

SHENZHEN ZHONGHENG HUAFA CO., LTD.ANNUAL REPORT 2015

SHENZHEN ZHONGHENG HUAFA CO., LTD.

ANNUAL REPORT 2015

April 2016

Section I. Important Notice, Contents and Paraphrase

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

Li Zhongqiu, Principal of the Company, Yang Bin, person in charger of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2015 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.

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

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Paraphrase

Items	Refers to	Contents
Company, Shen Huafa	Refers to	SHENZHEN ZHONGHENG HUAFA CO., LTD.
Hengfa Technology	Refers to	Wuhan Hengfa Technology Co., Ltd.
Huafa Property	Refers to	Shenzhen Zhongheng Huafa Property Co., Ltd
Huafa Lease	Refers to	Shenzhen Huafa Property Lease Management Co., Ltd
Huafa Trade	Refers to	Wuhan Zhongheng Huafa Trade Co., Ltd.
Wuhan Zhongheng Group	Refers to	Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd.
HK Yutian	Refers to	Hong Kong Yutian International Investment Co., Ltd.
Hengsheng Photoelectricity	Refers to	Wuhan Hengsheng Photoelectricity Industry Co., Ltd.
Hengsheng Yutian	Refers to	Wuhan Hengsheng Yutian Industrial Co., Ltd.
Yutian Henghua	Refers to	Shenzhen Yutian Henghua Co., Ltd.
Huafa Hengtian	Refers to	Shenzhen Huafa Hengtian Co., Ltd.
Huafa Hengtai	Refers to	Shenzhen Huafa Hengtai Co., Ltd.

Section II Company Profile and Main Financial Indexes

I. Company information

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

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Yang Bin	Niu Yuxiang
Contact add.	33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen	33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen
Tel.	0755-86360220	0755-86360201
Fax.	0755-86360206	0755-86360206
E-mail	hwafainvestor@126.com.cn	hwafainvestor@126.com.cn

III. Information disclosure and preparation place

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

IV. Registration changes of the Company

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

V. Other relevant information

CPA engaged by the Company

Name of CPA	Shinewing Certified Public Accountants LLC
Offices add. for CPA	9/F, Block A, Fu Hua Mansion No.8 Chaoyang Men, Bei da jie, Dong Cheng District, Beijing, P.R.China
Signing Accountants	Zhang Weijian, Gu Fanqiu

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

Applicable Not applicable

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

Applicable Not applicable

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes No

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	2015	2014	Changes over last year	2013
Operating income (RMB)	499,455,781.11	694,839,760.10	-28.12%	626,821,044.64
Net profit attributable to shareholders of the listed company(RMB)	-6,731,513.11	7,687,620.27	-187.56%	-6,517,401.44
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-31,741,774.80	2,322,082.33	-1,466.95%	-5,934,309.10
Net cash flow arising from operating activities(RMB)	173,486,015.99	119,492,159.01	45.19%	-69,353,440.38
Basic earnings per share (RMB/Share)	-0.0238	0.0271	-187.82%	-0.0230
Diluted earnings per share (RMB/Share)	-0.0238	0.0271	-187.82%	-0.0230
Return on Equity	-2.27%	2.77%	-5.04%	-2.35%
	End of 2015	End of 2014	Changes over end of last year	End of 2013
Total assets (RMB)	1,155,089,236.67	1,162,740,984.93	-0.66%	731,348,499.86
Net assets attributable to shareholder of listed company (RMB)	311,406,562.20	281,351,269.74	10.68%	273,663,649.47

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	117,513,081.51	131,221,548.35	140,688,910.96	110,032,240.29
Net profit attributable to shareholders of the listed company	511,851.85	13,665,459.18	5,817,241.98	-26,726,066.12
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	174,494.55	-8,415,206.76	-16,478,039.21	-7,023,023.38
Net cash flow arising from operating activities	-2,165,279.32	19,193,873.05	31,031,444.53	125,425,977.73

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

Yes No

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

Applicable Not applicable

In RMB

Item	2015	2014	2013	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	449,051.44	1,587,819.80	104,043.85	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	1,691,800.00	4,159,795.00	1,652,600.00	
Other non-operating income and expenditure except for the aforementioned items	690,149.43	149,500.69	-1,736,569.94	
Other gain/loss items satisfying the definition of nonrecurring gain/loss account	25,247,171.27	983,612.12		
Less: Impact on income tax	3,067,910.45	1,515,189.67	603,166.25	
Total	25,010,261.69	5,365,537.94	-583,092.34	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies*

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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, foam pieces (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.

The company's industrial business mainly provides auxiliary products and services for the home appliance industry. With the acceleration of new urbanization process in China and upgrading and updating of household appliance consumption, the home appliance industry will continue to maintain a relatively fast growth; the development of home appliances and other downstream industries provides broad markets for the upstream auxiliary products. By virtue of years of industry resources and technology accumulation, the company conforms to the market demand and optimizes the product structure and performance, and the company's products and services have accepted by the downstream manufacturers such as Gree, Haier, TCL, etc. and possess certain competitiveness in the industry. But it also should be noted that the current injection molding, foam pieces and liquid crystal display business are facing fierce market competition and cost pressures, the company's profitability in industrial business is weaker than expectation, the company needs to further enhance the level of research and development, develop new products, expand downstream channels and cultivate its own brand so as to further enhance the profitability in industrial business. The transformation and upgrading of industrial business requires a lot of financial supports.

On the other hand, the transformation and upgrading and profitability of industrial business are weaker than expectation in recent years, under this circumstance, the company has actively developed the property management business, liquidized the remnant assets, and carried out the decoration and investment promotion of its own property Huafa Building, the property management business has made good profits for the company and became an important strategic business of the company. In order to enhance the profitability, the company intends to further strengthen the professionalism of the company's property business, explore diversified property management model, and timely expand the scale of property lease.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	N/A
Fixed assets	Transferred assets from the reconstruction of old buildings in Gongming are classified as available for sale assets, the fixed assets in current period have decreased

Intangible assets	No major change
Construction in progress	Transferred assets from the reconstruction of Gongming Electronic City are classified as available for sale assets, the constructions in process in current period have decreased
Classified as assets held for sale	Transferred assets from the reconstruction of old buildings in Gongming and Gongming Electronic City, the assets classified as available for sale assets in current period have increased

2. Main overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

1. 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.
2. The Company has three plants in Wuhan economic technology park with an area of nearly 90,000 square meters where various famous enterprises are located in this area. Benefiting from radiation radius requirements for processing matching services, the Company enjoys superior and stable customer resources and has established a good long-term cooperative relationship; in particular, its injection molding business and polystyrene businesses have been operated for many years with steady management group and abundant production experiences, which makes the Company enjoying high recognition and annual production capacity and scale in the forefront of Central China.

Section IV Discussion and Analysis by the Management Team

1. Introduction

In 2015, the world economy was still in a phase of deep adjustment, the overall growth in emerging market economies slowed, some economic entities had negative growth. China's economy has entered a "new normal", China's economic growth has slowed down, the periodic and structural problems of economy have brought new challenges to China's economic, and the differentiation of regional and industrial economy has become more obvious. In 2015, the home appliance industry has continued the downturn, the traditional demand-driven engine in the industry has flamed out, the new demand-driven engine has not been mature yet, the sales volume of refrigerators, washing machines, air conditioners, television sets and other home appliances has still been weak, and some categories even had negative growth. As an industrial manufacturing enterprise providing supporting products and services for home appliance industry, the Company has actively adapted to the new normal, tackled the toughness, positively responded, and withstood market pressures, the company's overall industrial business has slightly declined in 2015, but the company's overall operating results have significantly increased compared with the same period of last year, which mainly relied on the earnings generated by financial products. In 2015, the company has achieved operating income of 499,455,800 yuan, a decrease of 28.12% compared with the same period of last year; operating profits of 33,960,300 yuan, an increase of 615.48% compared with the same period of last year, net profits of 33,529,200 yuan, an increase of 336.14% compared with the same period of last year.

- Injection molding business has realized an annual operation revenue of 192,872,400 yuan, a decrease of 30.01% compared with the same period of last year, when the overall market has a poor performance, the injection molding division has withstood the demand sluggish, policy walk-off, price cuts and other market pressures in home appliance industry, timely taken measures, decisively adjusted the product structure, and introduced the advanced production equipments, implemented automation improvements and process optimization progress, reduced human input and waste of production materials, and improved production efficiency; at the same time, strengthened the fine management, improved product quality, developed effective quality corrective and preventive measures, overcome the customers' demanding quality standards, and won a good reputation from customers; strengthened internal management, introduced competition mechanism, focused on staff training, practically completed the employees logistics services, fully mobilized the staff's enthusiasm, improved the staff quality, and strengthened the employees' sense of belonging.

- Polystyrene business has realized an annual operation revenue of 61,245,900 yuan, a decrease of 18.64% compared with the same period of last year. In the severe challenges of continuous sluggish of home appliances, more intense market competition, constantly rising production costs, and substantial reduce of profit margins, polystyrene division takes market requirement as the guide, actively cooperates with customers to improve the product mix, continues to innovate, focuses on product quality, and forms its own unique competitive advantages. But last year, the horizontal competition was more intense, some colleagues seized some market shares with new equipments and low prices, therefore, the company's performance has declined to some extent. In the future, the company will further improve the product quality, reduce the loss of raw materials, lower the production costs, and ensure its own advantages and market shares through innovative design and product optimization.

- LCD display machine business has realized an annual operation revenue of 186,838,000 yuan, a decrease of 29.26% compared with the same period of last year. In the premise of ensuring basic production, the video division will focus more energy on the design and development of new products, increase

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new LCD display series with more sizes and cost advantages and realize mass production, develop the single product size to multiple-series and multi-size production lines, meanwhile, the video division will pay attention to product innovation, and the company now owns LIF series and G series products that the company completely and independently designs and opens the tooling. In the second half of 2015, the video division has successfully reached a cooperation agreement with the international brand “ViewSonic International”, the company is developing from a single customer to diversified customers, which again lays a solid foundation for the company’s long-term development.

- Property leasing business has realized an annual operation revenue of 48,600,900 yuan, a decrease of 2.68% compared with the same period of last year. Most sites of the company’s own property Huafa Building have signed the lease, shops have opened one after another, the sites in idle have substantially reduced, and the average rental price has increased in some extent than the past, but the company's own property Gongming Huafa Electronic City has entered the demolition stage of updating and reconstruction, lessees have continued to remove and the rental income has relatively reduced, therefore, the company’s overall rental income of 2015 is at the similar level as the previous years.

II. Main business analysis

1. Introduction

See the “I-Introduction” in “Discussion and Analysis by the Management Team”

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2015		2014		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	499,455,781.11	100%	694,839,760.10	100%	-28.12%
According to industries					
Display	186,838,010.48	37.41%	264,125,902.82	38.01%	-29.26%
Plastic injection hardware	192,872,402.89	38.62%	275,568,139.15	39.66%	-30.01%
Foam	61,245,929.61	12.26%	75,274,165.11	10.83%	-18.64%
Property leasing	48,600,894.50	9.73%	49,938,626.08	7.19%	-2.68%
Scrap income	605,216.55	0.12%	2,649,761.48	0.38%	-77.16%
Utilities and other	9,293,327.08	1.86%	27,283,165.46	3.93%	-65.94%
According to products					

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Display	186,838,010.48	37.41%	264,125,902.82	38.01%	-29.26%
Plastic injection hardware	192,872,402.89	38.62%	275,568,139.15	39.66%	-30.01%
Foam	61,245,929.61	12.26%	75,274,165.11	10.83%	-18.64%
Property leasing	48,600,894.50	9.73%	49,938,626.08	7.19%	-2.68%
Scrap income	605,216.55	0.12%	2,649,761.48	0.38%	-77.16%
Utilities and other	9,293,327.08	1.86%	27,283,165.46	3.93%	-65.94%
According to region					
Hong Kong	174,132,782.70	34.86%	264,125,902.82	38.01%	-34.07%
Central China	269,008,886.38	53.86%	371,258,402.81	53.43%	-27.54%
South China	56,314,112.03	11.28%	59,455,454.47	8.56%	-5.28%

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

√Applicable □ Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Display	186,838,010.48	175,126,608.78	6.27%	-29.26%	-29.04%	-0.30%
Plastic injection hardware	192,872,402.89	177,046,690.61	8.21%	-30.01%	-29.35%	-0.86%
Foam	61,245,929.61	55,230,894.39	9.82%	-18.64%	-17.65%	-1.08%
According to products						
Display	186,838,010.48	175,126,608.78	6.27%	-29.26%	-29.04%	-0.30%
Plastic injection hardware	192,872,402.89	177,046,690.61	8.21%	-30.01%	-29.35%	-0.86%
Foam	61,245,929.61	55,230,894.39	9.82%	-18.64%	-17.65%	-1.08%
According to region						
Hong Kong	174,132,782.70	169,828,679.23	2.47%	-34.07%	-31.18%	-4.09%
Central China	269,008,886.38	239,408,026.58	11.00%	-27.54%	-28.95%	1.77%
South China	56,314,112.03	8,764,361.27	84.44%	-5.28%	-14.38%	1.65%

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

Applicable Not applicable

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

Yes No

Industries	Item	Unit	2015	2014	Increase/decrease y-o-y
Display	Sales volume	Set	427,752	536,764	-20.31%
	Output	Set	433,807	546,253	-20.58%
	Storage	Set	27,270	21,215	28.54%
Plastic injection hardware	Sales volume	Ton	10,572	13,187	-19.83%
	Output	Ton	10,412	13,331	-21.89%
	Storage	Ton	402	562	-28.41%
Foam	Sales volume	Ton	3,221	3,647	-11.69%
	Output	Ton	3,126	3,789	-17.50%
	Storage	Ton	284	379	-25.02%

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

Applicable Not applicable

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

Applicable Not applicable

(5) Constitute of operation cost

Classification of products

Classification of products

In RMB

Industries	Item	2015		2014		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display	Raw materials	166,905,693.27	95.31%	238,361,408.90	96.59%	-1.28%
Display	Labor wages	4,676,548.70	2.67%	4,277,251.56	1.73%	0.94%
Display	Depreciation	1,028,419.25	0.59%	1,228,205.02	0.50%	0.09%
Plastic injection	Raw materials	152,630,151.77	86.21%	212,169,010.71	84.66%	1.54%

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hardware						
Plastic injection hardware	Labor wages	11,370,871.26	6.42%	14,220,363.10	5.67%	0.75%
Plastic injection hardware	Depreciation	5,150,439.15	2.91%	5,275,408.51	2.11%	0.80%
Foam	Raw materials	32,237,281.52	58.37%	44,025,375.89	65.64%	-7.27%
Foam	Labor wages	7,477,324.02	13.54%	4,224,487.03	6.30%	7.24%
Foam	Depreciation	1,687,918.28	3.06%	1,858,016.51	2.77%	0.29%
Foam	Energy	6,561,685.46	11.88%	7,144,911.48	10.65%	1.23%

Explanation

The Company's main business cost is RMB 407,404,193.78, including RMB 175,126,608.78Yuan for displays,RMB177,046,690.61 Yuan for injection-molded parts, and RMB55,230,894.39Yuan forfoam parts.

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

Yes No

Compared with the previous year, the sale was reduced by YutianHengHuaCompany this year.

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

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	400,840,147.45
Proportion in total annual sales volume for top five clients	80.26%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	NO.1	163,903,060.99	32.82%
2	NO.2	150,355,798.58	30.10%
3	NO.3	35,293,606.47	7.07%
4	NO.4	27,737,318.67	5.55%
5	NO.5	23,550,362.74	4.72%
Total	--	400,840,147.45	80.26%

Other situation of main clients

Applicable Not applicable

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Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	241,822,342.22
Proportion in total annual purchase amount for top five suppliers	79.52%

Information of top five suppliers of the Company

Serial	Name	Purchase (RMB)	Proportion in total purchase
1	NO.1	129,770,684.32	42.67%
2	NO.2	73,789,241.50	24.27%
3	NO.3	16,987,480.19	5.59%
4	NO.4	13,922,820.51	4.58%
5	NO.5	7,352,115.70	2.42%
Total	--	241,822,342.22	79.52%

Other notes of main suppliers

Applicable Not applicable

3. Expenses

In RMB

	2015	2014	Increase/decrease y-o-y	Note of major changes
Sales expense	11,427,705.20	11,512,229.16	-0.73%	
Management expense	42,591,764.80	39,200,279.02	8.65%	
Financial expense	48,393,716.52	39,784,553.27	21.64%	

4. R&D investment

Applicable Not applicable

5. Cash flow

In RMB

Item	2015	2014	Y-o-y changes
Subtotal of cash in-flow from operation activity	809,852,026.90	559,888,802.08	44.65%
Subtotal of cash out-flow from operation activity	636,366,010.91	440,396,643.07	44.50%

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Net cash flow from operation activity	173,486,015.99	119,492,159.01	45.19%
Subtotal of cash in-flow from investment activity	899,643.49	1,925,000.00	-53.27%
Subtotal of cash out-flow from investment activity	28,607,045.58	6,526,605.58	338.31%
Net cash flow from investment activity	-27,707,402.09	-4,601,605.58	-502.12%
Subtotal of cash in-flow from financing activity	1,392,607,137.79	971,853,411.47	43.29%
Subtotal of cash out-flow from financing activity	932,953,458.09	1,117,002,557.02	-16.48%
Net cash flow from financing activity	459,653,679.70	-145,149,145.55	416.68%
Net increased amount of cash and cash equivalent	610,454,809.04	-28,312,172.74	2,256.16%

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

Applicable Not applicable

The reason why cash inflow from operating activities has increased compared with the same period of last year is because the foreign exchange verification and payments paid for another need to be taken back and then returned.

The reason why cash outflow from operating activities has increased compared with the same period of last year is because the foreign exchange verification and payments paid for another need to be taken back and then returned.

The reason for increase in net cash flow generated from business activities compared to the last year: early recovery of part of the accounts receivable.

The reason why cash inflow from investing activities has increased compared with the same period of last year is because of the redemption of financial products in current period.

The reason why net cash flow from investing activities has increased compared with the same period of last year is because of the redemption of financial products in current period.

The reason why cash inflow from financing activities has decreased compared with the same period of last year is because long-term loans was borrowed in the same period of last year.

The reason for decrease in net cash flow generated from financing activities compared to the last year: repayment of part of the bank loans.

The reason for net increase in cash and cash equivalents compared to the same period last year: increase in cash flow generated from business activities compared to the last year.

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

Applicable Not applicable

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	25,247,171.27	-727.71%	Mainly due to financial products to generate investment and financial gains	No
Asset impairment	1,346,128.24	-38.80%	Mainly due to current accrued account receivable bad debt losses	No
Non-operating income	3,163,848.99	-91.19%	Mainly due to government grants	No
Non-operating expense	332,848.12	-9.59%	Mainly due to fixed assets disposal losses	No

IV. Assets and liability**1. Major changes of assets composition**

In RMB

	End of 2015		End of 2014		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	662,115,464.19	57.32%	28,819,357.68	2.48%	54.84%	This period of redemption of financial products, currency funds withdrawn from circulation
Account receivable	109,965,992.14	9.52%	112,425,468.57	9.67%	-0.15%	
Inventory	27,132,125.91	2.35%	30,880,050.55	2.66%	-0.31%	
Investment property	30,019,906.66	2.60%	31,274,663.74	2.69%	-0.09%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fix assets	110,607,425.50	9.58%	186,438,814.34	16.03%	-6.45%	

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Construction in process	654,356.00	0.06%	2,853,356.00	0.25%	-0.19%	
Short-term loans	119,479,107.41	10.34%	138,114,376.32	11.88%	-1.54%	
Long-term loans	554,700,000.00	48.02%	585,300,000.00	50.34%	-2.32%	

2. Assets and liability measured by fair value

Applicable Not applicable

V. Investment

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The Company has no securities investment in the Period.

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period.

5. Application of raised proceeds

Applicable Not applicable

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

VI. Sales of major assets and equity**1. Sales of major assets**

Applicable Not applicable

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

2. Sales of major equity

Applicable Not applicable

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

Applicable Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Hengfa Technology company	Subsidiary	Production sales	181,643,111.00	485,573,519.05	204,144,182.78	443,141,669.08	1,063,514.54	2,275,925.11
Huafa Property Company	Subsidiary	Property management	1,000,000.00	448,655.20	-84,539.27	2,258,944.00	434,709.63	434,275.79
Huafa Lease Company	Subsidiary	Property management	1,000,000.00	1,900,692.20	-5,026,990.71			
Huafa Hengtian Company	Subsidiary	Property management	1,000,000.00	999,103.80	999,103.80		-836.20	-836.20
Huafa Hengtai Company	Subsidiary	Property management	1,000,000.00	999,829.55	999,829.55		-110.45	-110.45

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Name of company	The way of getting and treating subsidiary in the reporting	Influence on overall product and performance
Yutian Henghua Company	Sales	No significant impact

Notes of holding and shareholding companies

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

(I) Industry development and market analysis

In 2016, the global economy is still in a slow recovery phase, China's economic growth transforms from high speed to medium and high speed and steps in a new normal of economic development, external demand weakness will continue, investment growth will return to normal, and the overall consumption will remain stable. The intelligent manufacturing, internet, big data, cloud computing, internet of things, and new materials shall profoundly change China's manufacturing industry as the representative of a new round of technological revolution and industrial revolution; at the same time, personalized and diversified consumption era has come, high-end, intelligent and energy-saving household appliances have become a "new trend" of home appliance industry. At the beginning of the year, the central government has regarded the "de-stocking of real estate" as one of the five tasks in 2016 and unveiled various supporting policies, in this context, the home appliance industry is expected to further grow because decorating new home can bring new demands for home appliances. The Company's industrial production and processing businesses are labor-intensive, technology-intensive, and semi-automatic production mode, orders mainly rely on a large number of domestic renowned large-scale home appliance manufacturers, the scale is large, and the business is stable. As a traditional industry with intense market competition, the core of solving the developing dilemma is to upgrade technology, enhance the added value of technology, and improve the profitability. Under the background of downstream consumer demand upgrade, it will be one of the strategic targets of the company's industrial business development to further consolidate the industry position by adjusting and improving the product structure, increasing the development efforts to the new products, improving the production processes, enhancing the productivity, expanding the downstream channels, cultivating its own brands, and actively seeking for the transformation and upgrading.

Over the years, the Company has focused on both manufacturing and property management, except for producing and selling the LCD monitors, injection molding, and foam parts, the property leasing has always been the key pillar of business, the own property is the company's core assets, the operating profits of property leasing business has always been greater than the industrial business profits. It is the company's long-term strategic goal to make full use of the existing property and land assets to continue to expand and upgrade the operation, leasing and service businesses of the commercial real estate, and further become the long-term and stable source of incomes for the company step by step.

(II) The new annual business plan

◆ Continue to promote the urban renewal project

The renewal unit project for Huafa Area, Gong Ming Street, Guangming New District, Shenzhen shall accelerate and promote the schedule of project removal and reconstruction, strengthen the communication with cooperation developers such as Shenzhen Vanke, Vanke Guangming and Wuhan Zhongheng Group, and accelerate the handling of various procedures for the project; the renewal project of Huafa building at Huaqiang Bei street, Futian district, Shenzhen shall continue to coordinate with some small owners to finish the compensation and resettlement of removal, and strive to make achievements for the subject declaration at an early date.

◆ Promote strategic cooperation and enhance the own brand influence

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In 2016, the company will strengthen and promote the cooperation depth with existing customers, make full use of the advantages of internal coordination, optimize the cooperation model with distributors, and comprehensively promote the company's own brand HSO; improve the distributors' degree of adaptability by optimizing the cooperation mechanism and mode, and ultimately achieve a win-win goal of the company and the customer sales.

◆ Continue to steadily develop the industrial business

Firstly, ensure the stability of the existing customers, continue to maintain the existing order quotas from Haier, Gree, AOC, and TCL, comprehensively continue and introduce the customer to make more orders for the newly developed products, strive for more market shares; secondly, seek for the new business growth points, entirely expand the scope of business, actively develop the markets, and selectively and targetedly carry on and develop the new OEM businesses in order to achieve the annual tasks based on the rich OEM experience over the years, the current resources for industrial production, the superior geographic position of central China, and the study and attempts in 2014.

◆ Continue to focus on the production management

Carry the energy-saving and cost-reducing through to the end, accelerate the technical transformation progress of production equipment, further carry out the automated management, improve the production processes, reduce the energy consumption, and cut the payroll to improve efficiency so as to reduce the production costs, enhance the productivity, improve the product quality, and ensure the product quality, costs and delivery can better meet the customers' requirements; In the market environment that the demands for end products are upgrading, focus on the development and promotion of new products, enlarge the product categories and product lines, enhance the product diversification as needed, utilize the factory cost advantage and internet channel of e-commerce, and comprehensively promote its own brand in the market expansion and marketing.

◆ Positively reinforce the property business

In the situation that the industrial business is transforming and upgrading and the profitability weaker than expected in recent years, the company actively develops the property business, revitalizes the stock assets, refits its own property – Huaafa building, and attracts the investment, the property business contributes good profits to the company and becomes the company's important strategic business. In order to enhance the profitability, the company will further promote the specialty of property business, explore the diversified property management modes, and timely enlarge the property leasing scale.

X. Reception of research, communication and interview

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

√Applicable □ Not applicable

Time	Way	Type	Basic situation index of investigation
2015-01-01	Telephone communication	Individual	N/A
Reception (times)			0
Number of hospitality			0

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Number of individual reception	0
Number of other reception	0
Disclosed, released or let out major undisclosed information	No

Section V. Important Events

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

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

Applicable Not applicable

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

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

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2015	0.00	-6,731,513.11	0.00%	0.00	0.00%
2014	0.00	7,687,620.27	0.00%	0.00	0.00%
2013	0.00	-6,517,401.44	0.00%	0.00	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

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

III. Implementation of commitment

1. Commitments that the company, shareholders, actual controller, offeror, directors, supervisors, senior

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management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√Applicable □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share reform						
Commitments in report of acquisition or equity change	Wuhan Zhongheng Group		Within 1 year after transferred of this equity acquisition: 1. Injected relevant capital of plastic injection business into the Company; 2.70% equity of the Hengsheng Photoelectricity will inject into the Company.	2007-03-29	From April 12, 2007 to April 11, 2008; From May 13, 2014 to May 12, 2015	Implemented
	Wuhan Zhongheng Group		The enterprise and its subsidiaries will not participate directly or indirectly in operation of the business with competitive of Shen Huafa and its controlling subsidiary concerned, and not to damage the interest of the Shen Huafa and its controlling subsidiary by making use of the potential controlling-ship of the Shen Huafa either	2007-03-29	Implement since 12 April 2007 throughout the year	Implementing
	Wuhan Zhongheng Group		The enterprise and its subordinate enterprise shall avoid a related transaction as far as possible with Shen Huafa and its controlling subsidiary, as for the related dealings occurred inevitable or have reasonable cause, the enterprise promise to follow the principle of fair-ness, justice and open-ness, signed the agreement in line with the laws, perform legal program, fulfill information disclosure obligation and relevant approval procedures according to	2007-03-29	Implement since 12 April 2007 throughout the year	Implementing

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			the relevant laws, regulations and “Listing Rules” of the Shenzhen Stock Exchange, guarantee not to damage the legal interest of Shen Huafa and its shareholders through related transactions			
	Wuhan Zhongheng Group		After acquisition and assets restructuring, guarantee to have an independent staff, owns independent and completed assets, and independent in aspect of business, financial and institution from Shen Huafa	2007-03-29	Implement since 12 April 2007 throughout the year	Implementing
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed on time(Y/N)	Y					

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

1、 Opinions of the Board of Directors

On the basis of relevant information, based on the principle of strictness and cautiousness, ShineWing Certified Public Accountants (Special Ordinary Partnership) issued the report indicating inability to express audit opinion. The Board of Directors

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expressed the understanding hereto. The Report conforms to the *Auditing Standards of Certified Public Accountants of the People's Republic of China* and other relevant laws and regulations, and cautiously reflects the Company's financial situation. The Board of Directors will take effective measures to eliminate the influence of the abovementioned uncertainty on the Company as soon as possible.

2、Opinions of the Board of Supervisors

The report indicating inability to express audit opinion, issued by ShineWing Certified Public Accountants (Special Ordinary Partnership), fully reveals the Company's financial risks. We recognize the matters for which the Audit Report is unable to express opinions, and at the same time also agree on the special explanation made by the Board of Directors of the Company relating to these. We hope the Board of Directors and management to take effective measures as soon as possible, to eliminate and improve the content mentioned in the passages for those matters unable to express opinions and to safeguard the interests of the vast investors in a timely manner.

3、Opinions of the Independent Directors

The explanation made by the Board of Directors of the Company on the matters related to the audit opinions is objective and true, and in accordance with the Company's actual situation. Independent directors agree with the special explanation made by the Board of Directors of the Company on the matters related to the audit report indicating inability to express audit opinion issued by ShineWing Certified Public Accountants (Special Ordinary Partnership); Independent directors hope the Board of Directors and management to eliminate and improve the matters unable to express opinions in an active, effective and steady manner according to the relevant solutions set by the Board of Directors and management, timely perform the information disclosure according to clearing situation, and take necessary measures to make the Company maintain sustainable, stable and healthy development, and safeguard the interests of the company and the vast investors.

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

Applicable Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

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

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

Applicable Not applicable

Compared with last year, the Company sold Yutian Henghua Company in the period.

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

Accounting firm appointed

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Name of domestic accounting firm	Shine Wing Certified Public Accountants LLC
Remuneration for domestic accounting firm (in 10 thousand Yuan)	48
Continuous life of auditing service for domestic accounting firm	10 years
Name of domestic CPA	Zhang Weijian, Gu Fanqiu
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA	N/A

Re-appointed accounting firms in this period

Yes No

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

Applicable Not applicable

In 2015, the Company employed Shine Wing Certified Public Accountants LLC as internal control audit institutions and the expense of internal control audit was RMB 14.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitrations of the Company

Applicable Not applicable

No significant lawsuits and arbitrations occurred in the reporting period.

XIII. Penalty and rectification

Applicable Not applicable

Name	Type	Reason	Type of investigation and punishment	Conclusion (if applicable)	Date of disclosure	Index of disclosure
Shenzhen	The Company	Suspected of	Investigated or	N/A	2016-01-19	http://www.cninf

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Zhongheng Huafa Co., Ltd.		being involved in illegal disclosure of information	got administrative punishment from China Securities Regulatory Commission			o.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1201923299?announceTime=2016-01-19
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XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

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

Applicable Not applicable

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

XVI. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
HK Yutian	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	Synchronized with the market	12,796	12,796	77.42%	50,001	No	Telegraphic transfer	—	2015-04-28	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1

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Hengsheng Photoelectricity	Sharing the same controlling shareholder	Purchasing	Purchasing LCD monitors	Confirmed with 1% of current market average price in principle, and refer to both their bargaining power	273	273	1.65%	9,740	No	Telegraphic transfer	The average market price refers to the price of same specifications which is searched from through the world famous professional market survey company website http://www.witsview.com recognized authority in the industry and LCD	2015-04-28	Same as above

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											professional market survey company website http://www.witsview.com		
HK Yutian	Sharing the same controlling shareholder	Sales	Sales LCD overall monitor machine set	According to the customer sales order price sure	16,390	16,390	87.72%	38,052	No	Telegraphic transfer	—	2015-04-28	Same as above
Total				--	--	29,459	--	97,793	--	--	--	--	--
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 from HK Yutian with \$ 20,580,000 approximately, 26.73% of the annual amount predicted at the beginning of the year; purchased LCD from Hengsheng Photoelectricity with \$ 420,000 approximately, 2.8% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with \$ 26,270,000 approximately, 44.83% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price				N/A									

2. Related transactions by assets acquisition and sold

√Applicable □Not applicable

Related transaction parties	Related relationship	Related transaction type	Related transaction content	Pricing principal	Book value of the assets transferred (in 10 thousand)	Appraisal value of the assets transferred (in 10 thousand)	Transfer price (in 10 thousand Yuan)	Related transaction settlement mode	Transaction gains/losses (in 10 thousand Yuan)	Date of disclosure	Index of disclosure

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					Yuan)	Yuan)					
Wuhan New Oriental Property Development Co., Ltd.	Control by same controlling shareholder and ultimate controlling party	Assets acquisition	Shop purchasing	Determine by two parties based on the market price	1,307	2,565	2,500	In cash	0	2015-03-19	http://www.cninfo.com.cn/cninfo-new/disclosure/szse-main/bulletin_detail/true/1200714860?announceTime=2015-03-19
Reasons of major difference of the transfer price and book value or the appraisal value (if applicable)				Not applicable							
Impact on Company's operation results and financial status				This transaction is an asset acquisition transaction, a form of assets increase, another form of assets decrease, which does not affect operating results.							
If related transactions involving the performance of the contract, the performance implementation in the reporting period				Not applicable							

3. Main related transactions of mutual investment outside

Applicable Not applicable

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

4. Contact of related credit and debt

Applicable Not applicable

Whether has non-operating contact of related credit and debt or not

Yes No

The Company has no non-operating 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.

XVII. Significant contract and implementations**1. Trusteeship, contract and leasing****(1) Trusteeship**

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
N/A								
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2015-04-28	30,000		7,887.91	Joint liability guarantee	1 year	No	No
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party

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				(Y/N)
Total amount of approving guarantee for subsidiaries in report period (C1)	30,000	Total amount of actual occurred guarantee for subsidiaries in report period (C2)	20,926.27	
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)	30,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)	7,887.91	
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+C2)	20,926.27	
Total amount of approved guarantee at the end of report period (A3+B3+C3)	30,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)	7,887.91	
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)		25.05%		
Including:				
Amount of guarantee for shareholders, actual controller and its related parties(D)		0		
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)		0		
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)		0		
Total amount of the aforesaid three guarantees(D+E+F)		0		
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 guarantee with composite way

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

In 10 thousand Yuan

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Name	Whether related trade or not	Type	Trust financing amount	Start date	End date	Criteria for fixing reward	Principal actually collected in the Period	Amount of reserve for devaluation of withdrawing (if applicable)	Anticipated income	Actual gains/losses in period	Actual collected gains/losses in period
CITIC Trust	No	Trust financial products	10,000	2014-12-26	2015-09-08	According to the contract	10,000		0	856.67	856.67
CITIC Trust	No	Trust financial products	10,000	2014-12-26	2015-09-08	According to the contract	10,000		0	856.67	856.67
CITIC Trust	No	Trust financial products	10,000	2014-12-26	2015-09-08	According to the contract	10,000		0	856.67	856.67
CITIC Trust	No	Trust financial products	10,000	2014-12-26	2015-09-08	According to the contract	10,000		0	856.66	856.66
CITIC Trust	No	Trust financial products	10,000	2014-12-26	2015-09-08	According to the contract	10,000		0	856.66	856.66
Total			50,000	--	--	--	50,000		0	4,283.33	--
Capital resource			Self-owned capital								
Principal uncollected for overdue and accumulated earnings			0								
Lawsuit involved (if applicable)			N/A								
Disclosure date for approval from the Board for trust financing (if applicable)			2014-07-22								
Disclosure date for approval from board of shareholders for trust financing (if applicable)			2014-08-09								
Whether has trust financing plan in future			N/A								

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Explanation on other significant events

Applicable Not applicable

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

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

The fifth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on July 2, 2015 have considered and adopted the “Proposal on the project promotion and implementation of urban renewal and the progress of related transactions of ‘the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen’” and “Proposal on submitting stockholders' meeting to authorize the board of directors to fully handle the matters related to the project promotion and implementation of urban renewal of Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”. The company has signed the “Agreement on the cooperation framework of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Agreement on the cooperation framework of reconstruction project at Huafa, Gongming”, “Agreement on the removal compensation for urban renewal project at Huafa, Gong Ming Street, Guangming New District” and “Cooperation agreement on urban renewal project at Huafa, Gongming” with Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd. (hereinafter referred to as “Qianhai Zhongzheng”), Shenzhen Zhongzheng Yutian Land Co., Ltd. (hereinafter referred to as “Zhongzheng Yutian”) and Wuhan Zhongheng Group. The company’s seventh meeting of the eighth board of directors has considered and adopted the “Proposal on terminating the contract on urban renewal project at ‘Huafa Area, Gong Ming Street, Guangming New District, Shenzhen’ of Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd.”, the company has signed “Agreement on terminating the contract on urban renewal project at Huafa, Gongming” with Qianhai Zhongzheng, Zhongzheng Yutian and Wuhan Zhongheng Group, the

relevant agreements signed at earlier stage are no longer legally binding to any party.

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

Due to the official effect and implementation of the above agreements, the Company would be granted with relocation compensation of RMB500 million in cash and compensated commercial properties with GFA not less than 100,000 square meter. It is predicted for the Company to obtain corresponding income in the coming four years, which will enable it to improve its income and assets scale and ensure steady development in a long term.

(II) With purpose of further optimize the capital structure, improve financial status of the Company and providing necessary capital condition and liquidity for the upgrade of industry business transformation, specialization of the property operation and development of large-scale, the Company plans to private offering A-share. Controlling shareholder - Wuhan Zhongheng New Technology Industry Group Co., Ltd. subscribe 87.6 million shares at most in cash, fund raised no more than 599.184 million Yuan (issuance cost included) in total, the fund are raised for debt payment and supplement current capital in order to laying a solid foundation of the sustainable development of the Company. Relevant private placement of A-share has been deliberated and approved by third extraordinary meeting of 2015 of the Board and Annual General Meeting 2014, found more in notice published on Juchao Website (www.cninfo.com.cn) dated 20 March and 20 May 2015.

It shall submit for approval and implement after verify by CSRC.

(III) Our controlling shareholder Wuhan Zhongheng Group holds 116,489,894 shares of the Company, accounting for 41.14% of our total share capital. Because related companies of Wuhan Zhongheng Group were involved in debt dispute and the creditors applied for property preservation, the above shares were judicially sealed on 14 October 2014. During the reporting period, the seal has been released. Details are set out in the announcement published at Juchao information website (www.cninfo.com.cn) on 8 May 2015.

(IV) On December 29, 2015, Wuhan Zhongheng Group has completed the procedures to relieved the registration of pledge in China Securities Depository and Clearing Corporation Limited Shenzhen Branch for the Company’s non-restricted circulating shares of 116,489,894 shares (accounting for 100% of its holding of the Company’s shares, and 41.14% of the company’s general capital) that have been pledged to China CITIC Bank Corporation Limited Wuhan Branch, and handled the procedures for the registration of pledge in China Merchants Securities

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Co. Ltd. for 116,100,000 shares (accounting for 41% of the company's general capital) of them in twice on December 31, 2015 and February 1, 2016, please see detailed on the announcement released on www.cninfo.com.cn on January 13, 2016 and February 19.

XIX. Significant event of subsidiary of the Company

Applicable Not applicable

XX. Social responsibility

Applicable Not applicable

XXI. Issuance of corporate bonds

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No

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	116,489,894	41.14%	0	0	0	-116,489,894	-116,489,894	0	0.00%
3. Other domestic shares	116,489,894	41.14%	0	0	0	-116,489,894	-116,489,894	0	0.00%
Including: Domestic corporate shares	116,489,894	41.14%	0	0	0	-116,489,894	-116,489,894	0	0.00%
II. Unrestricted shares	166,671,333	58.86%	0	0	0	116,489,894	116,489,894	283,161,227	100.00%
1. RMB Ordinary shares	64,675,497	22.84%				116,489,894	116,489,894	181,165,391	63.98%
2. Domestically listed foreign shares	101,995,836	36.02%				0	0	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

The restricted stock of 116,489,894 shares held by the controlling shareholder Wuhan Zhongheng Group has been lifted the restrictions and have started the official listing and circulating on December 29, 2015.

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 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

In Share

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
Wuhan Zhongheng Group	116,489,894	116,489,894	0	0	In view of all 116,489,894 shares of the Company are in the pledged state and haven't been lifted the restrictions in time, Wuhan Zhongheng Group have applied to Shenzhen Stock Exchange for lifting the restrictions on above shares up to December 2015.	2015-12-29
Total	116,489,894	116,489,894	0	0	--	--

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

3. Existing internal staff shares

□ Applicable √ Not applicable

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

In Share

Total common stock shareholders in	36,044	Total common stock shareholders at	36,061	Total preference shareholders with voting rights	0	Total preference shareholders with voting	0
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reporting period-end		end of last month before annual report disclosed		recovered at end of reporting period (if applicable) (found in note8)		rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)		
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.14%	116,489,894	0	116,489,894	0	Pledged	116,489,894
							Frozen	0
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Overseas legal person	4.91%	13,900,000	0	0	13,900,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	Overseas legal person	1.04%	2,942,449			2,942,449	Pledged	0
							Frozen	0
Xu Dongdong	Domestic nature person	0.60%	1,690,307			1,690,307	Pledged	0
							Frozen	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas legal person	0.33%	934,974			934,974	Pledged	0
							Frozen	0
BINGHUA LIU	Overseas nature person	0.30%	839,013			839,013	Pledged	0
							Frozen	0
Wang Jianxin	Domestic	0.23%	660,000			660,000	Pledged	0

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	nature person						Frozen	0
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	Overseas legal person	0.22%	633,888			633,888	Pledged	0
							Frozen	0
Zhu Ming	Domestic nature person	0.22%	611,348			611,348	Pledged	0
							Frozen	0
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3)		N/A						
Explanation on associated relationship among the aforesaid shareholders		Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. The Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
SEG (HONG KONG) CO., LTD.	16,569,560	Domestically listed foreign shares	16,569,560					
GOOD HOPE CORNER INVESTMENTS LTD	13,900,000	Domestically listed foreign shares	13,900,000					
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	2,942,449	RMB common share	2,942,449					
Xu Dongdong	1,690,307	RMB common share	1,690,307					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	934,974	Domestically listed foreign shares	934,974					
BINGHUA LIU	839,013	Domestically listed foreign shares	839,013					
Wang Jianxin	660,000	RMB common share	660,000					
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	633,888	Domestically listed foreign shares	633,888					

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Zhu Ming	611,348	Domestically listed foreign shares	611,348
Tan Dongshan	564,600	Domestically listed foreign shares	564,600
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten unrestricted shareholders, the Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	N/A		

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

Yes No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Wuhan Zhongheng Group	Li Zhongqiu	1996-03-21	71195460-1	Production, sales of computers, TV set, display, other hardware and computer software; development of internal data communication network, building of packing materials and light weight building material for packaging; management of exports business for the own products and technologies for the Company and member enterprise; management of export business on raw material, apparatus and instrument, machinery equipments, spare parts and technologies (not including goods and technologies that import and export are national restricted or prohibited); dry clean and steam iron service; copy & print; business information

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				consulting; house tenancy; property management; wholesale and retails of the hardware metal products, plastic products, audio electronic products, electronic equipment, textile, toys, clothing & shoes, luggage, bedding article, general merchandise, curtain, household appliances and building materials; development of real-estate and sales of commercial housings (projects with special provision of the state can be operation after approval)
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	Not applicable			

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller of the Company

Nature of actual controller: domestic natural person

Type of actual controller: natural person

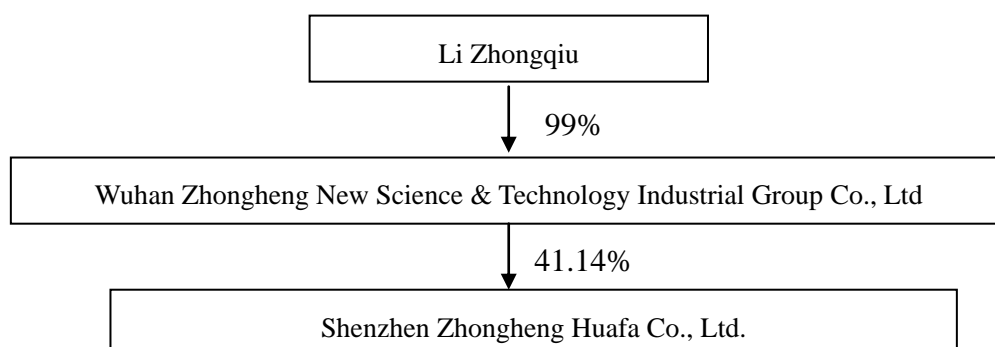
Actual controller's name	Nationality	Enjoy the residence rights in the other country or area (Y/N)
Li Zhongqiu	P.R.C	N
Main occupation in position	He serves as the Chairman for Wuhan Zhongheng Group since 1996 and serves as Chairman and GM of the Company since 2007.	
Listed companies in and out of China that controlled in last 10 years	N/A	

Changes of actual controller in reporting period

Applicable Not applicable

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

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



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-ended (Share)
Li Zhongqiu	Chairman	Currently in office	M	53	2007-07-18	2016-08-22	0	0	0	0	0
Li Yongping	Vice chairman	Currently in office	M	58	2013-08-23	2016-08-22	0	0	0	0	0
Chen Zhigang	Director	Leave the office	M	42	2007-07-18	2015-04-22	0	0	0	0	0
Wang Feng	Director	Leave the office	M	63	2013-08-23	2016-02-15	0	0	0	0	0
Li Xiaodong	Independent director	Currently in office	M	49	2010-08-11	2016-08-22	0	0	0	0	0
Qiu Daliang	Independent director	Currently in office	M	49	2014-05-23	2016-08-22	0	0	0	0	0
Zhang Zhaoguo	Independent director	Currently in office	M	60	2014-05-23	2016-08-22	0	0	0	0	0
Yang Bin	Director, Secretary of the Board, CFO	Currently in office	M		2015-11-06	2016-08-22	0	0	0	0	0
Huang Yanbo	Chairman of the Superviso	Currently in office	F	53	2012-01-16	2016-08-22	0	0	0	0	0

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	ry										
Geng Qu	Staff Supervisor	Currently in office	F	46	2012-04-09	2016-08-22	0	0	0	0	0
Zhao Xiangfeng	Supervisor	Leave the office	M	42	2013-08-23	2015-11-05	0	0	0	0	0
Chen Qin	Supervisor	Currently in office	F		2015-11-06	2016-08-22	0	0	0	0	0
Tang Ganyu	Deputy GM	Currently in office	F	38	2013-08-23	2016-08-22	0	0	0	0	0
Weng Xiaojue	Secretary of the Board	Leave the office	F	35	2012-04-11	2015-05-10	0	0	0	0	0
Cao Li	CFO	Leave the office	F	45	2013-08-23	2015-11-05	0	0	0	0	0
Zhong Ke	Secretary of the Board	Leave the office	M	30	2015-05-11	2015-10-14	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Chen Zhigang	Director	Leave the office	2015-04-22	For personal physical reasons
Yang Bin	Director, Secretary of the Board, CFO	Appointed and removed	2015-11-06	Elected and appointed
Zhao Xiangfeng	Supervisor	Leave the office	2015-11-05	For personal reasons
Chen Qin	Supervisor	Appointed and removed	2015-11-06	Elected
Weng Xiaojue	Secretary of the Board	Leave the office	2015-05-10	For personal reasons
Cao Li	CFO	Leave the office	2015-11-06	For personal reasons
Zhong Ke	Secretary of the Board	Appointed and removed	2015-05-11	Appointed

Zhong Ke	Secretary of the Board	Leave the office	2015-10-14	For personal physical reasons
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III. Post-holding

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

Li Zhongqiu: Male, was born in 1962 with Master of Engineering. He is representative to the tenth session of NPC of Hubei Province, May the first of labor medalist of Wuhan. He serves as Chairman of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since 1996. And he serves as Chairman and the General Manager of the Company since July 2007.

Li Yongping: Male, born in 1957, member of the CPC, a vice researcher. He served as director and vice director in industry & traffic office of Hubei Statistics Bureau from December 1978 to May 1984; head of comprehensive group of worker office of Hubei Province from May 1984 to September 1988; vice director of scientific research institute of Hubei Statistics Bureau from September 1988 to July 1992; took post of standing deputy editor of Reform Horizontal magazine of Hubei Commission for Economic Restructuring from July 1992 to September 1994; served as research assistant in comprehensive office of Shenzhen Economic Restructuring Office from September 1994 to September 1999, investigator of Shenzhen Economic Restructuring Office from September 1999 to January 2001; served as secretary of research society of Shenzhen Economic Restructuring Office from January 2001 to December 2002; and a head of policy group of Shenzhen Enterprise Reform and Development Office from January 2003 to June 2004; investigator of assessment office of Shenzhen SASAC Statistics from June 2004 to December 2004; director of Inspection Office of Shenzhen SASAC from December 2004 to June 2006; he also served as deputy GM of Shenzhen Dachanwan Port Investment & Development Co., Ltd. from July 2006 to December 2010, and he serves as deputy Gm and member of Party Committee of Shenzhen Electronics Group Co., Ltd. since January 2011 and a deputy chairman of the Company since August 2013.

Yang Bin, male, born in April 1972, master's degree, graduated as a business administration major from Xi'an Jiaotong University. Worked in Industrial and Commercial Bank of China, Xi'an Branch, High-Tech Development Zone Branch from July 1994 to March 2001; served as deputy general manager in business department of China Minsheng Banking Corp., Xi'an Branch from March 2001 to November 2004; served as international market branch leader in Shenzhen Mindray Medical International Limited from November 2004 to November 2007; served as director and vice president in Shenzhen TERS Environmental Investment Co., Ltd. from November 2007 to March 2010; served as executive vice president and secretary of the board in Shenzhen CAU Technology Co., Ltd. from March 2010 to August 2015; served as an independent director in Livzon Pharmaceutical Group Co., Ltd. from June 2009 to June 30, 2015. Serves as an independent director in Centre Testing International Group Co., Ltd. since January 2010, and serves as director, secretary of the board and chief financial officer of the Company since November 2015.

Li Xiaodong: male, born in 1967, MBA and economist title. He graduated from Beihang University and then

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worked in China Commercial and Industrial Bank Xi'an North Avenue Branch as deputy director in north branch office of the bank; in Oct. of 1998, he was called in China Commercial Bank Xi'an Branch; in 2003 he joined Shenzhen Walkers Technology Co., Ltd. (short code: 002351) and worked as assistant of general manager, vice general manager in succession. And presently he serves as vice general manager and secretary of the board of Shenzhen Walkers Technology Holding Co., Ltd. he serves as independent director of the Company since August 2010.

Qiu Daliang: Male, born in 1966, a legum magister and graduated from Northwest Institute of Politics. He respectively worked in Shenzhen Special Economic Zone Branch of People's Bank of China, Shenzhen Securities Management Office and Shenzhen Regulatory Authority (Shenzhen Inspection Department) of CSRC from July 1992 to September 2007; he successively worked as audit staff of the share issuance, chief of regulatory section of the listed company, deputy chief of the inspection office, director of the information research department etc.; acts as deputy president of Zhongshan Securities Co., Ltd. since December 2008; serves as executive director and GM of Beichun Qiuchu Chicken Ecological Farm Co., Ltd. since October 2011. He served as members of fiscal & taxation finance committee of the first and second session of Shenzhen Advisory Committee for Policy Decision; now he serves as independent directors of Shenzhen Han's Laser Polytron Technologies Inc. (stock code 002008), Shenzhen Sunlord Electronics Co., Ltd. and Shenzhen the Great Wall Development Polytron Technologies Inc. (stock code 000021). He serves as independent director of the Company since May 2014.

Zhang Zhaoguo, male, born in 1956, a professor (secondary) and doctoral supervisor. He worked as chief of the accounting teaching & research section of Yichang Finance & Trading School from August 1978 to November 1993, served as deputy head of financial department of Wuhan University Business College from December 1993 to August 2004; worked in Huazhong University of Science and Technology since September 2004 and served as director of the accounting department. Now served as independent director of the four listed companies as HRTN, Eastern Gold Jade, Kaidi Ecological and Shen Huafa. Served as chief editor of magazine of "Finance and accounting communications", Vice president of Hubei provincial Accounting Association and Vice president of the Central Enterprises Accounting Association of Hubei province.

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

Geng Qu: female, born in 1969, is graduated from Beihang University, the first quality engineer, a real estate economist, a human resources economist and an engineer. She worked for the Company since 1990 and

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successively served as director of quality standard, director of comprehensive management department and deputy chief of office of the Company. She serves as employee supervisory of the Company since April 2012.

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

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

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Li Zhongqiu	Wuhan Zhongheng Group	Chairman	1996-03-21		No
Li Yongping	Shenzhen SEG Group Co., Ltd.	Deputy GM, party committee	2011-01-03		Yes
Huang Yanbo	Wuhan Zhongheng Group	CFO	2012-05-16		Yes
Statement of post-holding in shareholder's unit	N/A				

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Li Xiaodong	Shenzhen Walkers Technology Co., Ltd.	Director & Deputy GM			

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		& Secretary of the Board			
Qiu Daliang	Beichun Qiuchu Chicken Ecological Farm Co., Ltd.	Chairman			
Qiu Daliang	Shenzhen Han's Laser Polytron Technologies Inc.	Independent director			
Qiu Daliang	Shenzhen Sunlord Electronics Co., Ltd.	Independent director			
Qiu Daliang	Shenzhen the Great Wall Development Polytron Technologies Inc.	Independent director			
Zhang Zhaoguo	Huazhong University of Science and Technology	Professor			
Zhang Zhaoguo	"Finance and accounting communications" magazine	Chief editor			
Zhang Zhaoguo	Accounting Society of Hubei Province	Vice chairman			
Zhang Zhaoguo	Central Enterprises Accounting Association of Hubei province	Vice chairman			
Zhang Zhaoguo	Kaidi Ecological Environment Polytron Technologies Inc	Independent director			
Zhang Zhaoguo	Eastern Gold Jade Co., Ltd.	Independent director			
Zhang Zhaoguo	Hubei Radio and Television Information Network Co., Ltd.	Independent director			

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

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

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

Remuneration of directors and supervisors are determined by general meeting, and the allowance standard for each independent director is RMB60, 000 per year (tax included).

Remuneration of senior management is determined by the board based on the unified remuneration management system and actual completion of operational targets, and the "Proposal of Basic Remuneration for High-ranking Managers of the Company" was deliberated and approved in 2nd extraordinary meeting of the Board for year of 2012.

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Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Li Zhongqiu	Chairman& GM	M	51	Currently in office	48	No
Li Yongping	Vice chairman	M	57	Currently in office	0	Yes
Chen Zhigang	Director	M	41	Currently in office	0	No
Wang Feng	Director	M	62	Currently in office	20.9	No
Yang Bin	Director, Secretary of the Board, CFO	M	43	Currently in office	7.5	No
Li Xiaodong	Independent director	M	48	Currently in office	6	No
Qiu Daliang	Independent director	M	48	Currently in office	6	No
Zhang Zhaoguo	Independent director	M	59	Currently in office	6	No
Huang Yanbo	Supervisory	F	52	Currently in office	0	Yes
Geng Qu	Supervisory	F	45	Currently in office	8.9	No
Zhao Xiangfeng	Supervisory	M	41	Leave the office	6.3	No
Chen Qin	Supervisory	F	29	Currently in office	8.7	No
Tang Ganyu	Deputy GM	F	37	Currently in office	26.36	No
Weng Xiaojue	Secretary of the Board	F	34	Leave the office	20.9	No
Cao Li	CFO	F	44	Leave the office	20.9	No
Zhong Ke	Secretary of the Board	M	30	Leave the office	8.7	No
Total	--	--	--	--	195.16	--

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

Applicable Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company (people)	30
Employee in-post of main Subsidiaries (people)	791
The total number of current employees (people)	821
The total number of current employees to receive pay (people)	821
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	0
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	707
Sales personnel	28
Technical personnel	50
Financial personnel	11
Administrative personnel	25
Total	821
Education background	
Category of education background	Numbers (people)
Undergraduate and above	35
Junior college	89
Other	697
Total	821

2. Remuneration Policy

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

3. Training programs

(1) The directors, supervisors and senior management personnel actively participate in the relevant training and assessment organized by the regulatory agencies, such as Shenzhen Stock Exchange, Shenzhen Securities Regulatory Bureau, etc.

(2) The company regularly or irregularly organizes professional trainings for employees according to the departments and division of labor, including internal trainings and external trainings, thereinto, internal trainings are provided by specialized personnel in the company; external trainings are provided by organizing employees to participate in the trade associations and the training organized by supervision department.

(3) Organize staff in all positions to actively participate in the learning and assessment of technical professional qualifications required by different positions.

4. Labor outsourcing

Applicable Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

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

During the reporting period, in order to safeguard the legitimate rights and interests of the company, the shareholders and the creditors and regulate the organization and behavior of the company, the company has revised the "Constitution of Shenzhen Zhongheng Huafa Co., Ltd." according to the "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China" and the "Guidelines for the Articles of Association of Listed Companies (2014 Revision)" issued by China Securities Regulatory Commission

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

Yes No

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

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

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

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

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

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

4. Organization: the board of directors, the board of supervisors, and other internal organizations are sound and operate independently, the organization is completely separated from the controlling shareholders, all organizations of the company are set up based on the

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norms and requirements of the listed company and the company's actual business features which have the independent office addresses and there is no mixed operation or co-working, and the controlling shareholders legally exercise the investors' rights and undertake the corresponding obligations.

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

III. Horizontal competition

Applicable Not applicable

IV. In the report period, the Company held annual 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
AGM of 2014	AGM		2015-05-19	2015-05-20	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1201037271?announceTime=2015-05-20
The first extraordinary shareholders' general meeting 2015	Extraordinary shareholders' general meeting		2015-03-04	2015-03-05	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1200671041?announceTime=2015-03-05
The second extraordinary shareholders' general meeting 2015	Extraordinary shareholders' general meeting		2015-07-02	2015-07-03	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1201232611?announceTime=2015-07-03
The third extraordinary shareholders' general meeting 2015	Extraordinary shareholders' general meeting		2015-09-11	2015-09-12	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1201582908?announceTime=2015-09-12
The fourth extraordinary shareholders' general meeting 2015	Extraordinary shareholders' general meeting		2015-11-24	2015-11-25	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1201787200?announceTime=2015-11-25

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

Applicable Not applicable

V. Responsibility performance of independent directors**1. The attending of independent directors to Board meetings and general meeting**

The attending of independent directors to Board Meeting							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	
Li Xiaodong	10	4	5	1	0		
Qiu Daliang	10	5	5	0	0		
Zhang Zhaoguo	10	5	5	0	0		
Times for attending general meeting from independent directors							5

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

Nil

2. Objection for relevant events from independent directors

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

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

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

VI. Duty performance of the special committees under the board during the reporting period**1. Duty performance of the audit committee**

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

2. Remuneration & appraisal committee

During the reporting period, the remuneration & appraisal committee has audited 2013 annual remuneration of the company's

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directors, supervisors and senior management which was considered to be consistent with the actual situation and in line with the provisions of relevant laws and the regulations of remuneration and appraisal system.

3. The nominations committee

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

VII. Works from Supervisory Committee

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

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

During the reporting period, in order to enable the senior management to better perform their duties and maintain the interests of the company and its shareholders, the company has floatingly paid the remuneration to urge the company's management to work more diligently and ensure the realization of the company's development strategy and operation target accordingly to the "Staff rank and basic salary system" and the performance assessment and combining with the company's actual operating conditions.

IX. Internal Control

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

Yes No

Specific Situation of the Major Defects in Internal Control During the Reporting Period
<p>1. The Company prepaid the contract amount in full in accordance with the Contract to the related party, Wuhan Hangsheng Photovoltaic Industry Co., LTD. In 2015, the Company paid the product purchase amount, a total of RMB 103.95 million Yuan in advance to the related party, Wuhan Hangsheng Photovoltaic Industry Co., LTD. (The Company's controlling shareholder, Wuhan Zhongheng New Technology Industry Group Co., LTD., indirectly holds 100% of its equity). But due to the volatile market, the Company did not complete all of such procurement in 2015. As of December 31, 2015, the Company had performed a total of RMB 2.5191 million Yuan of purchase transactions and recovered the principal of RMB 10.14309 Yuan;</p> <p>2. Correction of the released 2014 annual financial statements</p> <p>3. The Company was registered and investigated by the China Securities Regulatory Commission in connection with violation of information disclosure. But by the date of issuing the Audit Report, the investigation was still in progress, and the Company had not received any conclusive opinions for such registration and investigation.</p>

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2016-04-22
Disclosure index of full internal control evaluation report	The designated website: Juchao Website
The ratio of the total assets of units	100.00%

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included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements		
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>1. General deficiencies: the amount of direct property loss is between 50,000 and 150,000 yuan, penalized by the district-level (including district-level) government sector but not having a negative impact on the company's regular disclosure; 2. Important deficiencies: the amount of direct property loss is between 150,000 and 450,000 yuan, penalized by the provincial level (including provincial level) government sector but not having a negative impact on the company's regular disclosure; 3. Major deficiencies: the amount of direct property loss is more than 450,000 yuan, penalized by the government sector and having a negative impact on the company's regular disclosure;</p>	<p>1. General deficiencies: when facing low-risk matters in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively;</p> <p>2. Important deficiencies: when facing matters at a moderate risk level in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively;</p> <p>3. Major deficiencies: when facing high-risk matters in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively.</p>
Quantitative standard	<p>1. It belongs to important deficiency if the misstatement of the company's cash on hand, bank deposits, notes receivable, and notes payable caused by internal control deficiencies is less than RMB 1000 yuan; it belongs to major deficiency if the misstatement caused by internal control deficiencies is greater than or equal to RMB 1000 yuan.</p> <p>2. Other deficiencies in internal controls:</p>	<p>General deficiencies: misstatement index 1 $\geq 0.5\%$, and misstatement index 2 $< 0.5\%$;</p> <p>Important deficiencies: $0.5\% \leq$ misstatement index 2 $< 1\%$;</p> <p>Major deficiencies: misstatement index $\geq 1\%$</p>

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	general deficiencies: misstatement index 1 \geq 0.5 ‰, and misstatement index 2 < 0.5 ‰; important deficiencies: 0.5 ‰ \leq misstatement index 2 < 1 ‰; major deficiencies: misstatement index 2 \geq 1 ‰	
Amount of significant defects in financial reports		3
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

Applicable Not applicable

Deliberations in Internal Control Audit Report	
ZhonghengHuafa Co., LTD. did not maintain effective internal control related to the financial statements in all major aspects on December 31, 2015 according to the <i>Basic Norms for Enterprise Internal Control</i> and related regulations.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2016-04-30
Index of audit report of internal control (full-text)	The designated website: Juchao Website
Opinion type of auditing report of IC	Adverse opinions
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes No

The Accounting Firm issued the explanation on issuance of the by the internal control audit report with non-standard opinions.

Major defects refer to a control defect or combination of multiple control defects existing in the internal control, possibly leading to failure to prevent or discover and correct significant misstatement in the financial statements in a timely manner.

The following issues exist in ZhonghengHuafa Co., LTD.:

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(1) ZhonghengHuafa Co., LTD. recognized prepaid the contract amount in full in accordance with the Contract to the related party, Wuhan Hangsheng Photovoltaic Industry Co., LTD.;

(2) ZhonghengHuafa Co., LTD. recognized the investment income of RMB 42.8333 million Yuan without verifying the specific investment project and its profit and loss situation for RMB 500 million Yuan of T2 Class Priority Unit for "CITIC Qianjing - Collective Trust Plan for Green Star City Investment Fund", initiated and established by CITIC Trust LLC. according to the provisions of the Trust Contract. The recognizing basis is inadequate;

(3) ZhonghengHuafa Co., LTD. paid the capital of RMB 500 million Yuan to Shenzhen Vanke Financial Consulting Co., LTD. on September 8, 2015, and recognized the financing income of RMB 19.2 million Yuan without concluding a contract in writing. The recognizing basis is inadequate;

(4) ZhonghengHuafa Co., LTD. was registered and investigated by the China Securities Regulatory Commission in connection with violation of information disclosure.

ZhonghengHuafa Co., LTD.'s internal control execution related to financial reporting fails, and major defects exist in internal control.

Effective internal control can provide reasonable assurance for true and complete financial reports and related information, but the abovementioned major defects caused ZhonghengHuafa Co., LTD.'s internal control to lose this function.

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

Yes No

Section X. Financial Report

I. Audit report

Type of audit opinion	unqualified audit opinion
Signing date of audit report	2016-04-28
Name of audit institute	Shine Wing Certified Public Accountants (LLP)
The audit report number	XYZH/2016SZA20347
Name of CPA	Zhang Weijian, Gu Fanqiu

Auditor's Report

To all shareholders of Shenzhen Zhongheng Huafa Co., Ltd.:

We have audited the companying consolidated and parent Company's financial statements of Shenzhen Zhongheng Huafa Co., Ltd ("Zhongheng Huafa Company"), including balance sheet of 31 December 2015, and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

Management of the Company is responsible for prepare and present financial statement of the Company, which including: (1) Prepare financial statements with fair presentation in line with Accounting Standards for Business Enterprises; (2) Designing, executed and maintaining necessary internal control in order to prevent fundamental miscarrying in financial statement from fraudulent or errors.

II. Auditor's responsibility

Our responsibility is to express audit opinions on financial statements in accordance with the provisions of the *Auditing Standards of Chinese CPAs* and on the basis of the audit work. But as a result of the matters mentioned in the passage "III. Matters Causing Inability to Express Opinions", we were unable to obtain sufficient and appropriate audit evidence that and thus to provide the basis for expressing audit opinions.

III. Matters Causing Inability to Express Opinions

1. Zhongheng Huafa Co., LTD. paid the product purchase amounts of RMB 3.7 million Yuan, RMB 100 million Yuan and RMB 250,000 Yuan, a total of RMB 103.95 million Yuan in advance to the related party, Wuhan Hangsheng Photovoltaic Industry Co., LTD. in February, April and June, 2015 respectively. As of December 31, 2015, the Company had performed a total of RMB 2.5191 million Yuan of purchase transactions and recovered the principal of RMB 10.14309 Yuan. Due to the limited scope of audit and

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inability to implement alternative audit procedures for obtaining sufficient appropriate audit evidence for the economic substance of procurement business of the related party, we cannot make sure whether it is necessary to make adjustment for prepayments and other items in the financial statements, nor determine the amount to adjust.

2. As stated in Item 35 of NOTE VI. in the Notes to 2015 Financial Statement of ZhonghengHuafa Co., LTD., the Company subscribed the investment project of RMB 500 million Yuan of T2 Class Priority Unit for "CITICQianjing - Collective Trust Plan for Green Star City Investment Fund", initiated and established by CITIC Trust LLC. (Hereinafter referred to as the "T2 Class Trust Plan") on December 26, 2014 and received the principal of RMB 500 million Yuan on September 8, 2015. As of December 31, 2015, the Company has received the financing income of RMB 42.8333 million Yuan. According to the contract agreement of T2 Class Trust Plan, the trustee, CITIC Trust LLC, will carry out investment in specific projects as agreed on in the "Trust Order Letter" issued by the trustee ZhonghengHuafa Co., LTD. and ZhonghengHuafa Co., LTD. will assume full responsibility and risks. Due to the limited scope of audit and inability to implement alternative audit procedures for obtaining sufficient appropriate audit evidence for the investment income of RMB 42.8333 million Yuan recognized by ZhonghengHuafa Co., LTD. via verifying the specific investment project and its profit and loss situation for RMB 500 million Yuan for T2 Class Trust Plan; at the same time, ZhonghengHuafa Co., LTD. did not recognize the fixed trust compensation payable according to the principal of RMB 500 million Yuan agreed on in the Contract of T2 Class Trust Plan T2 and charge ratio. Therefore, we cannot make sure whether it is necessary to make adjustment for prepayments and other items in the financial statements, nor determine the amount to adjust.

3. As stated in Item 35 of NOTE VI. in the Notes to 2015 Financial Statement of ZhonghengHuafa Co., LTD., the Company paid the capital of RMB 500 million Yuan to Shenzhen Vanke Financial Consulting Co., LTD. on September 8, 2015, and recovered the capital of RMB 520 million Yuan and also recognized the financing income of RMB 19.2 million Yuan on December 31, 2015. We failed to get the related business contract signed between ZhonghengHuafa Co., LTD. and Shenzhen Vanke Financial Consulting Co., LTD., settlement documents and other audit evidence to measure and confirm the investment income, nor implement alternative audit procedures. Therefore, we cannot make sure whether it is necessary to make adjustment for prepayments and other items in the financial statements, nor determine the amount to adjust.

IV. Inability to Express Audit Opinions

As a result of the matters mentioned in the passage "III. Matters Causing Inability to Express Opinions", we were unable to obtain sufficient and appropriate audit evidence that and thus to provide the basis for expressing audit opinions. So, we do not express audit opinions on the financial statements prepared by ZhonghengHuafa Co., LTD..

II. Financial statement

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

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD

2015-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	662,115,464.19	28,819,357.68
Settlement provisions		

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Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	54,346,509.74	100,821,063.85
Accounts receivable	109,965,992.14	112,425,468.57
Accounts paid in advance	3,092,021.10	5,669,119.87
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	1,838,752.40	
Dividend receivable		
Other receivables	9,411,791.40	609,094,812.29
Purchase restituted finance asset		
Inventories	27,132,125.91	30,880,050.55
Divided into assets held for sale	92,857,471.69	
Non-current asset due within one year		
Other current assets		
Total current assets	960,760,128.57	887,709,872.81
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment property	30,019,906.66	31,274,663.74
Fixed assets	110,607,425.50	186,438,814.34
Construction in progress	654,356.00	2,853,356.00
Engineering material		
Disposal of fixed asset		
Productive biological asset		

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Oil and gas asset		
Intangible assets	46,372,390.49	47,866,685.21
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	274,758.16	345,658.24
Deferred income tax asset	6,400,271.29	6,251,934.59
Other non-current asset		
Total non-current asset	194,329,108.10	275,031,112.12
Total assets	1,155,089,236.67	1,162,740,984.93
Current liabilities:		
Short-term loans	119,479,107.41	138,114,376.32
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	53,614,420.20	39,994,397.62
Accounts payable	54,241,655.86	65,547,836.32
Accounts received in advance	1,147,469.52	727,331.06
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	4,731,615.47	6,208,793.90
Taxes payable	20,498,295.88	18,552,046.85
Interest payable		
Dividend payable		
Other accounts payable	32,665,698.32	24,179,349.31
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		

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Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	286,378,262.66	293,324,131.38
Non-current liabilities:		
Long-term loans	554,700,000.00	585,300,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,604,411.81	2,765,583.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	557,304,411.81	588,065,583.81
Total liabilities	843,682,674.47	881,389,715.19
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	146,283,642.90	109,496,837.33
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	77,391,593.25	77,391,593.25
Provision of general risk		

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Retained profit	-195,429,900.95	-188,698,387.84
Total owner's equity attributable to parent company	311,406,562.20	281,351,269.74
Minority interests		
Total owner's equity	311,406,562.20	281,351,269.74
Total liabilities and owner's equity	1,155,089,236.67	1,162,740,984.93

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	Closing balance	Opening balance
Current assets:		
Monetary funds	524,937,734.32	14,802,258.59
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	322,194.43	1,857,222.07
Account paid in advance	1,005,472.83	1,005,472.83
Interest receivable		
Dividends receivable		
Other receivables	76,212,908.56	606,214,702.41
Inventories	14,806.50	14,806.50
Divided into assets held for sale	92,857,471.69	
Non-current assets maturing within one year		
Other current assets		
Total current assets	695,350,588.33	623,894,462.40
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		

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Long-term receivables		
Long-term equity investments	186,608,900.00	187,608,900.00
Investment property	30,019,906.66	31,274,663.74
Fixed assets	4,726,034.98	100,029,320.14
Construction in progress	654,356.00	2,853,356.00
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	5,133,492.12	5,278,437.84
Research and development costs		
Goodwill		
Long-term deferred expenses	241,666.63	291,666.67
Deferred income tax assets	7,204,895.54	7,056,901.94
Other non-current assets		
Total non-current assets	234,589,251.93	334,393,246.33
Total assets	929,939,840.26	958,287,708.73
Current liabilities:		
Short-term borrowings	19,600,000.00	20,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	10,745,840.16	10,745,840.16
Accounts received in advance	735,382.00	420,611.24
Wage payable	788,575.28	724,418.36
Taxes payable	16,934,546.28	11,286,781.44
Interest payable		
Dividend payable		
Other accounts payable	26,415,353.86	56,873,489.93
Divided into liability held for sale		

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Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	75,219,697.58	100,051,141.13
Non-current liabilities:		
Long-term loans	554,700,000.00	585,300,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,604,411.81	2,765,583.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	557,304,411.81	588,065,583.81
Total liabilities	632,524,109.39	688,116,724.94
Owners' equity:		
Share capita	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,283,642.90	109,496,837.33
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-209,420,732.28	-199,878,673.79
Total owner's equity	297,415,730.87	270,170,983.79
Total liabilities and owner's equity	929,939,840.26	958,287,708.73

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	499,455,781.11	694,839,760.10
Including: Operating income	499,455,781.11	694,839,760.10
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	531,003,343.27	691,076,836.44
Including: Operating cost	418,001,067.08	593,998,799.18
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		
Operating tax and extras	9,242,961.43	5,655,209.84
Sales expenses	11,427,705.20	11,512,229.16
Administration expenses	42,591,764.80	39,200,279.02
Financial expenses	48,393,716.52	39,784,553.27
Losses of devaluation of asset	1,346,128.24	925,765.97
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	25,247,171.27	983,612.12
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed		

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with “-”)		
III. Operating profit (Loss is listed with “-”)	-6,300,390.89	4,746,535.78
Add: Non-operating income	3,163,848.99	6,490,823.59
Including: Disposal gains of non-current asset	453,321.89	1,752,028.49
Less: Non-operating expense	332,848.12	593,708.10
Including: Disposal loss of non-current asset	4,270.45	164,208.69
IV. Total Profit (Loss is listed with “-”)	-3,469,390.02	10,643,651.27
Less: Income tax expense	3,262,123.09	2,956,031.00
V. Net profit (Net loss is listed with “-”)	-6,731,513.11	7,687,620.27
Net profit attributable to owner’s of parent company	-6,731,513.11	7,687,620.27
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 of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other		

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comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-6,731,513.11	7,687,620.27
Total comprehensive income attributable to owners of parent Company	-6,731,513.11	7,687,620.27
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	-0.0238	0.0271
(ii) Diluted earnings per share	-0.0238	0.0271

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

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Item	Current Period	Last Period
I. Operating income	54,055,168.03	57,459,329.67
Less: Operating cost	8,764,361.27	10,236,937.60
Operating tax and extras	6,750,379.97	3,204,860.53
Sales expenses		
Administration expenses	22,865,179.27	19,086,085.26
Financial expenses	47,475,979.01	18,513,856.94
Losses of devaluation of asset	1,344,755.83	975,765.97
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	25,246,527.78	
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	-7,898,959.54	5,441,823.37
Add: Non-operating income	688,140.77	1,756,470.00
Including: Disposal gains of non-current asset	341,452.77	1,600,000.00
Less: Non-operating expense	16,682.32	427,026.68
Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with “-”)	-7,227,501.09	6,771,266.69
Less: Income tax expense	2,314,557.40	1,428,360.32
IV. Net profit (Net loss is listed with “-”)	-9,542,058.49	5,342,906.37
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		

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2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	-9,542,058.49	5,342,906.37
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		

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Cash received from selling commodities and providing labor services	513,469,704.97	531,329,345.21
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	296,382,321.93	28,559,456.87
Subtotal of cash inflow arising from operating activities	809,852,026.90	559,888,802.08
Cash paid for purchasing commodities and receiving labor service	248,964,065.70	317,306,581.05
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		

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Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	62,963,693.91	60,699,398.41
Taxes paid	19,396,559.05	15,885,699.17
Other cash paid concerning operating activities	305,041,692.25	46,504,964.44
Subtotal of cash outflow arising from operating activities	636,366,010.91	440,396,643.07
Net cash flows arising from operating activities	173,486,015.99	119,492,159.01
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		1,925,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	899,643.49	
Subtotal of cash inflow from investing activities	899,643.49	1,925,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	28,607,045.58	6,482,152.86
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		

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Other cash paid concerning investing activities		44,452.72
Subtotal of cash outflow from investing activities	28,607,045.58	6,526,605.58
Net cash flows arising from investing activities	-27,707,402.09	-4,601,605.58
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	330,573,804.44	971,853,411.47
Cash received from issuing bonds		
Other cash received concerning financing activities	1,062,033,333.35	
Subtotal of cash inflow from financing activities	1,392,607,137.79	971,853,411.47
Cash paid for settling debts	379,809,073.35	576,115,233.45
Cash paid for dividend and profit distributing or interest paying	53,144,384.74	40,887,323.57
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	500,000,000.00	500,000,000.00
Subtotal of cash outflow from financing activities	932,953,458.09	1,117,002,557.02
Net cash flows arising from financing activities	459,653,679.70	-145,149,145.55
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	5,022,515.44	1,946,419.38
V. Net increase of cash and cash equivalents	610,454,809.04	-28,312,172.74

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Add: Balance of cash and cash equivalents at the period-begin	22,392,147.12	50,704,319.86
VI. Balance of cash and cash equivalents at the period-end	632,846,956.16	22,392,147.12

6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	52,034,400.65	54,826,654.35
Write-back of tax received		
Other cash received concerning operating activities	68,155,035.46	575,856,964.00
Subtotal of cash inflow arising from operating activities	120,189,436.11	630,683,618.35
Cash paid for purchasing commodities and receiving labor service	8,322,444.30	7,677,862.85
Cash paid to/for staff and workers	5,577,101.48	5,118,552.72
Taxes paid	6,560,587.94	5,814,559.80
Other cash paid concerning operating activities	75,777,962.88	489,120,594.10
Subtotal of cash outflow arising from operating activities	96,238,096.60	507,731,569.47
Net cash flows arising from operating activities	23,951,339.51	122,952,048.88
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		

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Net cash received from disposal of fixed, intangible and other long-term assets		1,600,000.00
Net cash received from disposal of subsidiaries and other units	1,000,000.00	100,000.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	1,000,000.00	1,700,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	304,712.00	1,042,600.00
Cash paid for investment		1,000,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	304,712.00	2,042,600.00
Net cash flows arising from investing activities	695,288.00	-342,600.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	19,600,000.00	632,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities	1,062,033,333.35	
Subtotal of cash inflow from financing activities	1,081,633,333.35	632,000,000.00
Cash paid for settling debts	50,600,000.00	225,298,800.00
Cash paid for dividend and profit distributing or interest paying	45,555,697.47	33,088,836.69
Other cash paid concerning financing activities	500,000,000.00	500,000,000.00

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Subtotal of cash outflow from financing activities	596,155,697.47	758,387,636.69
Net cash flows arising from financing activities	485,477,635.88	-126,387,636.69
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	11,212.34	4,520.46
V. Net increase of cash and cash equivalents	510,135,475.73	-3,773,667.35
Add: Balance of cash and cash equivalents at the period -begin	14,802,258.59	18,575,925.94
VI. Balance of cash and cash equivalents at the period -end	524,937,734.32	14,802,258.59

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

This Period

In RMB

Item	This Period												
	Owners' equity attributable to 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		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	283,161,227.00				109,496,837.33				77,391,593.25		-188,698,387.84		281,351,269.74
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													

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Other												
II. Balance at the beginning of this year	283,161,227.00				109,496,837.33				77,391,593.25		-188,698,387.84	281,351,269.74
III. Increase/Decrease in this year (Decrease is listed with “-”)					36,786,805.57						-6,731,513.11	30,055,292.46
(i) Total comprehensive income											-6,731,513.11	-6,731,513.11
(ii) Owners’ devoted and decreased capital					36,786,805.57							36,786,805.57
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					36,786,805.57							36,786,805.57
(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)												

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2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. 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				146,283,642.90				77,391,593.25			-195,429,900.95	311,406,562.20

Last Period

In RMB

Item	Last Period												
	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		
	Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	283,161,227.00				109,496,837.33				77,391,593.25			-196,386,008.11	273,663,649.47
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the													

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same control													
Other													
II. Balance at the beginning of this year	283,161,227.00				109,496,837.33				77,391,593.25			-196,386,008.11	273,663,649.47
III. Increase/Decrease in this year (Decrease is listed with “-”)												7,687,620.27	7,687,620.27
(i) Total comprehensive income												7,687,620.27	7,687,620.27
(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													

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conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. 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				109,496,837.33				77,391,593.25		-188,698,387.84		281,351,269.74

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

This Period

In RMB

Item	This Period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	283,161,227.00				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79

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III. Increase/ Decrease in this year (Decrease is listed with “-”)					36,786,805.57						-9,542,058.49	27,244,747.08
(i) Total comprehensive income											-9,542,058.49	-9,542,058.49
(ii) Owners’ devoted and decreased capital					36,786,805.57							36,786,805.57
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					36,786,805.57							36,786,805.57
(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. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												

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2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	283,161,227.00				146,283,642.90				77,391,593.25	-209,420,732.28	297,415,730.87

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	283,161,227.00				109,496,837.33				77,391,593.25	-205,221,580.16	264,828,077.42
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				109,496,837.33				77,391,593.25	-205,221,580.16	264,828,077.42
III. Increase/Decrease in this year (Decrease is listed with "-")										5,342,906.37	5,342,906.37
(i) Total comprehensive income										5,342,906.37	5,342,906.37
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned											

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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. 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					109,496,837.33					77,391,593.25	-199,878,673.79	270,170,983.79

Section XI. Documents available for Reference

- I. Text of annual report carrying signature of the Chairman;
- II. Text of financial report carrying signature and seal of person in charge of the Company, person in charge of accounting works and person in charge of accounting institution;
- III. All files disclosed on *China Securities Journal*, *Securities Times* and *Hong Kong Commercial Daily* appointed by CSRC;
- IV. Article of Association;
- V. Other relevant files

[Note] This Report is prepared respectively both in Chinese and English. Should be there any difference in interpretation of these two versions, the Chinese version shall prevail.

III. Basic information of the Company

Shenzhen Zhongheng Hwafa Co, Ltd. (hereinafter referred to as “the Company” or referred to as “the Group” when it includes the subsidiary) was founded on Dec. 8, 1981, with the business license number being 440301501120670. The legal representative of the Company is Mr. Li Zhongqiu and the Company’s registered address is at No. 411 Building, Huafa North Road, Futian District, Shenzhen.

The Company is specialized in manufacturing the computer, communication and other electronic equipment, the business scope: manufacturing & operating each kind of color TV, LCD monitor, LCD screen (subject to branch offices), hi-fi equipment, digital watch, TV game player and computer as well as auxiliary circuit boards, precise injection moulding ware, light packing materials (manufacturing & operating in Wuhan), hardware (including molds), electroplate and solder stick, real estate development and operation (ref. S.F.D.C.No. 7226760), property management. Establishing affiliate companies in Wuhan and Jilin, branch offices in each capital city (excluding Lhasa) and cities directly under jurisdiction of the Central Government.

The Company has established the shareholders’ meeting, board of directors and board of supervisors. The shareholders’ meeting is the organ of authority of the Company that is responsible for exercising the right to decide the significant matters such as the Company’s management guideline, financing, investing and profit distribution according to laws. The board of directors is responsible for the shareholders’ meeting and has the right to exercise the Company’s right of management and decision-making according to laws; the management layer is responsible for organizing the shareholders’ meeting, implementing the resolutions of the board of directors and presiding over the Company’s production, operation and management.

The approved release date of the financial report: April 22, 2016.

Compared with last year, Yutian Henghua Co., Ltd. was removed this year for being sold. See the Note “VIII. Change in the Consolidation Scope” and the Note “IX. Rights and Interests in Other Entities” for details.

IV. Preparation Basis of Financial Statements

1. Preparation Basis

The Group’s financial statements were prepared on the basis of the actual transactions or businesses occurred in its continuous operation according to *the Enterprise Accounting Principle* promulgated by the Ministry of Finance and according to the “important accounting policies and accounting evaluation”.

2. Going Concern

The group has a history of recent earnings management and financial resources to support, think to prepare financial statements on the basis of continuous operations is reasonable.

V. Significant Accounting Policy and Accounting Estimate

Specific accounting policy and accounting estimate tips:

The specific accounting policy and accounting estimate prepared by the Group according to actual production and operation characteristics include operating cycle, recognition and measurement of bad debt provisions over account receivable, measurement of

delivered inventories, fixed asset classification and depreciation method, intangible assets amortization, income recognition and measurement.

1. Statement regarding Following Business Accounting Standards

The Financial Statement prepared by the Group complies with the requirements of Business Accounting Standards, and reflect such information regarding enterprise financial situation, operation result and cash flows, etc. on the factual and complete basis.

2. Accounting Period

The accounting period of the Group is from each 01 January to 31 December in the Gregorian calendar.

3. Operating Cycle

The operating cycle of the Group is 12 months and the operating cycle is treated as the classification standard for the liquidity of the assets and liabilities.

4. Standard Currency

RMB is adopted as standard currency by the Group.

5. Accounting processes of business mergers under the same control and those not under the same control

The assets and liabilities obtained by the Group, as the combining party, during the business merger under common control shall be measured based on the book value of the combined party in the consolidated statements of the final controlling party on the merger date. Where there is any difference between the book value of obtained net assets and the book value of paid merger consideration, the capital reserve shall be adjusted; where the capital reserve is not sufficient for writing down, the retained earnings shall be adjusted.

The acquiree's identifiable assets, liabilities or contingent liabilities obtained during business merger under non-common control shall be measured based on the fair value in the acquisition date. The merger cost is the sum of the fair value of the cashes or non-cash assets paid by the Group on the acquisition date for obtaining the control right of the acquire, liabilities issued or assumed and equity securities issued and direct related expenses occurred in the business merger (for the business merger achieved step by step through several times of transaction, the merger cost shall be the sum of the costs of all single transactions). The difference between the merger cost and the fair value of identifiable net assets of the acquiree obtained in the merger shall be recognized as the goodwill; where the merger cost is lower than the fair value of identifiable net assets of the acquiree obtained in the merger, the fair value of various identifiable assets, liabilities or contingent liabilities obtained in the merger and the fair value of the non-cash assets of the merger consideration or the equity securities issued shall be reviewed. Upon review, where the merger cost is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger, the difference shall be recorded in the non-business income on the same period of the merger.

6. Preparation of Consolidated Financial Statement

The Group incorporates all controlled subsidiaries into the scope of the consolidated financial statements.

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It shall make necessary adjustment on subsidiaries' financial statements according to the accounting policy or accounting period adopted by the Company when prepare consolidated financial statement.

All significant internal transactions, balance of current accounts and unrealized profit within the scope of merger shall be offset when preparing the consolidated financial statements. The shares in the ownership interest of the subsidiary that don't belong to the parent company and the shares in the current net profits and losses, other comprehensive incomes and total comprehensive incomes that belong to the minority stockholder's interest shall be listed respectively in the item of "minority stockholder's interest, minority interest income, other comprehensive incomes belonging to the minority shareholder and total comprehensive incomes belonging to the minority shareholder" in the consolidated financial statement.

The operating result and cash flow of the subsidiary obtained during the business merger under common control shall be incorporated into the consolidated financial statements at the beginning of the merger period. When preparing the consolidated financial statement, relevant items in the financial statement of last year shall be adjusted and the report entity formed after merger shall be deemed to exist always since the final controlling party starts control.

Where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. For instance: where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, when preparing the consolidated financial statement, it shall be deemed as being adjusted according to the current status when the final controlling party starts control; when preparing the comparison statement, relevant assets and liabilities of the acquiree shall be incorporated into the comparison statement of the consolidated financial statement of the Group not earlier than the period when the Group and the acquiree are under the common control of the final controlling party, and the net assets increased due to merger shall be adjusted in the comparison statement as the relevant items under the item of ownership benefit. In order to avoid repeated calculation of the value of net assets of the acquiree, the long-term equity investment held by the Group before merger, relevant profits and losses recognized from the date when obtaining the original equity and the date when the Group and the acquiree are under the common final control (whichever is later) to the merger date, other comprehensive income and change in other net asset shall be written down to compare the retained earnings at the beginning of the period and the profits and losses at the current period during the comparison statement period.

Where the subsidiary is obtained via business merger under non-common control, the operating result and cash flow shall be incorporated into the consolidated financial statement since the date when the Group obtains the control right. When preparing the consolidated financial statement, the financial statement of the subsidiary shall be adjusted based on the fair value of various identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

Where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, the handling method in the consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. For instance: where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, when preparing the consolidated financial statement, the equity of the acquiree held before the acquisition date shall be re-measured according to the fair value of the equity on the acquisition date; the difference between the fair value and the book value shall be recorded in the current investment income; where the relevant equity of the acquiree held before the acquisition date involves other comprehensive income under the accounting based on equity method and other ownership benefit change other than the net profit and loss, other comprehensive

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income and profit distribution, the equity shall be transferred to the profit and loss on investments on the current period of the acquisition date, with an exception of the other comprehensive income generated from the change in the net liabilities or net assets under the benefit plan set based on the re-measurement by the investee.

Where the Group disposes part of the long-term equity investment on the subsidiary without losing the control right, in the consolidated financial statement, the difference between the disposal cost and the shares of the net assets of the subsidiary continuously calculated since the acquisition date or the merger date to which the disposal cost of long-term equity investment corresponds shall be adjusted as the capital premium or stock premium; where the capital reserve is not sufficient for write-downs, the retained earnings shall be adjusted.

Where the Group loses the control over the investee due to reasons such as disposal of partial equity investment, when preparing the consolidated financial statement, the remaining equity shall be re-measured based on its fair value on the date when it loses the control right. The sum of the consideration obtained from disposal of the equity and the fair value of remaining equity, after deducting the difference between the shares of the net assets of the original subsidiary continuously calculated since the acquisition date or merger date and calculated based on the original shareholding ratio, shall be recorded in the profit and loss on the investment on the current period when losing the control right and shall be used to write down the goodwill. The other comprehensive income related to the equity investment of original subsidiary shall be transferred to the profit and loss on investment on current period when losing the control right.

Where the Group disposes the equity investment on subsidiary step by step via several times of transactions until the Group loses the control right, if several transactions about disposal of the equity investment on subsidiary till loss of the control right belong to package deals, various transactions shall be treated as a transaction disposing the subsidiary and losing the control right for accounting handling; however, before loss of the control right, the difference between each disposal price and the share in the net assets of the subsidiary which corresponds to the disposed investment shall be recognized as other comprehensive income in the consolidated financial statement, which shall be transferred into the profit and loss on investment on the current period when the control right is lost.

7. Joint Venture Arrangement and Classification and Joint Operation Accounting Handling Method

The joint venture arrangement of the Group includes the joint operation and joint venture. For joint operation project, the Group, as the cooperative enterprise in the joint operation, shall have the right to confirm the separately held assets and assumed liabilities and shall confirm the held assets and assumed liabilities according to shares and confirm relevant income and expense separately according to relevant agreement or based on shares. Where the joint operation related procurement and sales doesn't constitute the business asset transaction, only the part of the profit and loss generated from the transaction that belongs to the other participants under joint operation shall be recognized.

8. Determination criteria of cash and cash equivalents

The cash referred to in the Cash Flow Statement of the Group means stocked cash and deposit available for payment at any time. The cash equivalents therein refer to investment due within 3 months since purchasing day, strong fluidity, small risk in value variation and easy to converted into cash of predictable sum.

9. Conversion in foreign currency transactions and Conversion of foreign currency statements

(1) Foreign currency transaction

Foreign currency amount of the group's foreign currency business is converted into Renminbi amount in accordance with market exchange rate published by the People's Bank of China at the beginning of the current month. At the reporting day of Balance Sheet, the monetary assets in foreign currencies are translated at the instant exchange rate of the reporting day of Balance sheet. As to the exchange loss and profit occurred, except for that of special loan for the purchase or production of assets which meet the conditions of capitalization, which shall be treated according to the principles of capitalization, others shall be accrued into loss and profit in current term.

(2) Conversion of foreign-currency financial statement

Assets and debt items in foreign-currency balance shall be converted with spot rate on the date of balance sheet; ownership items except "undistributed profit" shall be converted according to spot rate; income and fee item in profit statement shall be converted according to market exchange rate issued by People's Bank of China at the beginning of the month when transaction is made. The translation difference in the foreign currency statement generated due to above translation shall be listed in the item of other comprehensive income. Foreign-currency cash flow adopts in conversion market exchange rate issued by People's Bank of China at the beginning of the month when cash flow is incurred. Change amount due to influence from change of exchange rate to cash shall be listed independently in cash flow sheet.

10. Financial Instruments

When the Group becomes a party to the financial instrument contract, one financial asset or financial liability shall be recognized.

(1) Financial asset

1) Financial asset classification, recognition basis and measurement method

The Group divides its owned financial assets, based on the investment purpose and economic nature, into the financial assets which are measured based on fair value and which changes are recorded in current loss and profit, held-to-maturity investment, accounts receivables and available-for-sale financial assets.

The financial assets that are measured based on the fair value and which change is recorded in current profit and loss shall include the trading financial assets and the financial assets which are designated at the initial recognition as assets which are measured based on the fair value and which change is recorded in current profit and loss. The Group divides the financial assets meeting one of the following conditions into the trading financial assets: the purpose for obtaining the financial asset is for sales within a short term period; which belong to a part of the identifiable financial instrument portfolio under centralized management and there is an objective evidence showing that the company adopts short-term profit method in recent period to manage the portfolio; which also belong to the derivative instrument, but the derivative instrument that are designated and that belong to effective arbitrage instrument, the derivative instrument within the scope of financial guarantee contract, the equity instrument that is not quoted in the active market and which fair value cannot be reliably measured and the derivative instrument that is settled via delivery of equity instrument are not included. The Group requires designating the financial instrument meeting one of the following conditions as the

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financial asset which is measured based on fair value and which change is recorded in the current profit and loss at the time of initial recognition: such designation can eliminate or obviously reduce the discrepancy in the recognition or measurement of relevant profit or loss caused by different measurement basis of financial instrument; the official written document of company's risk management or investment strategy has specified that the financial instrument portfolio shall be managed, evaluated and reported to the key management personnel based on the fair value; include the mixed instruments with one or several embedded derivative instruments, unless that the embedded derivative instrument doesn't significantly change the cash flow of the mixed instruments, or the embedded derivative instrument shall not be separated from relevant mixed instruments obviously; include the mixed instruments of embedded derivative instruments to be separated but that cannot be separately measured on the date of acquisition date or on the subsequent balance sheet date. The financial assets designated by the Group mainly include the trading financial assets. Such financial assets shall be measured subsequently based on fair value. The change in the fair value shall be recognized in profit or loss; the interest or cash dividends obtained during the period when the assets are held shall be recognized as income from investment; at the time of disposal, the difference between the fair value and the initial recorded amount shall be recognized as the profit and loss on investment. Meanwhile, the profit and loss on the change in fair value shall be adjusted.

Held-to-maturity investment refers to non-derivative financial asset with fixed maturity, fixed or confirmable returnable amount and that can be held to maturity according to the Group's clear intention and ability. The held-to-maturity investment shall be subsequently measured based on the amortized cost according to the effective interest method. And the amortized or reduced amount and the profit or loss generated at the time of final recognition shall be recorded in current profit and loss.

Accounts receivables refer to the non-derivative financial assets that have no quotation in active market and that have fixed or confirmable recoverable amount. Accounts receivables shall be subsequently measured based on the amortized cost according to the effective interest method. And the amortized or reduced amount and the profit or loss generated at the time of final recognition shall be recorded in current profit and loss.

Available-for-sale financial assets refer to the non-derivative financial assets which are designated as the available-for-sale financial assets at the time of initial recognition and the financial assets that are not divided into other categories. In such assets, the equity instrument investment that have no quotation in the active market and that fair value cannot be reliably measured and the derivative financial assets that are linked to the equity instrument and that shall be settled via delivery of the equity instrument shall be measured subsequently according to cost; other assets that have quotation in active market or that have no quotation in active market but have fair value that can be reliably measured shall be measured based on fair value and the change in fair value shall be recorded in the other comprehensive income. Such financial assets shall be subsequently measured based on fair value; except for the impairment loss and the exchange gain or loss generated by the foreign currency financial assets, the change in fair value of the available-for-sale financial assets shall be directly recorded in the stockholders' equity. When the financial assets are finally recognized, the accumulated changes in fair value that are directly recorded in the equity shall be transferred into the current profit and loss. The interest of the available-for-sale debt instrument investment calculated based on effective interest method during the holding period and the cash dividends to be distributed according to the announcement of the invested unit that are related to the available-for-sale equity instrument shall be recorded in the current profit and loss as the income from investment. The equity instrument investment that has no quotation in the active market and that fair value cannot be reliably measured shall be measured based on the cost.

2) Recognition basis and measurement method of financial asset transfer

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The financial assets meeting one of the following conditions shall be derecognized: (1) the contractual right for collecting the cash flow of the financial asset shall be terminated; (2) the financial asset has been transferred and the Group transfers almost all risks and remunerations on the ownership of financial asset to the carrying party; (3) the financial asset has been transferred, even though the Group neither transfers nor retains almost all risks and remunerations on the ownership of the financial assets, but waives the control right over the financial asset.

Where the enterprise neither transfers nor retains almost all risks and remunerations on the ownership of the financial asset and doesn't waive the control right over the financial asset, relevant financial asset shall be recognized according to its involvement degree in the transferred financial asset and relevant liabilities shall be recognized accordingly.

Where the overall transfer of the financial asset can meet the condition of derecognition, the difference between the book value of transferred financial assets and the sum of the consideration received due to transfer and the accumulated changes in fair value that are originally recorded in other comprehensive income shall be recorded in current profit and loss.

Where partial transfer of the financial asset can meet the condition of derecognition, the overall book value of transferred financial assets shall be shared based on respective relative fair value between the derecognized part and the non-derecognized part; and the difference between the sum of the consideration received due to transfer and the accumulated changes in fair value that are originally recorded in other comprehensive income and the above shared book value shall be recorded in the current profit and loss.

3) Test method and accounting treatment method of financial assets impairment

Except for the financial assets that are measured based on fair value and which changes are recorded in current profit and loss, the Group shall inspect the book value of other financial assets on the balance sheet date. If there is any objective evidence showing that a certain financial asset is impaired, the provision for impairment shall be withdrawn.

Where the financial assets measured based on amortized cost are impaired, the provision for impairment shall be withdrawn based on the difference between the present value of estimated future cash flow (excluding the future credit loss that has not yet occurred) and the book value. If there is any objective evidence showing that the value of the financial asset has been recovered, which is related to the matter occurred after the loss is confirmed objectively, the originally recognized impairment loss shall be transferred back and recorded in current profit and loss.

Where the available-for-sale financial assets are impaired, the accumulated losses caused due to decrease in fair value that are originally and directly recorded in the ownership interest shall be transferred out and recorded in the impairment loss. For the available-for-sale debt instrument investment which impairment loss has been recognized, if the future fair value increases and it is related to the matter occurred after recognition of original impairment loss objectively, the originally recognized impairment loss shall be transferred back and recorded in current profit and loss. For the available-for-sale equity instrument investment which impairment loss has been recognized, the increased in future fair value shall be directly recorded in the ownership interest.

(2) Financial liabilities

1) Classification, recognition basis and measurement method of financial liabilities

The financial liabilities of the Group shall, at the time of initial recognition, be classified as the financial liabilities that are measured based on fair value and which changes are recorded in current profit and loss and other financial liabilities.

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The financial liabilities that are measured based on the fair value and which change is recorded in current profit and loss shall include the trading financial liabilities and the financial assets which are designated at the initial recognition as liabilities which are measured based on the fair value and which change is recorded in current profit and loss. The financial liabilities shall be subsequently measured based on the fair value and the profit or loss generated from change in fair value and the dividend and interest expense related to the financial liabilities shall be recorded in current loss and profit.

Other financial liabilities shall be subsequently measured based on the amortized cost according to the effective interest method.

2) Condition for derecognition of the financial liabilities

When the current obligations of financial liabilities have been removed fully or partially, the part of the financial liabilities or obligations that has been removed shall be derecognized. Where the Company and the creditor enter into an agreement to replace current financial liabilities by assuming new financial liabilities and where the contractual terms with regard to new financial liabilities and the current financial liabilities are different in substance, the current financial liabilities shall be derecognized and the new financial liabilities shall be recognized. Where the Company makes substantial amendment to all or part of the contractual terms for the current financial liabilities, all or part of the current financial liabilities shall be derecognized and the financial liabilities which terms are amended shall be recognized as new financial liabilities. The difference between the book value of the part that is derecognized and the paid consideration shall be recorded in current profit and loss.

(3) Determination method of the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities according to the price of the main market. If there is no main market, the Group will measure the fair value of financial assets and financial liabilities according to the price that is most favorable to the market and adopt the suitable valuation technique that is supported by sufficient available data and other information. The input value used for measurement of fair value can be divided into three levels: for the first level, the input value is the unadjusted quotation of the same asset or liability in the active market that can be obtained in the measurement date; for the second level, the input value refers to the input value of relevant asset or liability that can be observed directly or indirectly other than the input value at first level; for the third level, the input value refers to the input value of relevant asset or liability that cannot be observed. The Group preferentially uses the input value at first level and then uses the input value at third level. The level of the measurement result of fair value shall be determined based on the lowest level of the input value that is significant to the overall measurement of the fair value.

11. Accounts Receivables

(1) Accounts receivables with large single amount which bad debt provision is withdrawn separately

Judgment criteria or amount standard of material specific amount or amount criteria	The accounts receivables with the single amount being larger than RMB 500000 are treated as the significant accounts receivables
Provision method with material specific amount and provision of specific bad debt preparation	Provision bad debt preparation in accordance with the difference of present value of future cash flow below the book value

(2) Accounts receivable which bad debt provision is withdrawn according to the credit risk characteristics

Combination name	Methods for withdrawing the bad debt provision
Aging portfolio	Aging analysis method

Bad debt reserve accrued by aging analysis method in the combination

Applicable Inapplicable

Account ageing	Accrual proportion of account receivables	Accrual proportion of Other Accounts Receivable
< 1 year	0.00%	0.00%
1-2 year (s)	5.00%	5.00%
2-3 year (s)	10.00%	10.00%
Over 3 years	30.00%	30.00%

Bad debt reserve accrued by balance percentage method in the combination

Applicable Inapplicable

Bad debt reserve accrued by other method in the combination

Applicable Inapplicable

(3) Accounts receivable that were not significant but have been provisioned bad debt preparation separately

Reason of specific bad debt provision	Accounts receivable with non-material specific amount and being not able to reflect its risk character by provisioning bad debt preparation in accordance with portfolio
Provision method of bad debt preparation	Bad debt preparation will be provisioned in accordance with the difference of present value of its future cash flow below its book value.

12. Inventories

The inventories of the Group mainly include the raw materials, goods in process, commodities in stock, low priced and easily worn articles, self-made and semi-finished products and outsourced materials.

The perpetual inventory system is implemented for inventories. The inventories shall be valued based on actual cost at the time of acquisition; for reception or delivery of inventories, the actual cost of the inventories shall be determined based on the first-in and first-out method. The low priced and easily worn articles and packing materials shall be amortized based on the one-off amortization method.

For such stocked goods directly for sales as products in stocks, products in progress and materials for sales, their net realizable value shall be recognized after deducting the estimated sales expenses and relevant taxes from estimated sales price of such inventories. For stocked materials for production use, their net realizable value shall be recognized after deducting estimated cost occurring at completion, sales expenses and relevant tax from estimated sales price of products to be manufactured.

13. Assets classified as held for sale

14. Long-term Equity Investment

The Group's long-term equity investment mainly refers to the investment in subsidiaries, joint ventures and cooperative enterprises.

The judgment basis of the Group on common control: all participants or the participating groups collectively control the arrangement and the policy of the arrangement-related activity shall be consistently agreed by the participants who collectively control such arrangement.

When the Group directly or indirectly owns the voting rights larger than 20% of the total voting rights of the invested unit (inclusive) but lower than 50% of the total voting rights via subsidiaries, it is often considered a significant influence on the invested unit. Where the Group holds less than 20% of the voting rights of the invested unit, whether it has a significant influence on the invested unit shall be judged after comprehensively considering the facts and situations that the Group assign representatives to the invested unit's board of directors or similar organs of power, the Group participates in the financial and operation policy preparation process of the invested unit, the Group has important transactions with the invested unit, the Group assigns management personnel to the invested unit or the Group provides the invested unit with key technical information and materials.

The unit controlling the invested unit shall be the subsidiary of the Group. For the long-term equity investment obtained from the business merger under common control, the shares of the book value of the net assets of the acquiree in the consolidated financial statement of the final controlling party obtained in the merger date shall be treated as the initial investment cost of the long-term equity investment. Where the book value of the net assets of the acquiree on the merger date is negative, the long-term equity investment cost shall be determined as zero.

Where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, the handling method of long-term equity investment in the parent company's consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. For instance: where the business merger is finally realized by obtaining the equity of the invested unit under common control step by step via several times of transactions, which belongs to the package deal, the Group shall conduct accounting treatment by treating various transactions as a transaction obtaining the control right. Where it doesn't belong to a package deal, on the merger date, the shares of the book value of the net assets of the acquiree in the consolidated financial statement of final controlling party after merger shall be treated as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the sum of the book value of long-term equity investment before the merger and the book value of new payment consideration of shares further obtained on the merger date shall be used to adjust the capital reserves. Where the capital reserves are not sufficient for write-downs, the retained earnings shall be written down.

Where the long-term equity investment is obtained through the business merger under non-common control, the merger cost shall be treated as the initial investment cost.

Where the business merger is finally realized by obtaining the equity of the invested unit under non-common control step by step via several times of transactions, the handling method of long-term equity investment in the parent company's consolidated financial statement shall be supplemented and disclosed during the reporting period when obtaining the control right. For instance:

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where the business merger is finally realized by obtaining the equity of the invested unit under non-common control step by step via several times of transactions, which belongs to the package deal, the Group shall conduct accounting treatment by treating various transactions as a transaction obtaining the control right. Where it doesn't belong to a package deal, the sum of the book value of originally held equity investment and the newly-increased investment cost shall be treated as the initial investment cost accounted based on cost method. Where the equity held before the acquisition date is accounted based on equity method, other relevant comprehensive income accounted based on original equity method shall not be adjusted temporarily and during disposal of such investment, accounting treatment shall be carried out based on the same basis on which the invested unit directly disposes relevant assets or liabilities. Where the equity held before the acquisition date in the available-for-sale financial assets is accounted based on fair value, the accumulated changes in fair value that shall be recorded in other comprehensive income originally shall be transferred into the current profit and loss on investment on the merger date.

Except for the long-term equity investment obtained via the business merger, for the long-term equity investment obtained via the cash payment, the purchase price actually paid shall be treated as the investment cost; while for the long-term equity investment obtained via issuance of equity securities, the fair value of the issued equity securities shall be treated as the investment cost; for the long-term equity investment invested by the investors, the value specified in the investment contract or the agreement shall be treated as the investment cost; where the Company has any long-term equity investment obtained via debt restructuring and non-currency asset exchange, the method to determine the investment cost shall be disclosed in accordance with relevant regulations of accounting standards for business enterprises and the actual situation of the Company.

The Group adopts the cost method to account the investment on the subsidiaries and adopts the equity method to account the investment on the joint venture and cooperative enterprises.

For the long-term equity investment measured and accounted subsequently based on the cost method, when increasing the investment, the book value of the long-term equity investment cost shall be added based on the fair value of cost paid for additional investment and relevant transaction cost occurred. Where the invested unit declares the distributed cash dividend or profit, the amounts to be shared shall be recognized as the current investment income.

For the long-term equity investment measured and accounted subsequently based on the equity method, the book value of long-term equity investment shall be added or reduced accordingly based on the change in the ownership interest of the invested unit. When recognizing the shares of the net profit and loss of invested unit, the net profit of invested unit shall be adjusted before recognition based on the fair value of the identifiable assets of the invested unit when obtaining the investment and based on the accounting policies of the Group during accounting period and the internal transaction profit or loss between the joint venture and cooperative enterprises shall be offset and the part that belongs to the investment enterprise shall be calculated based on the shareholding ratio.

When disposing the long-term equity investment, the difference between the book value and the actually obtained price shall be recorded in the current profit and loss on investment. When accounting the long-term equity investment based on equity method, where the other changes in the ownership interest of the invested unit other than the net profit and loss are recorded in the ownership interest, when disposing such investment, the part that shall be recorded in the ownership interest originally shall be transferred into current profit and loss on investment according to corresponding ratio.

In case of loss of common control or significant influence on the invested unit due to reasons such as disposal of partial equity investment, the remaining equity after disposal can be accounted based on the available-for-sale financial asset and difference

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between the fair value and book value of the remaining equity on the date of loss of the common control or significant influence shall be recorded in the current profit and loss. Accounting treatment shall be carried out on other comprehensive income of original equity investment recognized due to the accounting based on equity method according to the same basis based on which the invested unit directly disposes relevant assets or liabilities when terminating adoption of equity method for accounting.

In case of loss of control on the invested unit due to disposal of partial long-term equity investment and where the remaining equity after disposal can implement common control or exerts significant influence on the invested unit, the accounting based on equity method shall be carried out and the difference between the book value of disposed equity and disposal consideration shall be recorded in investment income and the remaining equity shall be deemed as being adjusted based on the equity-method accounting at the time of acquisition; where the remaining equity after disposal cannot implement common control or exert significant influence on the invested unit, accounting treatment can be carried out based on relevant regulations of available-for-sale financial assets; and the difference between book value of disposed equity and disposal consideration shall be recorded in investment income. The difference of the fair value and book value of remaining equity on the date of loss of control shall be recorded in the current profit and loss on the investment.

Where various transactions conducted by the Group from step-by-step disposal of equity to loss of controlling interest don't belong to a package deal, the accounting treatment on each transaction shall be carried out separately. Where they belong to a package deal, various transactions shall be treated as a transaction disposing the subsidiary and losing the control right for accounting treatment. However, before loss of control right, the difference between each transaction disposal price and the book value of long-term equity investment to which the disposed equity corresponds shall be recognized as other comprehensive income and shall be transferred into the current profit and loss without control right at the time of loss of control right.

15. Property of Investment

Measurement mode for investment real estate

Measurement based on cost method

Depreciation method or amortization method

The depreciation or amortization of the Group's investment real estate is withdrawn based on the composite life method.

The expected service life, net residual value rate and annual depreciation (amortization) rate of various investment real estates are shown as follows:

Items	Depreciation Term (Year)	Expected Salvage Rate (%)	Annual Depreciation Rate (%)
Land-use Right	50	10.00%	1.80%
Houses & Buildings	5—50	10.00%	1.80%—18.00%

16. Fixed Assets

(1) Recognition Condition

Fixed assets of the Group refer to the tangible assets that simultaneously possess the following features. They are held for the sake of producing commodities, rendering labor service, renting or business management; their useful life is in excess of one fiscal

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year; and unit value has exceeded 2,000 Yuan. The fixed assets shall be recognized when its relevant economic benefit may be flowed into the Group and its cost can be reliably measured. The Group's fixed assets include Houses & buildings, Machinery equipment, Mould equipment, Transport equipment, Apparatus equipment, Tooling equipment and Office equipment.

(2) Depreciation method

Items	Depreciation method	Depreciation Term	Rate of salvage value	Annual Depreciation Rate
Houses & buildings	Straight-line method	20—50	10.00%	1.80-4.50
Machinery equipment	Straight-line method	10	10.00%	9.00
Mould equipment	Straight-line method	3	10.00%	30.00
Transport equipment	Straight-line method	5	10.00%	18.00
Apparatus equipment	Straight-line method	5	10.00%	18.00
Tooling equipment	Straight-line method	5	10.00%	18.00
Office equipment	Straight-line method	5	10.00%	18.00

17. Project in Process

Since the day when project in process reaching the expected service status, carry over the estimated value of the project to fixed assets in line with project budget, construction cost or actual cost, etc. with depreciation drawn since the preceding month. After the completion procedures have been completed, an adjustment shall be made to the difference of original fixed assets value.

18. Borrowing Costs

When occurring the borrowing costs that can be directly attributed to the fixed assets, investment real estate and inventories which can reach the predetermined usable or marketable state through more than 1 year of construction or production activity, when the asset expenditure has occurred, borrowing cost has occurred, the necessary construction or production activity that can make the asset reach the predetermined usable or marketable status has occurred, the capitalization shall be conducted; when the constructed or produced assets meeting the capitalization condition can reach the predetermined usable or marketable status, the capitalization shall be suspended and the subsequent borrowing costs shall be recorded in current profit and loss. If the assets meeting capitalization condition are abnormally suspended during construction or production and the suspension period lasts for more than three months, the capitalization of borrowing costs shall be suspended until the asset construction or production activity is restarted.

As for specifically borrowed loans, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. As for the general borrowing; for ordinary borrowings, the capitalized amount is determined by multiplying the capitalization rate of ordinary borrowings by the weighted average of the accumulative asset expenditure in excess of the special borrowings.

19. Intangible Assets

(1) Valuation Method, Service Life and Impairment Test

The major intangible assets of the Group include land-use right, patented technologies and non-patented technologies, etc., and shall be measured according to the actual cost when acquired. The acquired intangible assets shall be recorded as per actual price and relevant other disbursements. The intangible assets invested by investors shall be priced as per the value agreed in investment contract or agreement, with the exception of those of unfair value as is stipulated in such contract or agreement. At the time of initial recognition of the acquiree's assets, the intangible assets owned by the acquiree during merger under non-common control which are not recognized in the financial statement shall be recognized as the intangible assets based on the fair value. .

The land-use right shall be averagely amortized based on its useful years since the beginning date of use; the patented technologies, non-patented technologies and other intangible assets will be averagely amortized by installments depending the shortest one among predicted service years, benefiting years set out in the contract and legal effective years. The amortized amount shall be accrued into relevant assets cost and current loss and profit as per their beneficiary objects. The estimated life of and amortization method for the intangible assets with limited life is to be reviewed at the end of every financial year. In case of any change, it will be handled as accounting estimate change.

20. Long-term Asset Impairment

The Group carries out inspection on the long-term equity investment, investment real estate measured based on cost mode, fixed asset, project under construction, production biological asset measured based on cost mode, oil and gas asset, intangible assets with limited service life on each balance sheet date. Where there is any sign of impairment, the Group shall carry out the impairment test. The impairment test shall be carried out on the intangible assets which goodwill and service life are uncertain at the end of each year no matter whether there is any sign of impairment. After an impairment test to an asset, if the book value of such asset exceeds its recoverable amount, the positive difference shall be recognized as impairment loss. The impairment loss of above said assets shall not be reversed in later accounting period after being recognized.

21. Long-term Deferred Expenses

Long-term deferred expenses of the Group refer to various expenses that have been paid but shall be assumed on current period or subsequent period with the amortization period of more than one year (exclusive). Such expenses shall be amortized averagely during the beneficial period. Where the long-term deferred expenses will not benefit the later accounting period, the remaining amount to-be-amortized shall be recorded into the loss or profits of current period.

22. Employees' Remuneration

(1) Accounting Treatment Method of Short-term Remuneration

Short-term remuneration mainly includes the wage, bonus, allowance, subsidy, employee's welfare expense, medical insurance premium, birth insurance premium, industrial injury insurance premium, legal reserves of housing acquisition, labor union expenditure, personnel education fund and non-currency welfare. During the accounting period when the employees provide the

service for the Company, the Company shall recognize the actual short-term employees' remuneration as the liability and shall record it in current profit and loss or relevant asset cost. The non-currency welfare shall be measured based on the fair value.

(2) Accounting Treatment Method of Welfare after Departure

The welfare after departure mainly includes the defined contribution plan, which mainly includes basic endowment insurance, unemployment insurance and annuity. Corresponding payable amount shall be recorded in relevant asset cost or current profit and loss at the time of occurrence.

(3) Accounting Treatment Method of Dismissal Welfare

When terminating the labor relationship with employees before expiration of the employees' labor contract or proposing a suggestion on provision of compensation for the purpose of encouraging employees to accept workforce reduction willingly, the employees' remuneration related liabilities generated from dismissal welfare shall be recognized and recorded in current profit and loss when the Company fails to unilaterally cancel the dismissal welfare offered for labor relationship termination plan or reduction suggestion and when the Company recognizes the cost related to payment of dismissal welfare restructuring (whichever is earlier). However, if the dismissal welfare cannot be fully paid within 12 months after the end of the annual reporting period, it shall be treated as the other long-term employee's remuneration.

The employees' internal retirement plan shall be treated based on the same principle of above dismissal welfare. The Company shall record the internal retired employees' wages and paid social insurance premiums to be paid from the date when the employees stop providing service to the normal retirement date in current profit and loss (dismissal welfare) when they meet the expected liability recognition condition.

(4) Accounting Treatment Method of Other Long-term Employees' Welfare

Where the other long-term employees' welfare provided by the Company to the employees can meet the defined contribution plan, accounting treatment on such welfare shall be conducted based on the defined contribution plan; otherwise, it shall be conducted based on the defined income plan.

23. Predictable Liabilities

In case all the obligations in relation to such contingent items as external guaranty, suspensive lawsuit or arbitration, product quality guarantee, staff cutback plan, loss contract, restructuring obligation and fixed assets discarding obligation, etc. comply with the following conditions simultaneously, the Group will recognize them as liabilities. Such obligations are constant burdened by the Group; the execution of such obligations will possibly result in the outflowing of economic benefit from the Group; the amount of such obligations can be reliably measured.

The predictable liabilities shall be initially measured as per the best estimated amount to be paid for executing relevant instant obligations in combination with such factors as risk, uncertainty and time value of money regarding contingent issues. If the time value of money exerts serious effect, the best estimated amount shall be determined through discounting relevant cash outflows in the future. On the date of Balance Sheet, the Company shall double check the book value of predictable liabilities and make adjustment to it so as to reflect the best estimated amount at present.

24. Stock Payment

The stock payment settled based on equity which is used to exchange the service provided by the employees shall be measured based on the fair value on the date of grant of employees' equity instrument. The amount of fair value shall be recorded in relevant costs or expenses based on straight-line method under the condition that the service within the waiting period is completed or the specified performance condition is met before exercise of right by taking the best estimate of the quantity of exercisable equity instruments within the waiting period as the basis, in order to increase the capital reserves accordingly.

Share-based payment adopting cash settlement, The measurement accords with the fair value of liabilities borne by the enterprise and determined through the calculation based on share or other equity instruments. Where the right can be exercised immediately upon grant, the fair value of assumed liabilities shall be recorded in relevant costs or expenses on the date of grant to increase the liabilities accordingly; where it needs to complete the service within waiting period or meet the specified performance condition before exercise of right, the best estimate of exercisable right can be taken as the basis on each balance sheet date during the waiting period to record the obtained service on current period in the cost or expense in accordance with the fair value amount of liabilities assumed by the Group to adjust the liabilities accordingly.

The enterprise remeasures the fair value of liabilities and record its change in current profit and loss on every balance sheet date before related liability settlement and the settlement date.

Where the Group cancels the granted equity instruments within the waiting period (with an exception of cancellation due to failure in meeting the exercisable condition), it shall be deemed as accelerated exercise of right, which means that the equity payment plan within the remaining waiting period have fully met the exercisable condition and all expenses within the remaining waiting period shall be recognized on the current period when cancelling the granted equity instrument.

24. Income

The operating income of the Group mainly includes the sales revenue of commodities, income from provision of labor service, income from transfer of asset use right and income from construction contract. The income recognition policy is shown as follows:

(1) Sales revenue of commodities: When the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; The relevant costs incurred or to be incurred can be measured in a reliable way, it may recognize the realization of revenue.

(2) Income from provision of labor service: When total revenue and total cost from labor service can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be confirmed in a reliable way; it may recognize the realization of revenue from labor service. On the date of Balance Sheet, where the result of a transaction concerning the providing of labor service can be measured in a reliably way, it shall recognize relevant revenue according to the schedule of completion; Percentage of completion is the percentage of incurred costs in the total costs; where the result of a transaction concerning the providing of labor service cannot be measured in a reliably way and 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; where the result of a transaction concerning the providing of labor service cannot be measured in a reliably way and 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) Income from transfer of assets: The revenue from abalienating of right to use assets may be recognized on the condition that the relevant economic benefits are likely to flow into the Company and the amount of revenues can be measured in a reliable way.

26. Government Grants

(1) Judgment Basis and Accounting Treatment Method of Asset-related Governmental Subsidies

The governmental subsidies related to the assets refer to the governmental subsidies obtained by the enterprise, governmental subsidies used for construction and procurement or the governmental subsidies forming long-term assets in other ways. A government grant pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses.

(2) Judgment Basis and Accounting Treatment Method of Income-related Governmental Subsidies

The income related governmental subsidies refer to the governmental subsidies other than the asset-related governmental subsidies. The government grant pertinent to incomes, if used for compensating the related future expenses or losses of the Company, shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or if used for compensating the related expenses or losses incurred to the Company, shall be directly included in the current profits and losses.

27. Deferred Income Tax Assets/Deferred Income Tax Liabilities

The Group's deferred income tax assets and deferred income tax liabilities shall be recognized based on the difference between the tax base and book value of the assets and liabilities (temporary difference). For the deductible loss that can be used to offset the taxable income of following years according to the tax law regulations, corresponding deferred income tax assets shall be recognized. For the temporary difference generated from initial recognition of the goodwill, the corresponding deferred income tax liabilities shall not be recognized. For the temporary difference generated from initial recognition of the assets or liabilities generated during the transaction of non-business merger which neither affects the accounting profit nor affects the taxable income tax (or deductible loss), no corresponding deferred income tax asset and deferred income tax liability shall be recognized. On the balance sheet date, the deferred income tax asset and deferred income tax liability shall be measured based on the applicable tax rate during the period when it is expected to recover such assets or pay off such liabilities. The Group will recognize the deferred income tax assets based on the future taxable income that may be used to deduct the deductible temporary difference, deductible loss and tax payment offsetting.

28. Lease

(1) Accounting treatment method of operating lease

Operating lease refers to a lease other than a financing lease. Where the Group is lessee, the rents shall be recorded in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. Where the Group is lessor, the rents shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term.

(2) Accounting treatment method of finance lease

Financing lease refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. On the lease beginning date, the Group as lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

29. Significant accounting policy and accounting estimate change**(1) Change in significant accounting policy**

Applicable Inapplicable

(2) Change in significant accounting estimate

Applicable Inapplicable

VI. Taxes**1. Main tax types and rates**

Tax type	Tax basis	Tax rate
VAT	Sales revenue of commodities	17%
Business Tax	Taxable income	5%
Urban Maintenance & Construction Tax	Circulating tax payable	7%
Enterprise Income Tax	Taxable income amount	25%
Extra charges of education funds	Circulating tax payable	3%
Real estate tax	70% of the original value of real estate	1.2%

Disclosure of subjects of taxation at different rates of corporate income tax

Subject of taxation	Rate of income tax
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VII. Notes to the Items of Consolidated Financial Statements**1. Monetary Fund**

Unit: RMB

Items	Ending balance	Beginning balance
Ready money	382,669.21	516,454.17

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Bank Deposit	632,464,286.95	21,875,692.95
Other Monetary Fund	29,268,508.03	6,427,210.56
Total	662,115,464.19	28,819,357.68

Other explanations

(1) Other monetary capitals of the Group at the end of the year refer to the cash deposit for bank acceptance.

(2) In the monetary capitals of the Group at the end of the year, the limited monetary capital is RMB 29,268,508.03. The monetary capital limited at the beginning of the year is RMB 6,427,210.56.

2. Notes Receivable

(1) Classified Presentation of Notes Receivable

Unit: RMB

Items	Ending balance	Beginning balance
Bank acceptance bill	54,346,509.74	100,821,063.85
Total	54,346,509.74	100,821,063.85

(2) Notes Receivable of the Company that Have Been Pledged at the End of the Period

Unit: RMB

Items	Pledged amount at the end of the period
Bank acceptance bill	24,349,803.96
Total	24,349,803.96

(3) Notes Receivable of the Company that Have Been Endorsed or Discounted and that Are not Expired on Balance Sheet Date at the End of the Period

Unit: RMB

Items	Amount Ceased to Recognized at Year End	Amount Ceased to Recognized at Year End
Bank acceptance bill	44,415,527.63	
Total	44,415,527.63	

3. Notes Receivable

(1) Classified Disclosure of Accounts Receivable

Unit: RMB

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Items	Amount at the end of period					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	7,649,789.11	6.22%	7,649,789.11	100.00%		7,649,789.11	6.17%	6,227,694.47	81.41%	1,422,094.64
Accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	110,105,447.88	89.58%	139,455.74	0.13%	109,965,992.14	111,125,574.26	89.67%	122,200.33	0.11%	111,003,373.93
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,160,953.41	4.20%	5,160,953.41	100.00%		5,160,953.41	4.16%	5,160,953.41	100.00%	
Total	122,916,190.40	100.00%	12,950,198.26		109,965,992.14	123,936,316.78	100.00%	11,510,848.21		112,425,468.57

Other Accounts Receivable with major individual amount and separate accrual of bad debt reserve at the end of period:

Applicable Inapplicable

Unit: RMB

Accounts receivable (based on unit)	Ending balance			
	Notes Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
Shenzhen Boteman Bowling Club Co., Ltd. (hereinafter referred to as Boteman)	2,555,374.75	2,555,374.75	100.00%	Can not be taken back

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H. K. Haowei Industry Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Can not be taken back
TCL Wangpai Electric Appliance (Huizhou) Co., Ltd.	1,325,431.75	1,325,431.75	100.00%	Can not be taken back
Qingdao Hai'er Spare Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Can not be taken back
Skyworth Multimedia(Shenzhen) Co.,Ltd.	672,769.28	672,769.28	100.00%	Can not be taken back
Total	7,649,789.11	7,649,789.11	--	--

Accounts receivable with accrual of bad debt reserve by aging analysis method in the combination

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Notes Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	109,617,721.92		
1-2year (s)	27,448.20	1,372.41	5.00%
Over 3years	460,277.76	138,083.33	30.00%
Total	110,105,447.88	139,455.74	

Instructions for determining the combination basis:

Accounts receivable with accrual of bad debt reserve by balance percentage method in the combination

Applicable Inapplicable

Accounts receivable with accrual of bad debt reserve by other method in the combination:

Accounts receivable without major individual amount but with separate accrual of bad debt reserve at the end of period

Unit name	Balance at the end of the year			
	Notes Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Huixin Video Science and Technology Co.,Ltd.	381,168.96	381,168.96	100.00	Can not be taken back
Shenzhen Wandial Number Science and Technology Co.,Ltd.	351,813.70	351,813.70	100.00	Can not be taken back
Shenzhen Dalong Electric Co.,Ltd.	344,700.00	344,700.00	100.00	Can not be taken back
Shenzhen Qunpin Electric Co.,Ltd.	304,542.95	304,542.95	100.00	Can not be taken back
China Galaxy Electric(Hong Kong) Co.,Ltd.	288,261.17	288,261.17	100.00	Can not be taken back

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Dongguan Weite Electric Co.,Ltd.	274,399.80	274,399.80	100.00	Can not be taken back
Hong Kong New Century Electric Co.,Ltd.	207,409.40	207,409.40	100.00	Can not be taken back
Shenyang Beitai Electric Co.,Ltd.	203,304.02	203,304.02	100.00	Can not be taken back
Beijing Xinfanweiye Science and Technology Co.,Ltd.	193,000.00	193,000.00	100.00	Can not be taken back
TCL Electric(Hong kong) Co.,Ltd.	145,087.14	145,087.14	100.00	Can not be taken back
Huizhou TCL New and Special Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Can not be taken back
Shenzhen Skyworth-RGB Electric Co.,Ltd.	133,485.83	133,485.83	100.00	Can not be taken back
Shenzhen Xinfu Electronics Co., Ltd.	119,094.78	119,094.78	100.00	Can not be taken back
Other	2,071,978.52	2,071,978.52	100.00	Can not be taken back
Total	5,160,953.41	5,160,953.41		

(2) Bad Debt Provision Withdrawn, Recovered or Refunded at Current Period

The bad debt provision withdrawn at current period is RMB 1,439,350.05; the bad debt provision recovered or refunded at current period is RMB0.00.

Among which, the important bad debt provision recovered or refunded at current period:

Unit: RMB

Unit name	Recovered or refunded amount	Recovery method

(3) Accounts Receivable with Top Five Ending Balances Collected Based on the Debtor

The total amount of accounts receivable with top five ending balances collected by the Debtor this year reaches RMB 99,977,340.65, which accounts for 81.34% of the total ending balance of the accounts receivable. The total amount of ending balances of withdrawn bad debt provision is RMB 1,225,326.15.

4. Advance payment

(1) List of advance payments according to aging

Unit: RMB

Account ageing	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	1,201,255.38	38.85%	4,042,321.66	71.30%
1-2year (s)	515,157.07	16.66%	1,496,115.65	26.39%

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2-3 year (s)	1,252,009.66	40.49%	130,682.56	2.31%
Over 3 years	123,598.99	4.00%		
Total	3,092,021.10	--	5,669,119.87	--

Instruction for the cause of failure in completion of timely settlement of advance payment with aging larger than 1 year and significant amount:

None

(2) Advance Payment with Top Five Ending Balances Collected Based on the Prepayment Object

The total amount of advance payment with top five ending balances collected based on the prepayment object this year reaches RMB 1,927,181.85, which accounts for 62.33% of the total ending balances of the advance payment.

Other explanations:

None

5. Interests receivable

(1) Classification of interests receivable

Items	Ending balance	Beginning balance
Wuhan Hengsheng Opto-electric Industry Co., Ltd.	1,838,752.40	
Total	1,838,752.40	

6. Other Accounts Receivable

(1) Classified Disclosure of Other Accounts Receivable

Unit: RMB

Items	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	6,403,097.35	30.91%	5,662,187.38	88.43%	740,909.97	505,662,187.38	81.49%	5,662,187.38	1.12%	500,000,000.00

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Other accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	8,844,219.47	42.69%	173,338.04	1.96%	8,670,881.43	109,162,244.07	17.59%	67,431.78	0.06%	109,094,812.29
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,469,385.44	26.40%	5,469,385.44	100.00%		5,668,513.51	0.92%	5,668,513.51	100.00%	
Total	20,716,702.26	100.00%	11,304,910.86		9,411,791.40	620,492,944.96	100.00%	11,398,132.67		609,094,812.29

Other Accounts Receivable with major individual amount and separate accrual of bad debt reserve at the end of period

Applicable Inapplicable

Unit: RMB

Other accounts receivable (based on unit)	Ending balance			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
Boteman	4,021,734.22	4,021,734.22	100.00%	Can not be taken back
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	740,909.97			No risk of bad debts
Zhao Baomin	564,646.35	564,646.35	100.00%	Can not be taken back
Traffic incident indemnity	555,785.81	555,785.81	100.00%	Can not be taken back
Hebei Botou Court	520,021.00	520,021.00	100.00%	Can not be taken back
Total	6,403,097.35	5,662,187.38	--	--

Other Accounts Receivable with accrual of bad debt reserve by aging analysis method in the combination

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	7,773,233.74		
1-2 year (s)	572,918.40	28,645.92	5.00%

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2-3 year (s)	23,640.40	2,364.04	10.00%
Over 3years	474,426.93	142,328.08	30.00%
Total	8,844,219.47	173,338.04	

Instructions for determining the combination basis:

Other Accounts Receivable with accrual of bad debt reserve by balance percentage method in the combination

Applicable Inapplicable

Other Accounts Receivable with accrual of bad debt reserve by other method in the combination

Applicable Inapplicable

Other Accounts Receivable without major individual amount but with separate accrual of bad debt reserve at the end of period:

Unit name	Balance at the end of the year			Reason of provision
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	
Personal borrowings	991,841.17	991,841.17	100.00	Can not be taken back
Employee canteen ect.	796,041.46	796,041.46	100.00	Can not be taken back
Trade Union	297,402.55	297,402.55	100.00	Can not be taken back
Shenzhen Lotus Island Restaurant Co.,Ltd	236,293.80	236,293.80	100.00	Can not be taken back
Chuangjing workshop	192,794.00	192,794.00	100.00	Can not be taken back
Weili Electric Corporation Co.,Ltd, Zhangzhou City, Fujian Province	112,335.62	112,335.62	100.00	Can not be taken back
Others	2,842,676.84	2,842,676.84	100.00	Can not be taken back
Total	5,469,385.44	5,469,385.44		

(2) Bad Debt Provision Withdrawn, Recovered or Refunded at Current Period

The bad debt provision withdrawn at current period is RMB147,653.19; the bad debt provision recovered or refunded at current period is RMB 240,875.00.

Among which, the important bad debt provision recovered or refunded at current period:

Unit: RMB

Company name	Reverse or recovery amount	Recovery mode
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None.

(3) Classification of Other Accounts Receivable Based on Nature of Money

Unit: RMB

Payment nature	Book balance at the end of period	Book balance at the beginning of period
Lease Deposit	1,071,309.97	330,400.00

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Borrowing	2,230,773.98	2,472,108.12
Current accounts	7,427,894.35	607,947,763.80
Wage and utilities paid by agent		1,832,111.50
Rent receivable	8,780,596.09	7,181,456.09
Others	1,206,127.87	729,105.45
Total	20,716,702.26	620,492,944.96

(4) Other Accounts Receivable with Top Five Ending Balances Collected Based on Debtor

Unit: RMB

Unit name	Payment nature	Ending balance	Account ageing	Proportion in the total ending balances of other accounts receivable	Ending balance of bad debt provision
Shenzhen Jifang Investment Co., Ltd.	Lease fees receivable	4,136,643.08	Within 1 year	19.97%	
Boteman	Lease fees receivable	4,021,734.22	Over 3years	19.41%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Security deposit	740,909.97	Within 1 year	3.58%	
Zhao Baomin	Lease fees receivable	564,646.35	Over 3years	2.73%	564,646.35
Traffic incident indemnity	Current accounts	555,785.81	Over 3years	2.68%	555,785.81
Total	--	10,019,719.43	--	48.37%	5,142,166.38

7. Inventories

(1) Type of Inventories

Unit: RMB

Items	Ending balance			Beginning balance		
	Book balance	Depreciation Provisions	Book Value	Book balance	Depreciation Provisions	Book Value
Raw Materials	17,440,555.09	1,260,134.51	16,180,420.58	16,000,026.71	1,260,134.51	14,739,892.20

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Finishing Product	307,753.41		307,753.41	1,296,995.00		1,296,995.00
Stocked Goods	9,231,179.62	549,643.94	8,681,535.68	12,222,310.12	549,643.94	11,672,666.18
Turnover materials	297,390.39	51,587.59	245,802.80	440,625.54	51,587.59	389,037.95
Self-made semi-finished product	1,749,684.14	33,070.70	1,716,613.44	2,740,898.61	33,070.70	2,707,827.91
Processed Materials upon entrustment				73,631.31		73,631.31
Total	29,026,562.65	1,894,436.74	27,132,125.91	32,774,487.29	1,894,436.74	30,880,050.55

(2) Provision for Depreciation of Inventories

Unit: RMB

Items	Beginning balance	Current increment		Current decrement		Ending balance
		Withdrawing	Others	Carryover or resale	Others	
Raw Materials	1,260,134.51					1,260,134.51
Stocked Goods	549,643.94					549,643.94
Low-value consuming products	51,587.59					51,587.59
Self-made semi-finished product	33,070.70					33,070.70
Total	1,894,436.74					1,894,436.74

8. Assets classified as held for sale

Unit: RMB

Items	Ending book value	Fair value	Estimated disposal expense	Estimated disposal time
Gongming Huafa Electric Shopping Mall	92,857,471.69			December 31, 2016
Total	92,857,471.69			--

Other explanations:

The company on August 26, 2015, with wuhan zhongheng new technology industry group co., LTD. (hereinafter referred

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to as "wuhan zhongheng new technology industry group), shenzhen vanke real estate co., LTD and shenzhen vanke real estate development co., LTD. Signed a light on the" shenzhen guangming new district huafa hai street area update unit "urban renewal projects cooperation agreement conditions", "property acquisition and relocation compensation and resettlement agreement" and guangming new district huafa industrial zone of old hai street change project cooperative joint venture contract, according to our company and wuhan zhongheng new technology industry group, the company full authority of wuhan zhongheng new technology industry group co., LTD. On behalf of our company, the project cooperation, the company will receive compensation for price is 50000.00 ten thousand yuan, hundreds of square meters of also moved business area; And target project after the completion of the liquidation and settlement of wuhan zhongheng huafa industrial group designated third party intermediary structure on the target project of mutual benefit for the distribution of liquidation, common benefit if you have a profit, the company may, in accordance with the amount of land rights and interests of the 50.50% share, such as common benefit part has losses, the company need to undertake.

9. Property of Investment

(1) Investment Real Estate Measured Based on Cost

√ Applicable □ Inapplicable

Unit: RMB

Items	Houses & Buildings	Land-use Right	Project in Progress	Total
I. Original value of book value				
1.Beginning balance	107,661,686.94			107,661,686.94
2. Additional amount of current period				
(1) Outsourcing				
(2) Transferred from inventory/fixed assets/construction in progress				
(3) Increase in business merger				
3.Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance	107,661,686.94			107,661,686.94
II. Accumulated depreciation and accumulated amortization				

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1.Beginning balance	76,387,023.20			76,387,023.20
2. Additional amount of current period	1,254,757.08			1,254,757.08
(1) Withdrawal or amortization	1,254,757.08			1,254,757.08
3.Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance	77,641,780.28			77,641,780.28
III. Impairment Provision				
1.Beginning balance				
2. Additional amount of current period				
(1) Withdrawing				
3、 Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance				
IV. Book Value				
1.End-of-period book value	30,019,906.66			30,019,906.66
2.Opening book value	31,274,663.74			31,274,663.74

(2) Investment Real Estate Measured Based on Fair Value

Applicable Inapplicable

10. Fixed Assets

(1) Condition of Fixed Assets

Unit: RMB

Items	Houses & Buildings	Machinery Equipment	Transport Equipment	Tool Equipment	Office Equipment	Molding Equipment	Instrument Equipment	Total

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I. Original value of book value:								
1.Beginning balance	218,393,134.33	79,156,580.89	4,141,422.87	9,391,187.88	5,804,317.08	12,334,943.70	3,043,325.06	332,264,911.81
2. Additional amount of current period	26,326,840.40	531,072.93		247,095.37	102,349.51	2,013,247.73	35,897.42	29,256,503.36
(1) Procurement	26,186,990.40	531,072.93		247,095.37	102,349.51	2,013,247.73	35,897.42	29,116,653.36
(2) Transferred from construction in progress	139,850.00							139,850.00
(3) Increase in business merger								
3.Deceased amount of current period	153,165,875.88	4,018,201.62	85,000.00	60,293.55	311,747.97	8,248,022.36	324,996.90	166,214,138.28
(1) Disposal or scrap		4,018,201.62	85,000.00	60,293.55	311,747.97	8,248,022.36	324,996.90	13,048,262.40
(2) Other transfer	153,165,875.88							153,165,875.88
4.Ending balance	91,554,098.85	75,669,452.20	4,056,422.87	9,577,989.70	5,594,918.62	6,100,169.07	2,754,225.58	195,307,276.89
II. Accumulated depreciation								
1.Beginning balance	67,614,462.40	50,560,780.90	2,759,043.05	6,600,313.27	5,208,507.72	9,919,995.33	2,571,385.40	145,234,488.07
2. Additional amount of current period	5,559,828.49	6,182,167.25	408,209.28	288,602.65	117,950.64	1,360,878.25	155,521.54	14,073,158.10
(1) Withdrawing	5,559,828.49	6,182,167.25	408,209.28	288,602.65	117,950.64	1,360,878.25	155,521.54	14,073,158.10
3.Deceased amount of current	62,199,495.19	4,071,783.78	219,164.43	61,267.54	319,290.96	7,374,449.65	362,343.23	74,607,794.78

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period								
(1) Disposal or scrap		4,071,783.78	219,164.43	61,267.54	319,290.96	7,374,449.65	362,343.23	12,408,299.59
(2) Other transfer	62,199,495.19							62,199,495.19
4. Ending balance	10,974,795.70	52,671,164.37	2,948,087.90	6,827,648.38	5,007,167.40	3,906,423.93	2,364,563.71	84,699,851.39
III. Impairment Provision								
1. Beginning balance		558,539.32	5,220.01	5,325.93	5,029.81		17,494.33	591,609.40
2. Additional amount of current period								
(1) Withdrawing								
3. Decreased amount of current period		558,539.32	5,220.01	5,325.93	5,029.81		17,494.33	591,609.40
(1) Disposal or scrap		558,539.32	5,220.01	5,325.93	5,029.81		17,494.33	591,609.40
4. Ending balance								
IV. Book Value								
1. End-of-period book value	80,579,303.15	22,998,287.83	1,108,334.97	2,750,341.32	587,751.22	2,193,745.14	389,661.87	110,607,425.50
2. Opening book value	150,778,671.93	28,037,260.67	1,377,159.81	2,785,548.68	590,779.55	2,414,948.37	454,445.33	186,438,814.34

(2) Condition of temporarily idle fixed asset

Unit: RMB

Items	Original value of book value	Accumulated Depreciation	Impairment Provision	Net book value	Remark
Houses & Buildings	26,000,000.00	130,260.12		25,869,739.88	Hengfa technology company in June 2015 purchase of wuhan caidian district county street tal zhongheng

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					village, lake in the world building 1 layer 1-11 rooms, 2, 1 layer 1-4 room, bought in December 2015, caidian district, wuhan city county street tal zhongheng village, lake in the world 6 layer 1 1-11 room, room 7 layer 1 1-4, building area of 1971.22 square meters, planning purposes for commercial service. Wuhan science and technology according to the assessment of the price and the contract payment of the corresponding shop price 25 million yuan, pay the deed tax 1 million yuan.
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(3) Fixed assets leased by operating lease

Unit: RMB

Items	End-of-period book value
Houses & buildings	1,010,364.77

11. Project in Progress

(1) Condition of construction in process

Unit: RMB

Items	Ending balance			Beginning balance		
	Book balance	Impairment Provision	Book Value	Book balance	Impairment Provision	Book Value
Huafa building renovation project	654,356.00		654,356.00	654,356.00		654,356.00
Gongming Electronics Town renovation project				2,199,000.00		2,199,000.00
Total	654,356.00		654,356.00	2,853,356.00		2,853,356.00

(2) Changes in Major Construction-in-Process

Unit: RMB

Project name	Budget amounts	Beginning balance	Additional amount of current period	Transfer-in fixed asset amount of current	Other reduced amount of current period	Ending balance	Proportion of project investment in the	Job schedule	Accumulated capitalization of	Including: accumulated capitalization of	Proportion of capitalization of	Source of capital

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				period			budget	interest	on of interest in the current period	interest in the current period	
Huafa building renovation project		654,356.00				654,356.00					Others
Gongming Electronics Town renovation project		2,199,000.00	239,814.00		2,438,814.00	0.00					Others
Infrastructure projects			139,850.00	139,850.00		0.00					Others
Total		2,853,356.00	379,664.00	139,850.00	2,438,814.00	654,356.00	--	--			--

12. Intangible Assets

(1) Condition of intangible assets

Unit: RMB

Items	Land-use Right	Patent	Non-patented technology	Software cost	Total
I. Original value of book value					
1.Beginning balance	55,187,826.36			661,878.97	55,849,705.33
2. Additional amount of current period					
(1) Procurement					
(2) Internal research and development					
(3) Increase in business merger					
3.Decreased amount of current period					
(1) Disposal					

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4.Ending balance	55,187,826.36			661,878.97	55,849,705.33
II. Accumulated amortization					
1.Beginning balance	7,680,617.85			302,402.27	7,983,020.12
2. Additional amount of current period	1,444,408.80			49,885.92	1,494,294.72
(1) Withdrawing	1,444,408.80			49,885.92	1,494,294.72
3.Deceased amount of current period					
(1) Disposal					
4.Ending balance	9,125,026.65			352,288.19	9,477,314.84
III. Impairment Provision					
1.Beginning balance					
2. Additional amount of current period					
(1) Withdrawing					
3.Deceased amount of current period					
(1) Disposal					
4.Ending balance					
IV. Book Value					
1.End-of-period book value	46,062,799.71			309,590.78	46,372,390.49
2.Opening book value	47,507,208.51			359,476.70	47,866,685.21

Proportion of the intangible assets produced from internal research and development of the Company at the end of the period in the balance of the intangible assets: 0%.

13. Long-term deferred charges

Unit: RMB

Items	Beginning balance	Current increment	The amortization	Other reduction	Ending balance
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			amount of the current period	amounts	
Golf membership fee	291,666.67		50,000.04		241,666.63
Renovation expenditures	53,991.57		20,900.04		33,091.53
Total	345,658.24		70,900.08		274,758.16

Other instructions:

None

14. Deferred Income Tax Assets & Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that are Not Offset

Unit: RMB

Items	Ending balance		Beginning balance	
	To deduct temporary difference	Deferred Income Tax Assets	To deduct temporary difference	Deferred Income Tax Assets
Provision drawn for assets impairment	22,996,373.35	5,749,168.34	22,241,854.51	5,560,538.64
Estimated liabilities	2,604,411.81	651,102.95	2,765,583.81	691,395.95
Total	25,600,785.16	6,400,271.29	25,007,438.32	6,251,934.59

(2) Deferred Income Tax Assets or Liabilities Listed as the Net Amount after Offsetting

Unit: RMB

Items	Deductible amount of deferred income tax assets and liabilities at the end of the period	Ending balance of deferred income tax assets or liabilities after offsetting	Deductible amount of deferred income tax assets and liabilities at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred Income Tax Assets		6,400,271.29		6,251,934.59

(3) Deferred tax assets that have not been confirmed

Unit: RMB

Items	Ending balance	Beginning balance

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Deductible temporary differences	1,006,234.22	27,567,291.70
Provision drawn for assets impairment	3,153,172.51	3,153,172.51
Total	4,159,406.73	30,720,464.21

(4) The deductible loss of the unrecognized deferred income tax assets will become due in the following years.

Unit: RMB

Year	Ending amount	Initial amount	Remark
2015		142,552.20	
2016		253,206.10	
2017	480,885.89	24,123,775.77	
2018	525,348.33	3,047,757.63	
Total	1,006,234.22	27,567,291.70	--

Other instructions:

None

15. Short-term Borrowings

(1) Classification of Short-term Borrowings

Unit: RMB

Items	Ending balance	Beginning balance
Pledged loan	21,000,000.00	15,000,000.00
Mortgage Loan	78,879,107.41	103,114,376.32
Guaranteed loan	19,600,000.00	
Credit loan		20,000,000.00
Total	119,479,107.41	138,114,376.32

Description of short-term loans classification

None

16. Notes Payable

Unit: RMB

Type	Ending balance	Beginning balance
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Bank acceptance bill	53,614,420.20	39,994,397.62
Total	53,614,420.20	39,994,397.62

Total amount of notes payable that is due but unpaid at the end of the period is RMB 0.00.

17. Accounts Payable

(1) Presentation of Accounts Payable

Unit: RMB

Items	Ending balance	Beginning balance
Material cost	54,241,655.86	65,547,836.32
Total	54,241,655.86	65,547,836.32

(2) Important Accounts Payables with Aging Larger than 1 Year

Unit: RMB

Items	Ending balance	Cause of failure in repayment or carry-over
Shenzhen YH Global Logistics Co., Ltd.	2,858,885.97	Unsettled
Taiwan LG Company	1,906,267.50	Unsettled
Total	4,765,153.47	--

Other instructions:

None

18. Advance Collections

(1) Presentation of Advance Collections

Unit: RMB

Items	Ending balance	Beginning balance
Payment for goods	1,147,469.52	727,331.06
Total	1,147,469.52	727,331.06

19. Employees' Remuneration Payable

(1) Presentation of Employees' Remuneration Payable

Unit: RMB

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Items	Beginning balance	Current increment	Current decrement	Ending balance
I. Short-term remuneration	6,213,887.72	56,302,492.81	57,779,671.24	4,736,709.29
II. Welfare after departure-defined contribution plan	-5,093.82	4,810,249.07	4,810,249.07	-5,093.82
III. Dismissal welfare		373,773.60	373,773.60	
Total	6,208,793.90	61,486,515.48	62,963,693.91	4,731,615.47

(2) Presentation of Short-term Remuneration

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
1. Salary, bonus, allowance & subsidies	5,388,866.30	48,958,556.83	50,525,191.94	3,822,231.19
2. Staff Welfare Treatment Fund		4,833,615.41	4,833,615.41	
3. Social Insurance Premium	23,041.98	1,658,606.67	1,658,606.67	23,041.98
Among it: Medical insurance premium	23,041.98	1,445,107.98	1,445,107.98	23,041.98
Industrial Injury Insurance Premium		89,123.13	89,123.13	
Birth Insurance Premium		124,375.56	124,375.56	
4. Public Housing Fund	24,310.00	737,957.22	737,957.22	24,310.00
5. Labor union expense and personnel education fund	777,669.44	113,756.68	24,300.00	867,126.12
Total	6,213,887.72	56,302,492.81	57,779,671.24	4,736,709.29

(3) Presentation of Defined Contribution Plan

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
1. Basic retirement insurance premium	-5,093.82	4,543,511.57	4,543,511.57	-5,093.82
2. Unemployment Insurance Premium		266,737.50	266,737.50	
Total	-5,093.82	4,810,249.07	4,810,249.07	-5,093.82

Other instructions:

None

20. Taxes Payable

Unit: RMB

Items	Ending balance	Beginning balance
VAT	3,113,697.74	7,294,271.06
Business Tax	4,353,926.65	1,405,738.37
Enterprise Income Tax	11,702,968.21	8,804,564.06
Personal Income Tax	35,377.25	35,016.79
Urban Maintenance & Construction Tax	256,676.38	124,888.48
Property Tax	526,275.00	452,346.57
Land use tax	323,677.55	330,904.20
Educational Surcharge	178,390.78	33,119.68
Others	7,306.32	71,197.64
Total	20,498,295.88	18,552,046.85

Other instructions:

None

21. Other accounts Payables**(1) Other Accounts Payable Listed Based on Payment Nature**

Unit: RMB

Items	Ending balance	Beginning balance
Cash deposit and cash pledge	10,061,229.53	11,080,224.58
Lease management fee	1,698,564.47	1,393,897.07
Equipment cost payable	332,322.49	246,722.49
Current accounts	18,190,118.93	9,851,796.05
After-sales and repair	837,903.65	333,642.00
Others	1,545,559.25	1,273,067.12
Total	32,665,698.32	24,179,349.31

(2) Ather significant payables aging more than one year

Unit: RMB

Items	Ending balance	Reasons for failure to pay or carry down
Shenzhen Jifang Investment Co., Ltd.	4,011,200.00	Security deposit
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Security deposit
Linghang Technology (Shenzhen) Co., Ltd.	656,345.28	Unsettled
Shenzhen Sed Property Development Co. Ltd.	634,723.75	Unsettled
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Unsettled
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Security deposit
Total	7,439,498.86	--

Other instructions:

22. Long-term borrowings**(1) Classification of long-term borrowings**

Unit: RMB

Items	Ending balance	Beginning balance
Mortgage Loan	554,700,000.00	585,300,000.00
Total	554,700,000.00	585,300,000.00

Description of classification of long-term borrowings:

None

Other instructions: interest rate interval:

The lending rate involves the upward fluctuation of benchmark interest rate of bank loan at the same period and level, which is subject to 8.1875% this year.

23. Estimated liabilities

Unit: RMB

Items	Ending balance	Beginning balance	Cause
Pending legal action	2,604,411.81	2,765,583.81	Commercial and labor dispute
Total	2,604,411.81	2,765,583.81	--

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Other descriptions, including important assumptions, estimations and explanations related to significant contingent liabilities:

None

24. Capital Stock

Unit: RMB

	Beginning balance	Increase and decrease of change in the current period (+, -)					Ending balance
		Issuing new shares	Donate hare	Share transfer of public accumulation fund	Others	Subtotal	
Total shares	283,161,227.00						283,161,227.00

Other instructions:

None

25. Capital Reserves

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
Capital premium (Shares Premium)	96,501,903.02			96,501,903.02
Other Capital Reserves	12,994,934.31	36,786,805.57		49,781,739.88
Total	109,496,837.33	36,786,805.57		146,283,642.90

Other descriptions, including the descriptions of current increase and decrease changes as well as the reasons for changes

None

26. Surplus Reserves

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
Statutory Surplus Reserves	21,322,617.25			21,322,617.25
Any Surplus Reserves	56,068,976.00			56,068,976.00
Total	77,391,593.25			77,391,593.25

Descriptions of the surplus reserves, including the descriptions of current increase and decrease changes as well as the reasons for changes

None.

27. Undistributed profits

Unit: RMB

Items	Current period	Previous period
Undistributed profits at the end of previous period before adjustment	-188,698,387.84	-196,386,008.11
Beginning-of-year undistributed profits after adjustment	-188,698,387.84	-196,386,008.11
Add: net profit belonging to the owner of the parent company of the current period	-6,731,513.11	7,687,620.27
End-of-period undistributed profits	-195,429,900.95	-188,698,387.84

Details of undistributed profits at the beginning of the adjustment period:

- 1). Retroactive adjustment is made according to the *Accounting Standards for Business Enterprises* and relevant new provisions; affected undistributed profit at the beginning of the period is RMB 0.
- 2). Due to the change in accounting policy, the affected undistributed profit at the beginning of the period is RMB 0.
- 3). Due to correction of significant accounting mistakes, the affected undistributed profit at the beginning of the period is RMB 0.
- 4). Due to the change in the merger scope under common control, the affected undistributed profit at the beginning of the period is RMB 0.
- 5). The undistributed profit at the beginning of the period affected by other adjustment: RMB 0.

28. Business Revenues & Business Cost

Unit: RMB

Items	Accruals of the current period		Accruals of the previous period	
	Income	Cost	Income	Cost
Main Businesses	440,956,342.98	407,404,193.78	614,968,207.08	564,457,891.72
Other Business	58,499,438.13	10,596,873.30	79,871,553.02	29,540,907.46
Total	499,455,781.11	418,001,067.08	694,839,760.10	593,998,799.18

29. Business Tax & Surcharges

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Business Tax	5,531,420.79	2,349,770.66
Urban Maintenance & Construction Tax	1,697,868.43	1,345,107.38
Educational Surcharge	836,317.19	576,474.58

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Property Tax	442,258.57	442,258.65
Land use tax	239,994.10	239,994.10
Local education development fees	376,455.72	384,374.97
Others	118,646.63	317,229.50
Total	9,242,961.43	5,655,209.84

Other instructions:

30. Sales costs

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Employees' Remuneration	4,353,576.68	4,916,515.15
Transportation expenses	2,972,576.15	3,135,971.86
Commodity inspection expenses	547,057.32	239,667.47
Customs affairs fee	151,446.37	109,718.52
Commodity wastage	548,612.19	321,271.86
Others	2,854,436.49	2,789,084.30
Total	11,427,705.20	11,512,229.16

Other instructions:

31. Management costs

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Payroll	7,392,296.88	9,067,143.41
Depreciation costs	5,150,256.15	4,096,098.36
Social Insurance Premium	7,179,586.17	6,336,762.05
Social contact fees	2,543,367.17	1,562,052.88
Tax and surcharges	3,541,509.06	3,255,137.17
Staff Welfare Treatment Fund	1,352,074.44	1,878,679.25
Business trip costs	1,797,662.40	1,460,818.53
Amortization of intangible assets	1,494,294.72	1,494,294.72
Transportation fees	1,304,291.01	1,491,600.64
Consulting fees	930,988.04	2,317,319.50

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Safety protection fee	973,495.28	1,184,265.52
Repair costs	1,157,265.00	1,519,462.47
Auditing costs	797,169.81	773,171.95
Office costs	3,734,264.23	614,373.83
Communication fees	419,908.23	320,228.44
Amortization of low-value, perishable goods	314,716.26	353,442.02
Securities information disclosure fees	725,725.60	273,950.56
Legal action costs	28,478.00	6,520.89
Others	1,754,416.35	1,194,956.83
Total	42,591,764.80	39,200,279.02

Other instructions:

32. Financial Expenses

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Interest Expenditures	53,144,384.74	40,887,323.57
Less: interest return	2,028,034.77	260,396.93
Add: exchange loss	-5,022,515.44	-1,946,419.38
Add: other expenditures	2,299,881.99	1,104,046.01
Total	48,393,716.52	39,784,553.27

Other instructions:

33. Assets Impairment Loss

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
I. Provision for Bad Debts	1,346,128.24	925,765.97
Total	1,346,128.24	925,765.97

Other instructions:

34. Investment income

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Investment income generated from disposal of long-term equity investment	643.49	983,612.12
Other	62,033,333.35	
Total	62,033,976.84	983,612.12

Other instructions:

35. Non-business Revenues

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period	Amount recorded in current nonrecurring profit and loss
Gains of Disposal of non-current assets	453,321.89	1,752,028.49	453,321.89
Among it: income from fixed assets disposition	453,321.89	1,752,028.49	453,321.89
Government Grants	1,691,800.00	4,159,795.00	1,691,800.00
Payment that can not be paid	623,987.65	341,320.10	623,987.65
Penalty fine income	377,580.00	155,570.00	377,580.00
Others	17,159.45	82,110.00	17,159.45
Total	3,163,848.99	6,490,823.59	3,163,848.99

Governmental subsidies recorded in current profit and loss:

Unit: RMB

Subsidizing program	Subject to be granted	Granting reason	Type	Whether the subsidy affects the profit and loss of the current year	Whether a special subsidy or not	Amount incurred in the current period	Amount incurred in the prior period	Asset related/income related
Position subsidy	Wuhan caidian district	Reward	Because of local government	No	Yes	221,800.00	200,695.00	Income related

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	human resources and social security bureau		investment promotion and capital introduction and other local support policy for assistance					
Export subsidy and bonus	Wu Hancan midian economic development zone management committee	Reward	Because of local government investment promotion and capital introduction and other local support policy for assistance	No	Yes	1,470,000.00	3,393,000.00	Income related
Energy saving subsidy	Wuhan economic and information commission	Reward	Because of local government investment promotion and capital introduction and other local support policy for assistance	No	Yes		76,800.00	Income related
L2278W machine type subsidy	Wuhan caidian district science and technology	Subsidy	Because of local government investment promotion and capital introduction and other local support policy for	No	Yes		80,000.00	Income related

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			assistance					
Loan with discounted interest	Wuhan economic and information commission	Subsidy	Because of local government investment promotion and capital introduction and other local support policy for assistance	No	Yes		409,300.00	Income related
Total	--	--	--	--	--	1,691,800.00	4,159,795.00	--

Other instructions:

36. Non-business Expenditures

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period	Amount recorded in current nonrecurring profit and loss
Loss of Disposal of Non-current Assets	4,270.45	164,208.69	4,270.45
Among it: Loss from fixed-assets disposition	4,270.45	164,208.69	4,270.45
Foreign donations	50,000.00		50,000.00
Litigation indemnity		161,172.00	
Others	278,577.67	268,327.41	278,577.67
Total	332,848.12	593,708.10	332,848.12

Other instructions:

37. Expenses of Income Tax

(1) Expense Statement of Income Tax

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Income tax expenses of current period	3,410,459.79	521,227.71

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Expense of deferred income tax	-148,336.70	2,434,803.29
Total	3,262,123.09	2,956,031.00

(2) Accounting Profit and Income Tax Adjustment

Unit: RMB

Items	Accruals of the current period
Total profit	-3,469,390.02
Income tax calculated based on legal/applicable tax rate	9,197,820.56
Influence of non-deductible cost, expense and loss	852,903.60
Influence of deductible loss of deferred income tax assets unrecognized at the early stage of use	-6,640,264.37
Influence of deductible temporary difference or deductible loss of deferred income tax assets that are not recognized at current period	-148,336.70
Income tax expense	3,262,123.09

Other instructions:

38. Items in Cash Flow Statement

(1) Other Cash Received Related to Operation Activities

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Business Transaction Payment	281,084,189.31	10,157,369.88
Administration fee and water and electricity charges collection	9,551,004.25	9,827,961.00
Employees' repayment for their borrowings	3,275,328.00	2,323,827.06
Lease Deposit	2,282,518.00	5,989,902.00
Interest income	189,282.37	260,396.93
Total	296,382,321.93	28,559,456.87

Description of other received cash related to the business activity

(2) Other Paid Related to Operation Activities

Unit: RMB

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Items	Accruals of the current period	Accruals of the previous period
The unit's current money	254,308,002.31	6,213,713.40
Advances to employees	5,589,087.29	4,768,944.01
Legal action costs	28,478.00	6,520.89
Deposit, security	3,943,642.37	1,142,674.29
Social contact fees	2,922,346.11	1,562,052.88
water & electricity fees	18,973,213.75	18,771,965.55
Business trip costs	1,924,876.24	1,460,818.53
Transportation expenses	2,972,576.15	3,135,971.86
Transportation fees	1,133,172.27	1,491,600.64
Repair costs	982,930.48	1,519,462.47
Auditing and consulting fee	2,453,883.45	3,090,491.45
Security fee	973,495.28	309,351.00
Procedure fee of financial organization	2,299,846.99	1,104,046.01
Office costs	3,724,297.73	614,373.83
Communication fees	434,204.60	320,228.44
Rental fee	1,244,881.70	
Others	1,132,757.53	992,749.19
Total	305,041,692.25	46,504,964.44

Description of other paid cash related to the business activity

(3) Other received cash related to the investment activities

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Disposal of subsidiary received equity transfer section above subsidiary execution day hold the balance of monetary funds	899,643.49	
Total	899,643.49	

Description of other received cash related to the investment activity

(4) Other paid cash related to the investment activity

Unit: RMB

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Items	Accruals of the current period	Accruals of the previous period
Disposal of subsidiaries pay equity transfer section below which execution day hold the balance of monetary funds		44,452.72
Total		44,452.72

Description of other paid cash related to the investment activity

39. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Current amount	Previous amount
1. Convert net profit to cash flow from operating activities:	--	--
Net Profit	-6,731,513.11	7,687,620.27
Add: provision drawn for assets impairment	1,346,128.24	925,765.97
Depreciation of fixed assets, depletion of oil and gas, depreciation of production materials or equipment	15,327,915.18	15,897,583.20
Amortization of Intangible Assets	1,494,294.72	1,494,294.72
Amortization of Long-term Expenses to be Apportioned	70,900.08	1,268,733.43
Loss from Disposal of Fixed Assets, Intangible Assets & Other Long-term Assets (Proceeds indicated by “-”)	-449,051.44	-1,587,819.80
Financial Expenses (Proceeds indicated by “-”)	53,144,384.74	40,887,323.57
Investment loss(Proceeds indicated by “-”)	-25,247,171.27	-983,612.12
Decrement of Deferred Income Tax Assets (Addition indicated by “-”)	-148,336.70	2,434,803.29
Decrement of Inventories (Addition indicated by “-”)	3,747,924.64	23,074,150.75
Decrement of Operative Receivables (Addition indicated by “-”)	120,830,042.63	5,491,533.44
Increment of Operative Payables (Decrease indicated by “-”)	10,100,498.28	22,901,782.29
Net Cash Flow Provided by Operating Activities	173,486,015.99	119,492,159.01
2. Important investment and fund raising activities involving no cash:	--	--
3. Net Variation of Cash and Cash Equivalent:	--	--

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Year-end balance of cash	632,846,956.16	22,392,147.12
Less: year-beginning balance of cash	22,392,147.12	50,704,319.86
Net increase of cash and cash equivalent	610,454,809.04	-28,312,172.74

(2) Net Cash for Disposal of Subsidiary Received at Current Period

Unit: RMB

	Amount
Cash or cash equivalent received at the current period from disposal of the subsidiary at current period	1,000,000.00
Wherein:	--
Yutian Henghua Co., Ltd.	1,000,000.00
Less: cash and cash equivalent held by subsidiary on the date of loss of control right	100,356.51
Wherein:	--
Yutian Henghua Co., Ltd.	100,356.51
Wherein:	--
Net cash received from disposal of subsidiary	899,643.49

Other instructions:

(3) Composition of cash and cash equivalents

Unit: RMB

Items	Ending balance	Beginning balance
I. Cash	632,846,956.16	22,392,147.12
Among it: Ready money	382,669.21	516,454.17
Bank deposit available for payment anytime	632,464,286.95	21,875,692.95
III. Balance of Cash & Cash Equivalents at Term End	632,846,956.16	22,392,147.12

Other instructions:

At the end of the monetary funds - other monetary funds do not belong to the cash and cash equivalents, bank acceptance deposit \$29268508.03.

40. Assets whose ownership or right to use is restricted

Unit: RMB

Items	End-of-period book value	Cause of limitation
Monetary Fund	29,268,508.03	Used for issuing the bank's acceptance bill
Notes Receivable	24,349,803.96	Used for pledge to obtain the bank loan
Fixed Assets	44,661,660.96	Used to secure the bank loans
Intangible Assets	46,062,799.71	Used to secure the bank loans
Accounts receivable	14,122,057.51	Used for pledge to obtain loans from Haier Finance Co., Ltd.
Investment property	30,019,906.66	Used to secure the bank loans
Total	188,484,736.83	--

Other instructions:

41. Foreign Currency Monetary Item**(1) Foreign Currency Monetary Item**

Unit: RMB

Items	Ending balance of foreign currency	Exchange rate of conversion	Converted ending RMB balance
Money funds	--	--	79,022.67
Wherein: USD	12,037.07	6.4936	78,163.93
HKD	1,025.02	0.8378	858.74
Accounts receivable	--	--	49,546,374.57
Wherein: USD	7,630,031.81	6.4936	49,546,374.57
Advance payment			464,330.52
Wherein: USD	71,505.87	6.4936	464,330.52
Short-term borrowing			28,879,107.41
Wherein: USD	4,447,318.50	6.4936	28,879,107.41

Other instructions:

(2) Description of overseas operating entities, including the main operation place, recording currency, and selection basis, as well as the reasons in case of change in the recording currency.

□ Applicable √ Inapplicable

VIII. Change of Merger Scope

1. Disposal of Subsidiary

Where there is any circumstance under which the control right over the subsidiary's investment is lost at single disposal?

Yes No

Unit: RMB

Subsidiary name	Equity disposal price	Equity disposal ratio	Equity disposal way	Time point of loss of control right	Determination basis for time point of loss of control right	Difference of disposal price and the net asset share of subsidiary to be shared at the consolidated financial statement to which the disposed investment corresponds	Ratio of remaining equity on the date of loss of control right	Book value of remaining equity on the date of loss of control right	Fair value of remaining equity on the date of loss of control right	Profit or loss generated from re-measurement of remaining equity based on fair value	Determination method and assumption of remaining equity on the date of loss of control right	Amount of other comprehensive income related to original subsidiary's equity investment transferred into the profit and loss on investment
Yutian Henghua Co., Ltd.	100,000.00	100.00%	Sales	Apr. 30, 2015	Handover of actual control right and resolution of shareholders' meeting	643.49						

Other instructions:

Where there is any circumstance under which the subsidiary's investment is disposed step by step through several times of transactions and the control right is lost at current period?

Yes No

IX. Equity in Other Entities

1. Equity in subsidiaries

(1) Composition of Enterprise Group

Name of subsidiary	Main business place	Registered address	Business nature	Shareholding ratio		Obtaining method
				Direct	Indirect	
Huafa Lease Company	Shenzhen	Shenzhen	Property management	60.00%		Invested and established
Huafa Property Company	Shenzhen	Shenzhen	Property management	100.00%		Invested and established
Hengfa Technology Company	Wuhan	Wuhan	Production and sale	100.00%		Invested and established
Huafa Hengtian Company	Shenzhen	Shenzhen	Property management	100.00%		Invested and established
Huafa Hengtai Company	Shenzhen	Shenzhen	Property management	100.00%		Invested and established

Instruction for shareholding ratio of subsidiary different from the proportion of voting right:

None.

Basis for holding half or less than half of the voting rights but still controlling the invested unit and basis for holding more than half of the voting rights but failing to control the invested unit:

Basis for control over the important structured entity incorporated in the merger scope:

Basis for determining whether the Company is an agent or a client: none.

Other instructions:

X. Financial Instruments Related Risks

The main financial instruments of the Group include the borrowing, accounts receivable, accounts payable, trading financial assets and trading financial liabilities. The detailed information of various financial instruments is shown in Note VII. The financial instruments related risks and the risk management policy taken by the Group for reducing these risks are shown as follows. The Group's management layer will manage and monitor these risk exposures in order to ensure controlling above risks within the limited scope.

1. Various risk management objectives and policies

The Group's risk management aims to achieve proper balance between risk and benefit; minimize the negative influence of risk on the Group's operation performance and maximize the benefits of shareholders and other equity investors. Based on this risk

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management objective, the basic strategy of risk management of the Group is determining and analyzing the risks faced by the Group; establishing proper risk tolerance and carrying out risk management and supervising various risks in a timely and reliable manner in order to control the risks within a limited scope.

(1) Market risk

The market risk of financial instruments refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused by market price change, including foreign exchange risk, interest rate risk and other price risk.

1. Exchange rate risk

The exchange rate risk assumed by the Group is mainly related to the USD and HKD. Except for the daily operation activities related to display carried out by the secondary subsidiary of the Group Hengfa Science and Technology Co., Ltd. in USD, the other main business activities of the Group shall be settled in RMB. On Dec. 31, 2015, except for the USD balance of following assets and liabilities and the petty UKD balance, the assets and liabilities of the Group are the RMB balances. The exchange rate risk generated from the assets and liabilities of the USD and HKD balance may exert an influence on the operating performance of the Group.

Item	Dec. 31, 2015 (converted into RMB)	Dec. 31, 2014 (converted into RMB)
Monetary capital-USD	78,163.93	1,647,548.30
Monetary capital-HKD	858.74	131,467.38
Accounts receivable-USD	49,546,374.57	23,844,905.37
Advance payment-USD	464,330.52	599,151.38
Accounts receivable-USD		7,294.32
Short-term borrowing-USD	28,879,107.41	53,114,376.32

The Group attaches close attention to the influence of change in exchange rate on the Group.

2) Interest rate risk

The Group's interest rate risk is generated from the bank loan. The financial liabilities of floating interest rate cause the cash flow interest rate risk faced by the Group and the financial liabilities of fixed interest rate cause the fair value interest rate risk faced by the Group. The Group shall determine the relative ratio of fixed interest rate and floating interest rate contract according to the market environment. On Dec. 31, 2015, the interest-bearing debts of the Group mainly include the floating interest rate loan contract valued at RMB and USD, with the total amount being RMB 674,179,107.41 (on Dec. 31, 2014: RMB723,414,376.32).

The Group's risk from changes in cash flow of financial instruments due to variation of interest rate is mainly related to the bank loans with floating rate of interest. The Group's policy is to maintain a floating interest rate on these loans in order to eliminate the fair value risk from variation of interest rate.

3) Price risk

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The Group sells the display at market price so that the performance is affected by such price fluctuation.

(2) Credit risk

The credit risk refers to the risk of property loss caused to the other party due to the failure of a party to the financial instrument in performance its obligations. On Dec. 31, 2015, the maximum credit risk exposure that may cause the financial loss of the Group mainly comes from the loss of the Group's financial assets caused by the failure of other party of the Contract in performance its obligation and the financial guarantee assumed by the Group, which mainly includes:

In order to reduce the credit risk, the Group establishes a special department to determine the credit line and carry out credit approval and implement other monitoring procedures to ensure that necessary measures are taken to recover the overdue creditor's right. In addition, the Group reviews the recovery situation of each single account receivable on each balance sheet date to ensure full withdrawal of bad debt provision for the accounts that cannot be recovered. Therefore, the Group's management layer believes that the credit risk assumed by the Group has been reduced significantly.

The Group's working capital is stored in the bank with higher credit rating so that the credit risk of working capital is lower.

The Group implements necessary policies to ensure that all trade debtors have good credit record. Except for the top five accounts receivable, the Group has no other significant credit concentration risk.

Total amount of top five accounts receivable: RMB 99,977,340.65.

(3) Liquidity risk

Liquidity risk is the risk that the Group fails to perform its financial obligation on the due date. The method for the Group to manage the liquidity risk is to ensure sufficient fund liquidity for performance of due debts so as to avoid unacceptable loss or damage to the enterprise's reputation. The Group regularly analyzes the liability structure and period in order to ensure sufficient funds. The Group's management layer is responsible for monitoring the use of bank loan and ensuring its compliance with the loan agreement. Meanwhile, the Group's management layer shall also have negotiation with the financial institution about the financing to ensure a certain line of credit and reduce the liquidity risk.

The financial assets and financial liabilities held by the Group are analyzed based on the maturity of undiscounted remaining contractual obligation:

Amount as of Dec. 31, 2015

Items	Within 1 year	1-2 years	2-3 years	More than 3 years	Total
Financial assets					
Monetary capital	662,115,464.19				662,115,464.19
Notes receivable	54,346,509.74				54,346,509.74
Notes Receivable	109,965,992.14				109,965,992.14
Other Accounts Receivable	9,411,791.40				9,411,791.40

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Advance payment	3,092,021.10				3,092,021.10
Interests receivable	1,838,752.40				1,838,752.40
Financial liabilities					
Short-term borrowing	119,479,107.41				119,479,107.41
Notes payable	53,614,420.20				53,614,420.20
Accounts payable	54,241,655.86				54,241,655.86
Other payables	28,456,858.32	4,208,840.00			32,665,698.32
Deposit received	1,147,469.52				1,147,469.52
Employees' remuneration payable	4,731,615.47				4,731,615.47
Long-term borrowing				554,700,000.00	554,700,000.00

1. Sensitivity analysis

The Group adopts sensitivity analysis technology to analyze the influence of reasonable and potential change in the risk variables on the current profit and loss or ownership interest. As few risk variables will change in isolation and the correlation of the variables will have a large influence on the final affected amount of a certain risk variable change, the following analysis is carried out based on the assumption that each variable changes in isolation.

(1) Sensitivity analysis of foreign exchange risk

Assumption of sensitivity analysis of foreign exchange risk: all foreign operation net investment hedging and cash flow hedging are highly effective.

Based on the above assumptions and under the circumstance that other variables remain unchanged, the after-tax influence of potential reasonable change in the exchange rate on the current profit and loss and equity is shown as follows:

Item	Exchange rate change	2015		2014	
		Influence on net profit	Influence on ownership interest	Influence on net profit	Influence on ownership interest
All foreign currencies	Appreciation of 5% against RMB	-795,398.26	-795,398.26	-1,011,402.55	-1,011,402.55
All foreign currencies	Depreciation of 5% against RMB	795,398.26	795,398.26	1,011,402.55	1,011,402.55

XI. Connected parties and connected transactions

1. Condition of parent company of the Enterprise

Name of parent company	Registered place	Business scope	Registered capital	Shareholding proportion of the parent company over the Enterprise	Percentage of voting rights held by the parent company over the Enterprise
Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as Zhongheng Group)	Wuhan	Production and sale	34,500,000	41.14%	41.14%

Description of condition of the other affiliates of the Enterprise

Registered capital and its change

Controlling shareholder	Opening balance	Increase of this year	Decrease of this year	Ending balance
Wuhan Zhongheng Group	34,500,000			34,500,000

Held share or equity and its change

Controlling shareholder	Shareholding amount		Shareholding ratio (%)	
	Ending balance	Opening balance	Ending ratio	Opening ratio
Wuhan Zhongheng Group	116,489,894.00	116,489,894.00	41.14	41.14

The final controlling party of the enterprise is Li Zhongqiu.

Other instructions:

2. Condition of subsidiaries of the Enterprise

See Note "Composition of Enterprise Group" for information of the enterprise's subsidiaries.

3. Information of Other Related Parties

Name of other affiliates	Relationship between other related party and the enterprise
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Hengsheng Yutian Industry Co., Ltd.	Under the control of the same parent company and the final controlling party

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Wuhan Hengsheng Opto-electric Industry Co., Ltd.	Under the control of the same parent company and the final controlling party
Hongkong Yutian International Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Xindongfang Real Estate Development Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Zhongheng Property Management Co.,Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Guanggu Display System Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Yutian Xingye Property Purchase Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Yutian East Land Holding Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Xiahua Zhongheng Electronic Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan ZHongheng Yutian Trade Co., Ltd.	Under the control of the same parent company and the final controlling party
Wuhan Yutian Hongguang Real Estate Co., Ltd.	Under the control of the same parent company and the final controlling party
Shenzhen Zhongheng Huayu Investment Holding Co., Ltd.	Under the control of the same parent company and the final controlling party
Famous Sky Capital Limited	Under the control of the same parent company and the final controlling party
Yutian International Co., Ltd.	Under the control of the same parent company and the final controlling party
Hong Kong Zhongheng Yutian Co., Ltd.	Under the control of the same parent company and the final controlling party
Shengzhen Yutian Henghua Co., Ltd.	Under the control of the same parent company and the final controlling party
Shenzhen Zhongheng Yongye Co., Ltd.	Under the control of the same parent company and the final controlling party

Other instructions:

None.

4. Connected Transaction

(1) Connection Transactions about Procurement and Sales of Commodities, Provision and Acceptance of Labor Service

List of procured commodities/accepted labor

Unit: RMB

Related parties	Content of connected transaction	Accruals of the current period	Approved transaction amount	Whether it exceeds the approved transaction amount	Accruals of the previous period
Hongkong Yutian International Co., Ltd.	Commodities purchased	127,963,832.98	500,007,200.00	No	145,128,560.64

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Wuhan Hengsheng Yutian Industry Co., Ltd.	Commodities purchased	2,729,748.60	97,404,000.00	No	27,985,217.75
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Fact statement of sales of goods or provisions of labor

Unit: RMB

Affiliated party	Affiliated transaction	Accruals of the current period	Accruals of the previous period
Hongkong Yutian International Co., Ltd.	Sales of commodities	163,903,060.99	234,811,940.55
Wuhan Hengsheng Opto-electric Industry Co., Ltd.	Sales of commodities	191,218.42	185,805.98
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	Provision of labor service	476,979.50	636,090.00
Wuhan Zhongheng New Tech Industry Group Co., Ltd.	Sales of commodities		60,056.30

Description for related transactions of goods purchase or sales, and labor services rendering or receiving

(2) Associated lease situation

The Company is the Lessor:

Unit: RMB

Name of Lessee	Category of leased assets	Recognized lease income of current period	Recognized lease income of previous period
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd	House building	1,731,066.00	2,309,448.00

The Company serves as the lessee:

Unit: RMB

Name of the lessor	Type of leased asset	Rental fee recognized in the current period	Rental fee recognized in the prior period

Description of related-party leasing

(3) Associated guarantee situation

The Company is the Guarantor:

Unit: RMB

Guaranteed person	Amount of guarantee	Starting date of guarantee	Expiry date of guarantee	Whether guarantee has been fully performed or not
Hengfa Technology	65,000,000.00	Sep. 10, 2015	Jun.17, 2016	None

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Company				
Hengfa Technology Company	48,000,000.00	Sep. 29, 2015	Sep.29, 2016	None

The Company acts as the secured party

Unit: RMB

Guarantor	Amount of guarantee	Starting date of guarantee	Expiry date of guarantee	Whether guarantee has been fully performed or not
Li Zhongqiu	600,000,000.00	May 28, 2014	May 28, 2026	None
Li Zhongqiu	20,000,000.00	May 13, 2014	Dec 31, 2015	Yes

Description of related-party guarantee

Lending

(4) Asset transferring and debt restructuring of the related party

Unit: RMB

Related party	Related transaction	Amount incurred in the current period	Amount incurred in the prior period
Wuhan New Oriental Real Estate Development Co., Ltd.	Asset acquisition	25,000,000.00	0.00

(5) Remuneration of Key Management Personnel

单位：元

Items	Accruals of the current period	Accruals of the previous period
Total remuneration	1,951,600.00	1,743,400.00

5. Receivables and payable of related party

(1) Receivables

Unit: RMB

Project name	Associated party	Ending balance		Beginning balance	
		Book balance	Provision for Bad Debts	Book balance	Provision for Bad Debts
Notes Receivable	Hong Kong Tianyu International Investment Co.,Ltd.	47,219,865.22		23,844,905.37	

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Advance payment	Hong Kong Tianyu International Investment Co.,Ltd.	520,885.50		1,745,857.69	
Interest receivable	Hang seng wuhan optoelectronic industry co., LTD	1,838,752.40			
Other receivables	Wuhan new Oriental real estate development co., LTD			500,000,000.00	

(2) Payables

Unit: RMB

Project name	Associated party	Ending book balance	Opening book balance
Other payables	Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	8,663,196.37	
Advance collections	Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.		276,329.24
Accounts payables	Wuhan Hengsheng Opto-Electronics Industry Co., Ltd.	924,354.64	1,231,780.60

XII. Commitment and Contingent Matters

1. Contingent Affairs

(1) Important contingent matters on the balance sheet date

XIII. Events after Balance Sheet Date

1. Instruction of other events after balance sheet date

As of the approved release date of financial report, the Group has no significant events after balance sheet date to be disclosed.

XIV. Other Significant Events

1. Miscellaneous

As of Dec. 31, 2015, the Group has no other significant events to be disclosed.

XV. Notes of main items of parent company's financial statements

1. Accounts Receivable

(1) Classified Disclosure of Accounts Receivable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	5,094,414.36	49.05%	5,094,414.36	100.00%		5,094,414.36	48.59%	3,672,319.72	72.09%	1,422,094.64
Accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	460,277.76	4.43%	138,083.33	30.00%	322,194.43	557,327.76	5.32%	122,200.33	21.93%	435,127.43
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	4,832,157.56	46.52%	4,832,157.56	100.00%		4,832,157.56	46.09%	4,832,157.56	100.00%	
Total	10,386,849.68	100.00%	10,064,655.25		322,194.43	10,483,899.68	100.00%	8,626,677.61		1,857,222.07

Other Accounts Receivable with major individual amount and separate accrual of bad debt reserve at the end of period:

√ Applicable □ Inapplicable

Unit: RMB

Accounts Receivable (based on unit)	Ending balance			
	Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
TCL Wangpai Electric Appliance (Huizhou)Co., Ltd.	1,325,431.75	1,325,431.75	100.00%	Can not be taken back
Skyworth Multimedia(Shenzhen) Co.,Ltd.	672,769.28	672,769.28	100.00%	Can not be taken back
H. K. Haowei Industry Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Can not be taken back
Qingdao Hai'er Spare Parts	1,225,326.15	1,225,326.15	100.00%	Can not be taken back

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Procurement Co., Ltd.				
Total	5,094,414.36	5,094,414.36	--	--

In the combination, aging analysis method is used to accrue the receivables of bad debt reserves:

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Accounts Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Over 3years	460,277.76	138,083.33	30.00%

Instructions for determining the combination basis:

Accounts receivable with accrual of bad debt reserve by balance percentage method in the combination:

Applicable Inapplicable

Accounts receivable with accrual of bad debt reserve by other method in the combination:

Accounts receivable without major individual amount but with separate accrual of bad debt reserve at the end of period:

Unit name	Balance at the end of the year			
	Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Huixin Video Science and Technology Co.,Ltd.	381,168.96	381,168.96	100.00	Can not be taken back
Shenzhen Wandial Number Science and Technology Co.,Ltd.	351,813.70	351,813.70	100.00	Can not be taken back
Shenzhen Dalong Electric Co.,Ltd.	344,700.00	344,700.00	100.00	Can not be taken back
Shenzhen Qunpin Electric Co.,Ltd.	304,542.95	304,542.95	100.00	Can not be taken back
China Galaxy Electric(Hong Kong) Co.,Ltd.	288,261.17	288,261.17	100.00	Can not be taken back
Dongguan Weite Electric Co.,Ltd.	274,399.80	274,399.80	100.00	Can not be taken back
Hong Kong New Century Electric Co.,Ltd.	207,409.40	207,409.40	100.00	Can not be taken back
Shenyang Beitai Electric Co.,Ltd.	203,304.02	203,304.02	100.00	Can not be taken back
Beijing Xinfanweiyee Science and Technology Co.,Ltd.	193,000.00	193,000.00	100.00	Can not be taken back
TCL Electric(Hong kong) Co.,Ltd.	145,087.14	145,087.14	100.00	Can not be taken back
Huizhou TCL New and Special Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Can not be taken back
Shenzhen Skyworth-RGB Electric Co.,Ltd.	133,485.83	133,485.83	100.00	Can not be taken back
Others	1,862,277.45	1,862,277.45	100.00	Can not be taken back
Total	4,832,157.56	4,832,157.56		

(2) Bad Debt Provision Withdrawn, Recovered or Refunded at Current Period

The bad debt provision withdrawn at current period is RMB 1,437,977.64; the bad debt provision recovered or refunded at current period is RMB 0.00.

Among which, the important bad debt provision recovered or refunded at current period: none.

Company name	Reverse or recovery amount	Recovery mode
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(3) Accounts Receivable with Top Five Ending Balances Collected Based the Debtor

The total amount of accounts receivable with top five ending balances collected by the Debtor this year reaches RMB 5,475,583.32, which accounts for 52.72% of the total ending balance of the accounts receivable. The total amount of ending balances of withdrawn bad debt provision is RMB 5,475,583.32.

2. Other Accounts Receivable**(1) Classified Disclosure of Other Accounts Receivable**

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	79,933,722.28	87.11%	10,221,046.53	12.79%	69,712,675.75	510,221,046.53	82.05%	10,221,046.53	2.00%	500,000,000.00
Other accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	6,668,848.13	7.27%	168,615.32	2.53%	6,500,232.81	106,277,411.47	17.09%	62,709.06	0.06%	106,214,702.41
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,160,853.27	5.62%	5,160,853.27	100.00%		5,359,981.34	0.86%	5,359,981.34	100.00%	
Total	91,763,423.68	100.00%	15,550,515.12		76,212,908.56	621,858,439.34	100.00%	15,643,736.93		606,214,702.41

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Other Accounts Receivable with major individual amount and separate accrual of bad debt reserve at the end of period:

Applicable Inapplicable

Unit: RMB

Other Accounts Receivable (based on unit)	Ending balance			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
Wuhan Hengfa Technology Co., Ltd.	68,971,765.78			No risk of bad debts
Huafa Lease Company	4,558,859.15	4,558,859.15	100.00%	Can not be taken back
Boteman	4,021,734.22	4,021,734.22	100.00%	Can not be taken back
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	740,909.97			No risk of bad debts
Zhao Baomin	564,646.35	564,646.35	100.00%	Can not be taken back
Traffic incident indemnity	555,785.81	555,785.81	100.00%	Can not be taken back
Hebei Botou Court	520,021.00	520,021.00	100.00%	Can not be taken back
Total	79,933,722.28	10,221,046.53	--	--

Other Accounts Receivable with accrual of bad debt reserve by aging analysis method in the combination::

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	5,692,316.80		
1-2 year (s)	478,464.00	23,923.20	5.00%
2-3 years	23,640.40	2,364.04	10.00%
Over 3years	474,426.93	142,328.08	30.00%
Total	6,668,848.13	168,615.32	

Instructions for determining the combination basis:

Other Accounts Receivable with accrual of bad debt reserve by balance percentage method in the combination:

Applicable Inapplicable

Other Accounts Receivable with accrual of bad debt reserve by other method in the combination:

Applicable Inapplicable

Other Accounts Receivable without major individual amount but with separate accrual of bad debt reserve at the end of period:

Unit name	Balance at the end of the year

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	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Lotus Island Restaurant Co.,Ltd	236,293.80	236,293.80	100.00	Can not be taken back
Weili Electric Corporation Co.,Ltd, Zhangzhou City, Fujian Province	112,335.62	112,335.62	100.00	Can not be taken back
Employee canteen ect.	796,041.46	796,041.46	100.00	Can not be taken back
Personal borrowings	991,841.17	991,841.17	100.00	Can not be taken back
Trade Union	297,402.55	297,402.55	100.00	Can not be taken back
Chuangjing workshop	192,794.00	192,794.00	100.00	Can not be taken back
Others	2,534,144.67	2,534,144.67	100.00	Can not be taken back
Total	5,160,853.27	5,160,853.27		

(2) Bad Debt Provision Withdrawn, Recovered or Refunded at Current Period

The bad debt provision withdrawn at current period is RMB 147,653.19; the bad debt provision recovered or refunded at current period is RMB 240,875.00.

Among which, the important bad debt provision recovered or refunded at current period:

Unit: RMB

Company name	Reverse or recovery amount	Recovery mode

(3) Classification of Other Accounts Payable Based on Payment Nature

Unit: RMB

Payment nature	Ending book balance	Opening book balance
Borrowing	2,041,924.43	2,119,400.72
Current accounts	80,199,993.19	112,557,582.53
Rent income	8,780,596.09	7,181,456.09
Security deposit	740,909.97	
Total	91,763,423.68	121,858,439.34

(4) Other Accounts Receivable with Top Five Ending Balances Collected Based on Debtor

Unit: RMB

Unit name	Payment nature	Ending balance	Account ageing	Proportion in the total ending balances of other accounts receivable	Ending balance of bad debt provision

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Wuhan Hengfa Technology Co., Ltd.	Current accounts	68,971,765.78	Within 1 year	75.16%	
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Security deposit for lease	740,909.97	Within 1 year	0.81%	
Huafa Lease Company	Current accounts	4,558,859.15	Over 3years	4.97%	4,558,859.15
Boteman	Lease fees receivable	4,021,734.22	Over 3years	4.38%	4,021,734.22
Zhao Baomin	Lease fees receivable	564,646.35	Over 3years	0.62%	564,646.35
Total	--	78,857,915.47	--	85.94%	9,145,239.72

3. Long-term Equity Investment

Unit: RMB

Items	Ending balance			Beginning balance		
	Book balance	Impairment Provision	Book Value	Book balance	Impairment Provision	Book Value
Investment in subsidiary	187,208,900.00	600,000.00	186,608,900.00	188,208,900.00	600,000.00	187,608,900.00
Total	187,208,900.00	600,000.00	186,608,900.00	188,208,900.00	600,000.00	187,608,900.00

(1) Investment in subsidiary

Unit: RMB

Invested unit	Beginning balance	Additional amount of current period	Decreased amount of current period	Ending balance	Withdrawal of depreciation reserves of current period	Ending balance of depreciation reserves
Huafa Lease Company	600,000.00			600,000.00		600,000.00
Huafa Property Company	1,000,000.00			1,000,000.00		
Hengfa Technology Company	183,608,900.00			183,608,900.00		

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Yutian Henghua Company	1,000,000.00		1,000,000.00			
Huafa Hengtian Company	1,000,000.00			1,000,000.00		
Huafa Hengtai Company	1,000,000.00			1,000,000.00		
Total	188,208,900.00		1,000,000.00	187,208,900.00		600,000.00

4. Business Revenues & Business Cost

Unit: RMB

Items	Accruals of the current period		Accruals of the previous period	
	Income	Cost	Income	Cost
Other Business	54,055,168.03	8,764,361.27	57,459,329.67	10,236,937.60
Total	54,055,168.03	8,764,361.27	57,459,329.67	10,236,937.60

Other explanations:

Other business-classified based on categories

Products	Amount of current year		Amount of last year	
	Business revenues	Business cost	Business revenues	Business cost
Property lease	46,341,950.50	1,640,794.86	47,942,501.28	2,527,059.80
Utilities and other expenses	7,713,217.53	7,123,566.41	9,516,828.39	7,709,877.80
Total	54,055,168.03	8,764,361.27	57,459,329.67	10,236,937.60

5. Investment income

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Other	25,246,527.78	
Total	25,246,527.78	

XVI. Supplementary information

1. Detailed Statement of Non-recurring Profit and Loss of Current Period

Applicable Inapplicable

Items	Amount	Description
Profit and loss on non-current asset disposal	449,051.44	
Governmental subsidies recorded in current profit and loss (be closely related to the enterprise business, with an exception of the governmental subsidies enjoyed based on national unified standard quota or ration)	1,691,800.00	
Other non-business income and expenditure other than above items	690,149.43	
Other profit and loss items meeting the definition of non-recurring profit and loss	25,247,171.27	
Less: amount affected by income tax	3,067,910.45	
Total	25,010,261.69	--

Where the non-recurring profit and loss item identified by the Company according to *No. 1 Company's Information Disclosure Explanatory Announcement for Public Issuance of Securities-Non-recurring Profit and Loss* and the non-recurring profit and loss items listed in *No. 1 Company's Information Disclosure Explanatory Announcement for Public Issuance of Securities-Non-recurring Profit and Loss* are defined as the recurring profit and loss items, proper explanation shall be given.

Applicable Inapplicable

2. Return on Net Assets and Earnings Per Share

Profit during Reporting Period	Averagely-weighted return on net asset	Earning per Share	
		Basic Earning per Share (Yuan/Share)	Diluted Earning per Share (Yuan/Share)
Net profit ascribed to shareholder of mother company	-2.27%	-0.0238	-0.0238
Net profit belonging to parent company shareholders after excluding non-recurring items	-10.71%	-0.0532	-0.0532

3. Accounting Data Difference under Domestic and Foreign Accounting Standards

(1) Difference of Net Profit and Net Assets in Financial Report Disclosed Based on International Accounting Standard and Chinese Accounting Standard

Applicable Inapplicable

(2) Difference of Net Profit and Net Assets in Financial Report Disclosed Based on Overseas Accounting Standard and Chinese Accounting Standard

Applicable Inapplicable

4. Other

Section XI Directory of Document Available for Inspection

I. Annual report text bearing the signature of President;

II. Financial report text bearing the signature and seal of head of unit, people in charge of accountancy and leading member of accounting body;

III. Text of all the documents revealed publicly in the *China Securities Journal*, *Securities Times* and *Hongkong Commercial Daily* specified by China Securities Regulatory Commission within the reporting period;

IV. Articles of Association of the Company;

V. Other relevant materials.

[Note] This report is prepared in Chinese and English. In case of understanding ambiguity between the two versions, the Chinese version shall prevail.