of Southern International Arbitration Shen [2017] No. D376 from Southern China International Economic & Trade Arbitration Commission

(1) Arbitration

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

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

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

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

(2) Progress of arbitration

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

In December 2016, Wuhan Zhongheng to Shenzhen HUAFA issued a “Commitment Letter” which included that if the arbitration (Note: the case) ruled in favor of Shenzhen Vanke, the loss of arbitration caused by the contract

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

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

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

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

- ① The first respondent and the second respondent pay liquidated damages to the applicant with a base number of RMB 600 million, calculating by the annual interest rate of 36% from October 1, 2015 to November 11, 2016;
- ② The first respondent and the second respondent pay the lawyer fees of RMB 1.4 million to the applicant due to the case;
- ③ The first respondent and the second respondent pay the property preservation fees of RMB 10,000 to the applicant;

④The arbitration fees for this request and case was RMB 3,101,515.00, the first respondent and the second respondent should bear 70%, i.e. RMB 2,171,060.50, and the applicant should bear 30%, i.e. RMB 930,454.50. The applicant had already paid the arbitration fees in full amount for this request which could be used as the arbitration fees of this case and request and shall not be refunded. The first respondent and the second respondent should directly pay RMB 2,171,060.50 to the applicant;

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

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

⑤ Reject the applicant's other arbitration requests;

⑥Reject the arbitration counterclaims of the first respondent and the second respondent.

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

On February 7, 2018, the company and Wuhan Zhongheng Group applied to Shenzhen Intermediate People's Court to revoke the Ruling HNGZSC [2017] D376, the court made a judgment on August 16, 2018, rejecting the company's request for revocation. The company and its controlling shareholder Wuhan Zhongheng Group received the "Execution Notice of Shenzhen Intermediate People's Court" ([2018] Yue03Zhi No. 1870), and the executor applied to the court for compulsory execution, the company was listed as dishonest person subject to execution by Shenzhen Intermediate People's Court. On December 13, 2019, the company announced that it had been removed from the list of dishonest persons subject to execution by the Shenzhen Intermediate People's Court.

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

The company engaged lawyers to make an independent investigation and judgment on the event, and issued special legal opinion that the reasons of Wuhan Zhongheng resulted in a failure of a net handover, the corresponding urban renewal functional department could not issue the corresponding demolition documents, which in turn made the project company fail to be confirmed as the subject of implementation, and finally and directly made the subject of implementation fail to get the "Land Value Payment Notification" and sign the "Land Use Rights Transfer Contract". Therefore, Wuhan Zhongheng should bear all responsibilities for faults in response to the breach of contract. Wuhan Zhongheng issued the Commitment Letter in December 2016, pledged that if the arbitration judged Vanke to win the case, Wuhan Zhongheng should bear all arbitration losses caused by the contract dispute; after the award came into effect, Wuhan Zhongheng issued the Confirmation Letter again on

November 23, 2017 to divide the duty of performance of the award; the independent directors of the company issued independent opinions after careful study that Wuhan Zhongheng should bear the arbitration losses in full; the management of the company also made an investigation and affirmed that Wuhan Zhongheng should bear all liability for satisfaction on the Award HNGZSC [2017] D376, and the award amount should be paid by Wuhan Zhongheng in full.

(ii) 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.

On November 5, 2019, the company received the arbitration award HNGZSC [2019] D618 from Shenzhen Court of International Arbitration, ruling that the company and its controlling shareholder Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd should pay Shenzhen V & T Law Firm the arrears of legal fees of RMB 19,402,000 and the liquidated damages.

The verification opinion of Guangdong HAIBU Attorneys-at-law engaged by the company on the performance of legal liability of the arbitration result believed that the case is caused by the Vanke arbitration case No. SHEN DP20160334, there is a close causal relationship between the two cases, as the ultimate beneficiary of the "Agency Contract", Wuhan Zhongheng shall be responsible for all payment in response to the Arbitration Award HNGZSC [2019] D618

According to the company's announcement, the dispute between V & T Law Firm and Wuhan Zhongheng Group and the company on attorney fees was caused by its agency of the Vanke arbitration case, and it was of the same nature as the loss of the Vanke arbitration case. In addition, Wuhan Zhongheng Group has issued a "Commitment Letter" to Shenzhen Hwafa in December 2016 that if the arbitration decides that Vanke wins, Wuhan Zhongheng Group shall bear the full amount of arbitration losses caused by the contract disputes. Wuhan Zhongheng Group, as the beneficiary of the "Agency Contract", should bear full payment responsibility for the Arbitration Award HNGZSC [2019] D618, and the company should not bear the arbitration losses in this case.

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	50.00 %	10,293,424.29	100.00%		10,293,424.29	100.00 %	10,293,424.29	100.00%	
Including:										

Ending Account receivable with single significant amount and withdrawal bad debt provision on single basis	5,000,988.97	24.29 %	5,000,988.97	100.00%		5,000,988.97	24.29%	5,000,988.97	100.00%	
Ending Account receivable with single minor amount but with bad debts provision accrued on a single basis	5,292,435.32	25.71 %	5,292,435.32	100.00%		5,292,435.32	25.71%	5,292,435.32	100.00%	
Including:										
Total	10,293,424.29	100.00 %	10,293,424.29	100.00%		10,293,424.29	1.00%	10,293,424.29	100.00%	

Accrual of bad debt provision on single basis: 5,000,988.97 Yuan

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
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	5,000,988.97	5,000,988.97	--	--

Accrual of bad debt provision on single basis: 5,292,435.32

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	344,700.00	344,700.00	100.00%	Uncollectible

Electronic Co., Ltd.				
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00%	Uncollectible
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100.00%	Uncollectible
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00%	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00%	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00%	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00%	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00%	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100.00%	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00%	Uncollectible
Sky Worth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00%	Uncollectible
Other	1,990,217.45	1,990,217.45	100.00%	Uncollectible
Total	5,292,435.32	5,292,435.32	--	--

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 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
Over 3 years	10,293,424.29
Over 5 years	10,293,424.29
Total	10,293,424.29

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

RMB/CNY

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

2. Other account receivable

RMB/CNY

Item	Closing balance	Opening balance
Other account receivable	95,507,010.91	97,165,023.85
Total	95,507,010.91	97,165,023.85

(1)Other account receivable**1) Other account receivable by nature**

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin deposit	304,608.00	304,608.00
Borrow money	1,914,312.46	1,869,073.12
Intercourse funds	104,591,046.91	107,488,541.28
Rental receivable	7,209,793.66	5,847,389.48
Other		168,162.09
Less: Bad debt provision	-18,512,750.12	-18,512,750.12
Total	95,507,010.91	97,165,023.85

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, 2020	0.30		18,512,749.82	18,512,750.12
Balance of Jan. 1, 2020 in the period	—	—	—	—

Balance on Jun. 30, 2020	0.30		18,512,749.82	18,512,750.12
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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)	95,202,400.21
1-2 years	312,209.44
2-3 years	3.00
Over 3 years	18,505,148.38
3-4 years	1,446,706.00
Over 5 years	17,058,442.38
Total	114,019,761.03

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	written-off	Other	
Phase I	0.30					0.30
Phase III	18,512,749.82					18,512,749.82
Total	18,512,750.12					18,512,750.12

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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Nil

4) 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
Wuhan Hengfa Technology Co., Ltd.	Intercourse funds	84,697,345.02	Within one year	74.28%	
Shenzhen Zhongheng HUAFA Property Co., Ltd	Intercourse funds	9,472,698.34	Within one year	8.31%	
HUAFA Lease Company	Lease fee receivable etc	4,558,859.15	Over 3 years	4.00%	4,558,859.15
Portman	Intercourse funds	4,021,734.22	Over 3 years	3.53%	4,021,734.22

Shenzhen Jifang Investment Co., Ltd	Lease fee receivable etc	1,380,608.00	Over 3 years	1.21%	1,380,608.00
Total	--	104,131,244.73	--	92.02%	9,961,201.37

3. Long-term equity investment

RMB/CNY

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

(1)Investment for subsidiary

RMB/CNY

The invested entity	Opening balance (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	600,000.00
HUAFA Property Company	1,000,000.00					1,000,000.00	
Hengfa Technology Company	183,608,900.00					183,608,900.00	
Huafa 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	16,720,522.47	2,040,226.11	18,041,135.31	3,172,031.59
Total	16,720,522.47	2,040,226.11	18,041,135.31	3,172,031.59

Information relating to revenue:

RMB/CNY

Category	Branch 1	Branch 2		Total
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				

Information relating to performance obligations:

Nil

Information relating to the transaction price assigned to the remaining performance obligation:

At end of the period, the corresponding revenue amount for performance obligations that have been signed but have not been performed or have not been performed is 0.00 yuan, of which, yuan expected to recognized as revenue in the year.

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	-99,867.53	
Gain/loss of entrusted investment or assets management	66,780.40	
Other non-operating income and expenditure except for the aforementioned items	37,897.68	
Less: Impact on income tax	7,109.46	
Total	-2,298.91	--

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	0.96%	0.0112	0.0112
Net profits belong to common stock stockholders of the Company after deducting	0.96%	0.0112	0.0112

nonrecurring gains and losses			
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Section XII. Documents available for reference

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