

SHENZHEN ZHONGHENG HUAFU CO., LTD.
ANNUAL REPORT 2019

April 2020

Section I. Important Notice, Contents and Interpretation

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

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

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

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

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

Contents

Section I Important Notice, Contents and Interpretation.....	2
Section II Company Profile and Main Financial Indexes	5
Section III Summary of Company Business	10
Section IV Discussion and Analysis of the Operation.....	11
Section V Important Events	22
Section VI Changes in shares and particular about shareholders	39
Section VII Preferred Stock	46
section VIII Convertible Bonds.....	47
Section IX Particulars about Directors, Supervisors, Senior Executives and Employees	48
Section X Corporate Governance	58
Section XI Corporate bond	65
Section XII Financial Report	66
Section XIII Documents available for reference	193

Interpretation

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

Section II. Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	Shen HUAFA A, Shen HUAFA B	Stock code	000020, 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中恒华发股份有限公司		
Short form of the Company (in Chinese)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFA CO., LTD.		
Abbr. of the foreign name (if applicable)	N/A		
Legal representative	Li Zhongqiu		
Registrations add.	411 Bldg., Huafa (N) Road, Futian District, Shenzhen		
Code for registrations add	518031		
Offices add.	6/F, East Tower, No.411 Building, Huafa (N) Road, Futian District, Shenzhen		
Codes for office add.	518031		
Company's Internet Web Site	http://www.hwafa.com.cn		
E-mail	huafainvestor@126.com.cn		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Niu Zhuo	
Contact add.	618, 6/F, East Tower, No.411 Building, Huafa (N) Road, Futian District, Shenzhen	
Tel.	0755-86360201	
Fax.	0755-86360206	
E-mail	huafainvestor@126.com.cn	

III. Information disclosure and preparation place

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

IV. Registration changes of the Company

Organization code	Before change: 61883037-2; after changed: 91440300618830372G
Changes of main business since listing (if applicable)	Before the change of controlling shareholders: the main business was production and sales of color TV, printed circuit board and injection molded parts etc. After the change of controlling shareholders: the main business gradually adjusted to production and sales of injection molded parts, foam part (light packaging materials) and LCD whole machine.
Previous changes for controlling shareholders (if applicable)	The Company's predecessor was Shenzhen Huafa Electronic Co., LTD, which was founded in 1981, initiated and established by three legal persons-- Shenzhen Electronics Group Co., LTD, China Zhenhua Electronic Group Co., LTD and Hong Kong Luks Industrial Co., LTD. In June 2005, Wuhan Zhongheng Group transferred the 44.12% equity of company, held by original first and second largest shareholder of the Company Shenzhen Electronics Group Co., LTD and China Zhenhua Electronic Group Co., LTD, and equity transfer formalities completed in April 2007; Wuhan Zhongheng Group became the controlling shareholder of the Company. In September 2007, the company officially changed its name to "Shenzhen Zhongheng HUAFA Co., Ltd".

V. Other relevant information

CPA engaged by the Company

Name of CPA	DAXIN Certified Public Accountants LLP
Offices add. for CPA	15/F College International Mansion, No.1 Zhi Chun Road, Haidian District, Beijing
Signing Accountants	Li Wei, Fan Zhang

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

 Applicable Not applicable

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

 Applicable Not applicable**VI. Main accounting data and financial indexes**

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

 Yes No

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

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

	Q 1	Q 2	Q 3	Q 4
Operating income	143,921,648.63	195,268,525.42	209,822,500.84	172,544,765.62
Net profit attributable to shareholders of the listed company	258,233.98	2,322,177.15	796,282.59	2,083,355.43
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	196,868.38	2,001,043.68	-207,411.34	2,757,615.61
Net cash flow arising from operating activities	19,403,902.99	20,584,093.18	8,608,010.36	25,867,700.48

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

Yes No

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

Applicable Not applicable

In RMB

Item	2019	2018	2017	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	9,298.34	49,159.75	199,069.56	
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)	534,380.00	3,795,820.00	1,451,189.68	
Gain/loss of entrusted investment or assets management	180,964.60	326,439.49	372,245.91	
Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test	553,901.68			
Other non-operating income and expenditure except for the aforementioned items	-424,941.86	-167,795.70	427,054.02	

Reversal of accrual liability			1,527,600.81	
Loss on assignment of claims		-2,158,200.00	-5,755,200.00	
Less: Impact on income tax	236,650.57	85,444.47	-672,860.55	
Total	616,952.19	1,759,979.07	-1,105,179.47	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

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

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

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

II. Major changes in main assets

1. Major changes in main assets

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

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

All industrial lands of the Company located in Shenzhen were taken into the first batch of plan under 2010 Shenzhen urban upgrade planning. In the future, development and operation of self-owned land resources would become the income source of the Company on a long-term and stable basis.

Section IV. Discussion and Analysis of Operation

1. Introduction

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

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

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

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

- The property rental business achieved annual operating income of 38.82 million yuan, an increase of 12.95% from a year earlier, operating profit amounted as 5.56 million yuan with major growth over that of lat year. In 2019, the company optimized the structural proportion of commercial tenants, and the occupancy rate was greatly

improved, at the same time, the company strictly controlled costs and reduced unnecessary expenditures. Therefore, the company's overall rental profits increased significantly compared with the previous year.

II. Main business analysis

1. Introduction

See the "I-Introduction" in "Discussion and Analysis of Operation"

2. Revenue and cost

(1) Constitute of operating income

In RMB

	2019		2018		Increase/decrease y-o-y
	Amount	Ratio in operation income	Amount	Ratio in operation income	
Total operation income	721,557,440.51	100%	637,046,707.03	100%	13.27%
According to industries					
Display	332,014,645.59	46.01%	292,748,410.48	45.95%	13.41%
Plastic injection hardware	250,187,919.33	34.67%	220,923,611.40	34.68%	13.25%
EPS products	64,330,319.24	8.92%	68,365,102.41	10.73%	-5.90%
Property leasing	38,819,374.89	5.38%	34,369,761.45	5.40%	12.95%
Income from materials	30,416,394.86	4.22%	14,235,066.01	2.23%	113.67%
Utilities and others	5,788,786.60	0.80%	6,404,755.28	1.01%	-9.62%
According to products					
Display	332,014,645.59	46.01%	292,748,410.48	45.95%	13.41%
Plastic injection hardware	250,187,919.33	34.67%	220,923,611.40	34.68%	13.25%
EPS products	64,330,319.24	8.92%	68,365,102.41	10.73%	-5.90%
Property leasing	38,819,374.89	5.38%	34,369,761.45	5.40%	12.95%
Income from materials	30,416,394.86	4.22%	14,235,066.01	2.23%	113.67%
Utilities and others	5,788,786.60	0.80%	6,404,755.28	1.01%	-9.62%
According to region					
Hong Kong,	151,975,729.64	21.06%	133,145,269.85	20.90%	14.14%

Taiwan					
Central China	520,756,503.39	72.17%	464,355,922.55	72.89%	12.15%
South China	48,825,207.48	6.77%	39,545,514.63	6.21%	23.47%

(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 income	Operating cost	Gross profit ratio	Increase/decrease of operating income y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Display	332,014,645.59	310,508,719.13	6.48%	13.41%	13.05%	0.30%
Plastic injection hardware	250,187,919.33	223,473,984.32	10.68%	13.25%	8.36%	4.03%
EPS products	64,330,319.24	62,186,951.52	3.33%	-5.90%	-3.39%	-2.52%
Property leasing	38,819,374.89	2,478,432.62	93.62%	12.95%	78.22%	-2.33%
According to products						
Display	332,014,645.59	310,508,719.13	6.48%	13.41%	13.05%	0.30%
Plastic injection hardware	250,187,919.33	223,473,984.32	10.68%	13.25%	8.36%	4.03%
EPS products	64,330,319.24	62,186,951.52	3.33%	-5.90%	-3.39%	-2.52%
Property leasing	38,819,374.89	2,478,432.62	93.62%	12.95%	78.22%	-2.33%
According to region						
Hong Kong, Taiwan	151,975,729.64	142,733,984.58	6.08%	14.14%	14.43%	-0.24%
Central China	494,557,154.52	453,435,670.39	8.31%	10.17%	7.82%	1.99%
South China	38,819,374.89	2,478,432.62	93.62%	12.95%	78.22%	-2.33%

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

According to industries	Item	Unit	2019	2018	Increase/decrease(+,-) y-o-y
Display	Sales volume	Set	821,188	703,930	16.66%
	Output	Set	881,992	705,883	24.95%
	Storage	Set	41,028	14,483	183.28%
Plastic injection hardware	Sales volume	Ton	10,701.62	10,888.35	-1.71%
	Output	Ton	10,538.27	10,542.22	-0.04%
	Storage	Ton	547.52	710.87	-22.98%
EPS products	Sales volume	Ton	3,902.94	3,873.82	0.75%
	Output	Ton	3,886.34	3,881.86	0.12%
	Storage	Ton	216.89	233.49	-7.11%

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

√ Applicable □ Not applicable

Inventory of display increased mainly due to the stock at year-end.

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

□ Applicable √ Not applicable

(5) Constitute of operation cost

Category of industry and product

In RMB

Industries	Item	2019		2018		Increase/decrease(+,-) y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display	Raw materials	297,635,346.58	95.85%	259,032,420.00	94.31%	1.54%
Display	Labor wages	8,056,874.03	2.59%	5,350,338.95	1.95%	0.64%
Display	Depreciation	2,707,468.22	0.87%	2,041,472.54	0.74%	0.13%
Plastic injection hardware	Raw materials	188,922,768.85	84.54%	175,505,397.97	85.10%	-0.56%
Plastic injection hardware	Labor wages	19,712,637.41	8.82%	14,177,081.31	6.87%	1.95%

Plastic injection hardware	Depreciation	3,758,398.37	1.68%	3,187,779.06	1.55%	0.13%
EPS products	Raw materials	37,579,378.81	60.43%	40,102,966.95	62.30%	-1.87%
EPS products	Labor wages	9,502,156.33	15.28%	8,829,344.71	13.72%	1.56%
EPS products	Depreciation	1,545,988.21	2.49%	2,000,366.49	3.11%	-0.62%
EPS products	Utilities	11,106,824.84	17.86%	10,746,289.68	16.69%	1.17%

product	Item	2019		2018		Increase/decrease(+,-) y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display	Raw materials	297,635,346.58	95.85%	259,032,420.00	94.31%	1.54%
Display	Labor wages	8,056,874.03	2.59%	5,350,338.95	1.95%	0.64%
Display	Depreciation	2,707,468.22	0.87%	2,041,472.54	0.74%	0.13%
Plastic injection hardware	Raw materials	188,922,768.85	84.54%	175,505,397.97	85.10%	-0.56%
Plastic injection hardware	Labor wages	19,712,637.41	8.82%	14,177,081.31	6.87%	1.95%
Plastic injection hardware	Depreciation	3,758,398.37	1.68%	3,187,779.06	1.55%	0.13%
EPS products	Raw materials	37,579,378.81	60.43%	40,102,966.95	62.30%	-1.87%
EPS products	Labor wages	9,502,156.33	15.28%	8,829,344.71	13.72%	1.56%
EPS products	Depreciation	1,545,988.21	2.49%	2,000,366.49	3.11%	-0.62%
EPS products	Utilities	11,106,824.84	17.86%	10,746,289.68	16.69%	1.17%

Explanation

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

Yes No

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

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	599,484,816.83
Proportion in total annual sales volume for top five clients	83.08%
Ratio of related parties in annual total sales among the top five clients	14.96%

Information of top five clients of the Company

Serial	Clients	Sales (RMB)	Proportion in total annual sales
1	Client1	247,901,573.29	34.36%
2	Related party 1	107,934,645.13	14.96%
3	Client 2	103,127,028.80	14.29%
4	Client 3	82,917,331.79	11.49%
5	Client 4	57,604,237.82	7.98%
Total	--	599,484,816.83	83.08%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	440,850,636.06
Proportion in total annual purchase amount for top five suppliers	59.88%
Ratio of related parties in annual total sales among the top five suppliers	35.49%

Information of top five suppliers of the Company

Serial	Supplier	Purchase (RMB)	Proportion in total purchase
1	Related party 1	139,134,803.14	18.90%
2	Related party 2	122,172,251.41	16.59%
3	Supplier 1	118,325,448.66	16.07%
4	Supplier 2	34,005,111.69	4.62%
5	Supplier 3	27,213,021.16	3.70%
Total	--	440,850,636.06	59.88%

Other notes of main suppliers

Applicable Not applicable

3. Expenses

In RMB

	2019	2018	Increase/decrease(+,-) y-o-y	Note of major changes
Sales expense	20,879,256.97	14,100,247.17	48.08%	Costs for export declaration and long distance transportation increased in the period
Administrative expense	38,034,071.63	38,515,205.15	-1.25%	
Financial expense	9,946,778.92	10,316,763.45	-3.59%	
R&D expenses	6,649,163.02			R&D investment was presented in the Period

4. R&D investment

Applicable Not applicable

5. Cash flow

In RMB

Item	2019	2018	Increase/decrease(+,-) y-o-y
Subtotal of cash in-flow from operation activity	567,726,597.98	628,379,927.86	-9.65%
Subtotal of cash out-flow from operation activity	493,262,890.97	650,274,387.52	-24.15%
Net cash flow arising from operating activities	74,463,707.01	-21,894,459.66	440.10%
Subtotal of cash in-flow from investment activity	75,379,501.53	145,251,259.49	-48.10%
Subtotal of cash out-flow from investment activity	78,288,039.15	159,063,404.44	-50.78%
Net cash flow from investment activity	-2,908,537.62	-13,812,144.95	78.94%
Subtotal of cash in-flow from financing activity	215,911,217.10	381,872,622.67	-43.46%
Subtotal of cash out-flow from financing activity	278,912,458.77	399,842,065.16	-30.24%

Net cash flow from financing activity	-63,001,241.67	-17,969,442.49	-250.60%
Net increased amount of cash and cash equivalent	8,683,852.01	-53,513,764.70	116.23%

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

Applicable Not applicable

The note receivable were due for collection in the Period and decreased in purchasing bank financial products and bank loans.

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	Description of formation	Whether be sustainable
Investment income	180,964.60	2.33%	Income from short-term financial products	N
Asset impairment	385,333.82	4.97%	Mainly due to the current accrued for inventory loss and loss of intangible assets impairment	N
Non-operating income	334,950.66	4.32%	Income from government subsidy	N
Non-operating expense	484,592.52	6.25%	The liquidated damages paid	N

IV. Assets and liability

1. Major changes of assets composition

New financial instrument standards, new revenue standards or new leasing standards implemented by the Company at first time since 2019 and adjusted relevant items of the financial statement on beginning of the year when implemented the Standards

Applicable Not applicable

In RMB

	Year-end of 2019		Year-begin of 2019		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary	38,095,501.00	6.20%	34,108,330.27	5.53%	0.67%	

fund						
Account receivable	138,755,691.43	22.59%	116,797,834.51	18.93%	3.66%	
Inventory	66,971,551.96	10.90%	62,973,909.38	10.20%	0.70%	
Investment real estate	48,952,992.57	7.97%	50,681,322.86	8.21%	-0.24%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	198,229,817.31	32.28%	188,083,873.38	30.48%	1.80%	
Construction in process		0.00%	5,727,760.23	0.93%	-0.93%	
Short-term loans	24,633,898.20	4.01%	161,568,657.88	26.18%	-22.17%	
Long-term loans	73,000,000.00	11.89%		0.00%	11.89%	

2. Assets and liability measured by fair value

Applicable Not applicable

3. Assets right restriction till end of reporting period

	Ending book value	Restriction reasons
Monetary fund	1,450,439.39	Bank acceptance deposit, court freeze
Receivable financing	16,762,424.96	Pledge
Account receivable	20,830,185.59	Pledge
Investment real estate	36,996,301.06	Mortgage to obtain bank loans
Fixed assets	13,384,379.59	Mortgage to obtain bank loans
Disposal of fixed assets	92,857,471.69	Court seizure
Intangible assets	7,032,797.52	Mortgage to obtain bank loans
Total	189,313,999.80	--

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

The Company had no important holding company and stock-jointly company that need to disclosed in the reporting period.

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

(i) The impact of the novel coronavirus pneumonia epidemic on the company

At the beginning of 2020, due to the impact of the novel coronavirus pneumonia epidemic, Wuhan Hengfa Technology, the company's wholly-owned subsidiary in Wuhan, resumed work and resumed production later than other areas of the country, which had a significant impact on the company's first quarter performance. In order to buffer the impact of the epidemic on the company, while strengthening market development, the company accelerated product technology upgrades, enhanced technology added value, and improved profitability.

The company's own property, Huafa Building, has provided the company with stable rental income for many years, but the outbreak of novel coronavirus pneumonia epidemic in early 2020 has had a greater impact on the commercial tenants of Huafa Building. In order to alleviate the difficulties of the tenants and overcome the difficulties together with the tenants, the company has partially reduced or exempted the rents of all the tenants. In order to offset the impact of rent reduction and exemption on profits, the company will carry the burden, increase revenue and cut costs, and increase income and reduce expenditures. At the same time, it will accelerate the implementation of urban renewal and reconstruction projects and bring a long-term stable source of income to the company as soon as possible.

(ii) New Annual Business Plan

◆ Industrial Business Upgrade

On the basis of serving existing customers, we will vigorously expand the market and strive for more market shares; strengthen management, increase production efficiency, enhance product quality, and make full use of the geographical advantages of the company to make the business bigger and stronger. Actively seek out high-quality technical projects for consumer electronics, and gradually realize industrial upgrading through technological optimization and management optimization.

◆ Promote the urban renewal project

Speed up the promotion of renewal unit project of Huafa District, Gongming Street, Guangming New District, Shenzhen and the renewal project renovation progress of Huafa Building, Huaqiang North Street, Futian District, Shenzhen, accelerate the settlement of project procedures, and strive to make stage progress as early as possible.

◆ Continue to focus on strengthening the company's internal control

In 2020, the company will further optimize the corporate governance structure and improve the internal control system and process and strictly implement and improve the executive ability of relevant system in accordance with the governance requirements of listed companies, the company's management and relevant departments will execute the administrative provisions for approval procedures of fund utilizing, management system of related

transactions, working system of internal audit, internal reporting system of major information in strict accordance with the requirements of internal control documents.

X. Reception of research, communication and interview

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

Applicable Not applicable

Time	Way	Type	Basic situation index of investigation
2019-01-04	Telephone communication	Individual	N/A
Reception (times)			Several
Number of hospitality			0
Number of individual reception			Several
Number of other reception			0
Disclosed, released or let out major undisclosed information	N		

Section V. Important Events

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

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

Applicable Not applicable

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

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

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

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2019	0.00	5,460,049.15	0.00%	0.00	0.00%	0.00	0.00%
2018	0.00	3,295,022.72	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	974,409.39	0.00%	0.00	0.00%	0.00	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

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

III. Implementation of commitment

1. Commitments that the actual controller, shareholders, related party, offeror and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share reform	Wuhan Zhongheng Group		The enterprise and its subsidiaries will not participate directly or indirectly in operation of the business with competitive of Shen Huafa and its controlling subsidiary concerned, and not to damage the interest of the Shen Huafa and its controlling subsidiary by making use of the potential controlling-ship of the Shen Huafa either	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
	Wuhan Zhongheng Group		The enterprise and its subordinate enterprise shall avoid a related transaction as far as possible with Shen Huafa and its controlling subsidiary, as for the related dealings occurred inevitable or have reasonable cause, the enterprise promise to follow the principle of fair-ness, justice and open-ness, signed the agreement in line with the laws, perform legal program, fulfill information disclosure obligation and relevant approval procedures according to the relevant laws, regulations and "Listing Rules" of the Shenzhen Stock Exchange, guarantee not to damage the legal interest of Shen Huafa and its shareholders through related transactions	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing

	Wuhan Zhongheng 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	In normal implementing
Commitments in report of acquisition or equity change						
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders	Wuhan Zhongheng Group		Regarding the lawsuit with Shenzhen Vanke: 1. If the arbitration judges Shenzhen Vanke to win, the arbitration losses caused by the contract disputes shall be undertaken by Wuhan Zhongheng Group in full; 2. The contingent losses and risks arising from the termination of relevant contracts shall be undertaken by Wuhan Zhongheng Group in advance.	2016-12-20	Implemented since 20 December 2016	In normal implementing
	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.83 million shares of B-stock of the Company in 6 months since the letter delivery	2017-11-20	In 6 months since the date of notification	Fulfilled
	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.8 million shares of A-stock at least in 6 months since the letter delivery	2017-11-28	In 6 months since the date of notification	Fulfilled
Completed on time(Y/N)	Yes					

If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan	Not applicable
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2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

The Ministry of Finance issued revised “Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets”, and “Accounting Standards for Business Enterprises No. 24- Hedge Accounting”, and “Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments” in 2017 (the above four standards are hereinafter collectively referred to as “new financial instrument standards”). The Company has implemented the above revised standards from January 1, 2019, and adjusted the relevant content of accounting policies.

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

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

The company will implement the relevant provisions of CK (2019) No. 6 issued by the Ministry of Finance, and adjust and change the presentation of the relevant financial statements. The items and amount of the balance sheet

that were significantly affected on December 31, 2018 are as follows:

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

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

Applicable Not applicable

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

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

Applicable Not applicable

No changes in consolidation scope in the period

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

Accounting firm appointed

Name of domestic accounting firm	DAXIN Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	50
Continuous life of auditing service for domestic accounting firm	4
Name of domestic CPA	Li Wei, Fan Zhang
Consecutive years for auditing service from domestic CPA	3
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	0
Name of foreign CPA	N/A
Consecutive years for auditing services from foreign CPA (If applicable)	0

Re-appointed accounting firms in this period

Yes No

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

Applicable Not applicable

The Company employed DAXIN Certified Public Accountants LLP as internal control audit institutions in the year.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitration of the Company

Applicable Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (in 10 thousand Yuan)	Predicted liabilities (Y/N)	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
In September 2016, Wuhan Zhongheng Group Co., Ltd. and the Company and Shenzhen Vanke were applied for arbitration due to the dispute case of "Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District".	46,460	N	Ruling on 16 August 2017; put forward the application for dismantling by the Company and controlling shareholder, the application was rejected by the court	Found more in notice of the Company	Implementing	2018-02-09	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204406606?announceTime=2018-02-09 ; http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205326846&announcementTime=2018-08-25

<p>In March 2016, the Company and HUAFA Science & Technology suit against the follow companies, including Shenzhen Huayongxing Environmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electronic Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd and Shenzhen Kangzhengxin Technology Co., Ltd., for arrears of rent, and refuse to move the site, forcibly occupied switch board room and other power unit under the name of the Company</p>	<p>1,964.92</p>	<p>N</p>	<p>The judgment of 2nd trial has been issued, and has applied for compulsory execution</p>	<p>Implementing</p>	<p>Ended</p>	<p>2016-09-14</p>	<p>http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41</p>
<p>In March 2016, the Company and HUAFA Property suit against Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd. for contract</p>	<p>947.26</p>	<p>N</p>	<p>The second trial decides the Company wins the lawsuit on 15 March 2018, and has applied for enforcement</p>	<p>Implementing</p>	<p>Implementing</p>	<p>2016-09-14</p>	<p>http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41</p>

violation and refuse to move the site							
Application for arbitration in case of contract dispute between the V&T (Shenzhen) Law Firm and Shenzhen Zhongheng Huafa Co., Ltd. and Wuhan Zhongheng Group	1,940.2	N	The arbitration has been heard	A ruling has been issued and the company filed an application for revocation	In trial	2018-11-14	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018-11-14

XIII. Penalty and rectification

Applicable Not applicable

No penalties or rectifications during the reporting period.

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 and Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand sand	Whether over the approved limit or	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure

								Yuan	not				
								(n)	(Y/N)				
HK Yutian	Sharing the same controlling shareholder	Purchase	Display	Synchronized with the market	122,172,251.41	12,217.23	48.50%	17,091.69	N	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 professional market survey company website		
Hengsheng Photo-electricity	Sharing the same controlling shareholder	Purchase	Display	Confirmed with 1% of current market average price in principle, and refer to both their	110,747,651.72	11,074.77	43.96%	12,557.16	N	Telegraphic transfer	Same as above		

				bargaining power									
Hengsheng Photo-electricity	Sharing the same controlling shareholder	Purchase	Display	According to the order price, deducted 1 Yuan each for operation charge	28,387,151.42	2,838.72	99.44%	8,371.44	N	Telegraphic transfer	Same as above		
HK Yutian	Sharing the same controlling shareholder	Sales	Display	According to the customer sales order price sure	107,934,645.13	10,793.46	30.07%	24,416.7	N	Telegraphic transfer	Same as above		
Hengsheng Photo-electricity /Zhongheng Yutian	Sharing the same controlling shareholder	Sales	Display	According to the customer sales order price sure	13,311,670.04	1,331.17	0.02%	2,790.48	N	Telegraphic transfer	Same as above		
Hengsheng Photo-electricity	Sharing the same controlling shareholder	Sales	Material	According to the customer sales order price sure	8,305,534.66	830.55	3.66%	1,255.72	N	Telegraphic transfer	Same as above		

Total	--	--	39,08 5.9	--	66,4 83.1 9	--	--	--	--	--
Detail of sales return with major amount involved	N/A									
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)	In the reporting, Hengfa Technology purchased LCD monitors from HK Yutian with \$ 16.62 million approximately, 67.84% of the annual amount predicted at the beginning of the year; purchased LCD monitor from Hengsheng Photo electricity with \$ 15.87 million approximately, 88.19% of the annual amount predicted at the beginning of the year; purchasing LCD Display from Hengsheng Photo electricity with about \$ 4.07 million, 33.91% of the annual amount predicted at the beginning of the year; sold LCD Display whole machine to HK Yutian with \$ 16.96 million approximately, 48.47% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price	N/A									

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No above mentioned transactions occurred

3. Main related transactions of mutual investment outside

Applicable Not applicable

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

4. Contact of related credit and debt

Applicable Not applicable

No contact of related credit and debt during the reporting period.

5. Other related transactions

Applicable Not applicable

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

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period.

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period.

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period.

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2020-04-30	30,000		2,506.87	Joint liability guarantee	One year	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)		30,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		2,506.87		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		30,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		1,263.39		

Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Total amount of guarantee of the Company (total of three above mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		30,000		Total amount of actual occurred guarantee in report period (A2+B2+C3)		2,506.87		
Total amount of approved guarantee at the end of report period (A3+B3+C2)		30,000		Total balance of actual guarantee at the end of report period (A4+B4+C4)		1,263.39		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)				3.84%				
Including:								

Explanation on compound guarantee

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

Trust financing in the period

In 10 thousand Yuan

Type	Capital sources	Amount occurred	Outstanding balance	Overdue amount
Bank financial products	Own funds	75,000,000	0	0
Total		75,000,000	0	0

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

Applicable Not applicable

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

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Performance of social responsibility

Not applicable

2. Execution of social responsibility of targeted poverty alleviation

(1) Targeted poverty alleviation scheme

Not applicable

(2) Summary of targeted poverty alleviation

Not applicable

(3) Targeted poverty alleviation effect

Index	Unit of measure	Quantity /implementation
I. Overall condition	—	—
II. Poverty alleviation by items	—	—
1. Industry development	—	—
2. Shift employment	—	—
3. Relocating in other places	—	—
4. Education	—	—
5. Health	—	—
6. Ecological protection	—	—
7. Reveal all the details	—	—
8. Society	—	—
9. Other	—	—

III. Award received (content and grade)	—	—
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(4) Follow-up targeted poverty alleviation scheme

Not applicable

3. Environmental protection

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

No

The listed Company and its subsidiary don't belongs to the key sewage units released from environmental protection department

XIX. Explanation on other significant events

Applicable Not applicable

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

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

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on September 11, 2015 have considered and adopted the "Proposal on the project promotion and implementation of urban renewal and the progress of related transactions of 'the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen'", the company has signed the "Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen", "Contract for the cooperative venture of reconstruction project for Huafa Industrial Park, Gong Ming Street, Guangming New District" and "Agreement on housing acquisition and removal compensation and resettlement"

with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as “Wuhan Zhongheng Group”), Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Shenzhen Vanke”), and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as “Vanke Guangming”).

On 12 September 2016, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. Shenzhen Court of International Arbitration (SCIA) has given a ruling in August 2017. On August 29, 2018, the court accepted the compulsory execution application of Shenzhen Vanke. In October 2019, as a number of outsiders filed an “execution objection” and applied for “no execution” to Shenzhen Intermediate People’s Court, the Shenzhen Intermediate People’s Court ruled to terminate the enforcement procedure on March 20, 2020. If the “execution objection” and “no execution” proposed by outsiders are rejected according to law, Shenzhen Vanke may continue to apply to the Shenzhen Intermediate People’s Court to resume execution. Progress of the case found more in the Notices released on Juchao website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017, 1 July 2017, 18 August 2017, 9 Feb. 2018, 25 Aug. 2018 and 7 Sept. 2018 respectively.

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

(ii) On 31 December 2015, the 88,750,047 shares held by Wuhan Zhongheng Group, are pledge to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. Wuhan Zhongheng Group deferred the repurchase business day to 30 June 2017. on 1 Feb. 2016, Wuhan Zhongheng Group pledge the 27,349,953 shares held to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. The above-mentioned pledged shares are deferred by Wuhan Zhongheng Group; pledge expired on 31 December 2017. The trading day for repurchase put off to the date when pledge actually removed. Till end of this period released, controlling shareholder still not removed the pledge and the Company has apply by letter, relevant Notice of Presentment on Stock Pledge from Controlling Shareholder was released. Found more in notice released on Juchao website (www.cninfo.com.cn) date 2 Feb. 2018.

(iii) The controlling shareholder Wuhan Zhongheng Group holds 119,289,894 shares of the Company’ stock, accounting for 42.13% of the total share capital of the Company, of which 116,489,894 shares were judicially frozen by Shenzhen Intermediate People's Court (hereinafter referred to as "Shenzhen Intermediate Court") on September 27, 2016, which were frozen again by the Shenzhen Intermediate People's Court on December 14, 2018, with a frozen period of 36 months; the remaining 2,800,000 shares were frozen by the Shenzhen Intermediate People's

Court on May 29, 2019, and were frozen again by the Higher People's Court of Guangdong Province on July 5, 2019. For details, please refer to the company's announcements published on www.cninfo.com.cn on October 27, 2016, January 11, 2019, May 31, 2019 and August 7, 2019.

(iv) The term of office of the ninth board of directors and the ninth board of supervisors of the company expired in September 2019, the company held the 11th meeting of the ninth board of directors and the 11th meeting of the ninth board of supervisors on August 23, 2019 and held the first extraordinary general meeting of 2019 on September 12, 2019 to consider and approve the relevant proposals for the election at expiration of office terms of the board of directors and the board of supervisors.

(v) On September 29, 2016, the company and its controlling shareholder, Wuhan Zhongheng Group, signed the "Agency Contract" with V&T Law Firm. On October 8, 2016, the three parties also signed the "Supplemental Agreement for Agency Contract", it was agreed that V&T acted as an agent for the company and Wuhan Zhongheng Group to deal with the arbitration case with Shenzhen Vanke. After losing the lawsuit, due to differences in the payment of attorney fees, V&T sued our company and Wuhan Zhongheng Group to the Shenzhen Court of International Arbitration, and applied to the court to seize a bank account under our company's name and part of our company dormitories, please refer to "Other Announcements on the Progress Involving Litigation and Arbitration" (Announcement Numbers: 2018-43, 2019-02) released by our company on www.cninfo.com on November 14, 2018 and March 6, 2019. 02. In November 2019, the Shenzhen Court of International Arbitration ruled that the company and Wuhan Zhongheng Group paid the corresponding fees. According to the "Agency Contract" and "Supplemental Agreement for Agency Contract" signed by the three parties, the loss of the arbitrament in this case was borne by Wuhan Zhongheng Group, so it had no impact on the company's 2019 annual profit. For details, see the company's "Other Announcements on the Progress Involving Litigation and Arbitration" (Announcement No.: 2019-34) released on www.cninfo.com.cn on November 25, 2019.

(vi) the company suffered losses in the first quarter.

(vii) On April 17, 2020, Shenzhen Zhongheng HUAFA Co., Ltd. (hereinafter referred to as "the company" or "the defendant") received the notice of responding to the lawsuit [(2020) Yue 03 min Chu 17] and other relevant materials delivered by Shenzhen intermediate people's Court of Guangdong Province (hereinafter referred to as "Shenzhen intermediate court"). Shenzhen Zhongheng HUAFA Technology Co., Ltd. (hereinafter referred to as "HUAFA technology" or "the plaintiff") sued the company and its controlling shareholder Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Wuhan Zhongheng group" or "the third party") for the dispute over the asset replacement contract. Shenzhen Zhongyuan has filed the case No. (2020) Yue 03 min Chu 17.

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	283,161,227	100.00%	0	0	0	0	0	283,161,227	100.00%
1. RMB Ordinary shares	181,165,391	63.98%	0	0	0	0	0	181,165,391	63.98%
2. Domestically listed foreign shares	101,995,836	36.02%	0	0	0	0	0	101,995,836	36.02%
III. Total shares	283,161,227	100.00%	0	0	0	0	0	283,161,227	100.00%

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 Applicable Not applicable

Progress of shares buy-back

 Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

 Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

 Applicable Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

 Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

Applicable Not applicable

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

Applicable Not applicable

3. Existing internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company

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

In Share

Total common stock shareholders in reporting period-end	23,761	Total common stock shareholders at end of last month before annual report disclosed	24,131	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount

			period					
Wuhan Zhongheng Group	Domestic non-state-owned legal person	42.13%	119,289,894	2608800	0	116,681,094	Pledged	116,100,000
							Frozen	119,289,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD.	Overseas legal person	4.40%	12,464,500		0	12,464,500	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249		0	5,355,249	Pledged	0
							Frozen	0
Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.36%	3,870,117		0	3,870,117	Pledged	0
							Frozen	0
Li Zhongqiu	Overseas legal person	1.00%	2,830,000	2830000	0	2,830,000	Pledged	0
							Frozen	0
Zhong Jiachao	Domestic nature person	0.47%	1,329,602		0	1,329,602	Pledged	0
							Frozen	0
LI SHERYN ZHAN MING	Overseas legal person	0.36%	1,022,600		0	1,022,600	Pledged	0
							Frozen	0
Li Senzhuang	Domestic nature person	0.35%	989,350		0	989,350	Pledged	0
							Frozen	0
Wang Jianxin	Domestic nature person	0.34%	959,000		0	959,000	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, Li Zhongqiu is the actual controller of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. and is a party acting in concert.							
Particular about top ten shareholders with un-restrict shares held								

Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares	
		Type	Amount
Wuhan Zhongheng Group	119,289,894	RMB common share	119,289,894
SEG (HONG KONG) CO., LTD.	16,569,560	Domestically listed foreign shares	16,569,560
GOOD HOPE CORNER INVESTMENTS LTD.	12,464,500	Domestically listed foreign shares	12,464,500
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	5,355,249	Domestically listed foreign shares	5,355,249
Guoyuan Securities Brokerage (Hong Kong) Limited	3,870,117	Domestically listed foreign shares	3,870,117
Li Zhongqiu	2,830,000	Domestically listed foreign shares	2,830,000
Zhong Jiachao	1,329,602	RMB common share	1,329,602
LI SHERYN ZHAN MING	1,022,600	Domestically listed foreign shares	1,022,600
Li Senzhuang	989,350	Domestically listed foreign shares	989,350
Wang Jianxin	959,000	RMB common share	959,000
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	<p>Among the top ten unrestricted shareholders, Li Zhongqiu is the actual controller of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. and is a party acting in concert.</p> <p>The Company neither knew whether there exists associated relationship among the other shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.</p>		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	<p>Among the top ten shareholders, Zhong Jiachao held 795,602 shares through ordinary accounts, 534,000 shares through credit securities accounts, and total held 1,329,602 shares.</p>		

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

Yes No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: Foreign-funds controlling

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Wuhan Zhongheng Group	Li Zhongqiu	1996-03-21	91420114711954601 W	Production, sales of computers, TV set, display, other hardware and computer software; development of internal data communication network, building of packing materials and light weight building material for packaging; management of exports business for the own products and technologies for the Company and member enterprise; management of export business on raw material, apparatus and instrument, machinery equipment, spare parts and technologies (not including goods and technologies that import and export are national restricted or prohibited); dry clean and steam iron service; copy & print; business information consulting; house tenancy; property management; wholesale and retails of the hardware metal products, plastic products, audio electronic products, electronic equipment, textile, toys, clothing & shoes, luggage, bedding article, general merchandise, curtain, household appliances and building materials; development of real-estate and sales of commercial housings (projects with special provision of the state can be operation after approval)
Equity of other domestic/oversea 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 and persons acting in concert

Nature of actual controller: Overseas nature person

Type of actual controller: Natural person

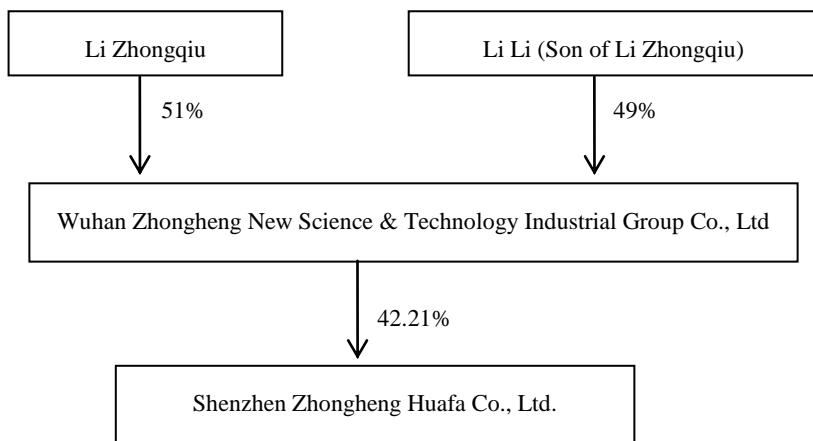
Actual controller's name	Relationship	Nationality	Enjoy the residence rights in the other country or area (Y/N)
Li Zhongqiu	Li Zhongqiu himself	Hong Kong	Y
Li Li	Person acting in concert (including agreement, relatives, share the same controlling)	P.R.C	N
Main occupation in position	Chairman and General Manager		
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. Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period.

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

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

Name	Title	Working status	Sex (F/M)	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Li Zhongqiu	Chairman	Currently in office	M	55	2007-07-08	2022-09-11	0	2,830,000	0	0	2,830,000
Gao Jianbo	Vice Chairman	Leave the office	M	55	2018-09-18	2019-09-11	0	0	0	0	0
Jiang Junming	Vice Chairman	Currently in office	M	41	2019-09-12	2022-09-11	0	0	0	0	0
Yang Bin	Director, secretary of the Board	Leave the office	M	47	2015-11-06	2019-09-11	0	0	0	0	0
Chen Zhigan	Director	Currently in office	M	46	2019-09-12	2022-09-11	0	0	0	0	0
Li Ding'an	Independent director	Leave the office	M	74	2016-09-19	2019-09-11	0	0	0	0	0
Zhang Zhaoguo	Independent director	Leave the office	M	63	2014-05-23	2019-09-18	0	0	0	0	0
Xu Jingwei	Independent	Leave the	M	54	2016-09-19	2019-09-11	0	0	0	0	0

n	director	office										
Zheng Chunmei	Independent director	Currently in office	F	54	2019-09-12	2022-09-11	0	0	0	0	0	0
Wu Weihua	Independent director	Currently in office	M	41	2019-09-12	2022-09-11	0	0	0	0	0	0
Yang Xiongwen	Independent director	Currently in office	M	49	2019-09-12	2022-09-11	0	0	0	0	0	0
Huang Yanbo	Chairman of the Supervisory Board	Currently in office	F	57	2012-01-16	2022-09-11	0	0	0	0	0	0
Chen Qin	Supervisor	Currently in office	F	33	2015-11-06	2022-09-11	0	0	0	0	0	0
Geng Qu	Employee Supervisor	Leave the office	F	50	2012-04-09	2019-09-09	0	0	0	0	0	0
Niu Zhuo	Employee Supervisor	Leave the office	F	37	2019-09-10	2019-10-09	0	0	0	0	0	0
Wu Aijie	Employee Supervisor	Currently in office	F	48	2019-10-10	2022-09-11	0	0	0	0	0	0
Yang Bin	Deputy General Manager, Chief Financial Officer	Currently in office	M	47	2015-11-06	2022-09-11	0	0	0	0	0	0
Tang Ganyu	Deputy General Manager	Currently in office	F	42	2013-08-23	2022-09-11	0	0	0	0	0	0

	r										
Niu Zhuo	Secretary of the Board	Currently in office	F	37	2019-10-25	2022-09-11	0	0	0	0	0
Total	--	--	--	--	--	--	0	2,830,000	0	0	2,830,000

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Gao Jianbo	Vice Chairman	Term of office expires departure	2019-09-11	Expiration of the term of office
Yang Bin	Director	Appointment and removal	2019-09-11	During the reporting period, he resigned as director and secretary of the board of directors, continued to serve as financial controller, and newly appointed deputy general manager of the company.
Li Ding'an	Independent director	Term of office expires departure		Expiration of the term of office
Zhang Zhaoguo	Independent director	Term of office expires departure		Expiration of the term of office
Xu Jingwen	Independent director	Term of office expires departure		Expiration of the term of office

III. Post-holding

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

Li Zhongqiu: Male, was born in 1964 with Master of Engineering, members of the Hubei Political Consultative Conference. May the first of labor medalist of Wuhan. He serves as Chairman of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since 1996. And he serves as Chairman and the General Manager of the Company since July 2007.

Jiang Junming, male, born in February 1978 in Dalian, Liaoning, Han nationality, holds a bachelor degree in Law from Shenyang University of Technology and a master degree in Finance from Peking University. He is currently

deputy general manager of Risk Control Department of Shenzhen SEG Group Co., Ltd. He has served successively as legal assistant of Shenzhen Gemdale Real Estate Co., Ltd., legal supervisor of Shenzhen Maoye (Group) Co., Ltd., legal deputy manager of Shenzhen Changcheng Investment Holding Co., Ltd., legal affairs post of Shenzhen SEG Group Co., Ltd., and partner of Guangdong Guanghe Law Firm.

Chen Zhigang, male, born in 1973, master of business administration, he is currently the assistant to chairman of Wuhan Zhongheng Group. He has successively served as supervisor, investment manager and securities affairs representative of Wuhan Huaxin High-Tech Co., Ltd., financial director, secretary of the board of directors and executive deputy general manager of Wuhan Zhongheng New Technology Industry Group Co., Ltd., and director of the Company, etc.

Ms. Zheng Chunmei, Chinese nationality, without permanent residency abroad, female, born in 1965. She graduated from the Department of Economics and Management of Wuhan University in June 1986, in 1990, she was awarded the certificate of completion of the University Teachers Training Course of International Accounting and International Finance and Taxation (Co-sponsored by the World Bank and the State Education Commission) of the School of Economics, Xiamen University, she received a master's degree in business management (accounting) from Wuhan University in 1997 and a doctorate degree in economics from Wuhan University in 2005. She acted as a visiting scholar at St. Mary's University in Canada, Seoul National University in South Korea, and Ohio State University in the United States. She has been teaching at Wuhan University since June 1986, and is currently a professor and a doctoral tutor in the School of Economics and Management of Wuhan University, a member of Canadian Management Science (ASAC), an independent director of Routon Electronics Co., Ltd., and Wuhan Accelink Co., Ltd., and an independent director of Tianjin Tianhai Investment Development Co., Ltd. From November 2013 to present, she has been serving as an independent director of Huachangda Intelligent Equipment Group Co., Ltd.

Yang Xiongwen, male, born in 1970, Doctor of Civil and Commercial Law, Renmin University of China, a visiting scholar at the Faculty of Law, University of Oxford, he is currently a professor at the School of Law of South China University of Technology, a senior engineer, a member of the Local People's Congress of Panyu District (2016.9.26), a member of the Supervision and Judicial Work Committee of the Standing Committee of the 17th Local People's Congress of Panyu District, a member of the Legal Committee of the Guangdong Provincial Committee of the China Democratic National Construction Association, a part-time attorney of Beijing Lifang (Guangzhou) Law Firm, and is concurrently serving as deputy secretary general and executive director of China Intellectual Property Law Research Association.

Wu Weihua, male, born in 1978, master of law at Peking University, he is currently the managing director of the investment banking department of Founder Financing Services Co., Ltd. He successively served as the managing director of the investment banking department and principal of the M & A financing business department of Hua Chuang Securities Co., Ltd.; the managing director of the investment banking department and principal of

Shenzhen business department of Tianfeng Securities Co., Ltd.; executive deputy general manager of the investment banking department X of Guosen Securities Co., Ltd.; assistant director of the investment banking department of Dapeng Securities Co., Ltd.; auditor of Shenzhen Tianjian Xinde Certified Public Accountants.

Huang Yanbo: female, born in 1962, a university background and a senior accountant. She served as financial director of Wuhan Zhongda Shopping Mall since 1985 to 1998; and worked as financial manager of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. from 1998 to 2007 and GM assistant in charge of auditing supervise from 2007 to 2011; she serves as CFO of the Company from 2012 to 2016; she serves as deputy GM of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since October 2016, and the supervisor of the Company since January 2012 and she is the chairman of supervisory committee of the Company since August 2013.

Chen Qin: Female, born in 1986, bachelor degree, human resources professional. Worked on administrative work in Merida Bicycle (China) Co., Ltd. from July 2002 to July 2003, engaged in purchasing work in Hui Pu Electronics (Shenzhen) Co., Ltd. from August 2003 to September 2004, and served as the administration manager in Huake United Technology (Shenzhen) Co., Ltd. from September 2004 to 2005 October; works in the Company since October 2005 and serves as supervisor of the Company since 2015

Wu Aijie, female, born in 1971, bachelor degree, she is currently the person in charge of the company's accounting organization. She successively served as the accounting director of Wuhan No. 2 Pharmaceutical Factory, Wuhan Benben Electronics Co., Ltd., Wuhan Hengsheng Photo-electricity Industry Co., Ltd., and Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd

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.

Yang Bin, male, born in April 1972, a master degree holder graduated from Xi'an Jiaotong University. He once served as the executive deputy general manager and secretary of the board of Shenzhen China Agricultural University Technology Co., Ltd., an independent director of Livzon Group, and an independent director of CTL Testing. Now served as the Supervisor of Shenzhen Moyi Investment Co., Ltd., he used to be the company's director and secretary to the board of directors, and now serves as the company's deputy general manager and chief financial officer.

Niu Zhuo, former name was Niu Yuxiang, female, born in 1982, master, intermediate economist. From July 2006 to August 2010, she worked on securities affairs at Shenzhen OFILM Technology Co., Ltd. From September 2010 to present, she has been serving in the Company, she once held the posts of deputy director of the office of the

board of directors, securities affairs representative, and currently holds the post of the company's board secretary.

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 and its subsidiaries	Chairman	1996-03-21		N
Jiang Junming	Shenzhen SEG Group Co., Ltd. and its subsidiaries	Deputy GM, party committee and secretary of the Board	2018-07-02		Y
Chen Zhigang	Wuhan Zhongheng Group	Assistant to the chairman			Y
Huang Yanbo	Wuhan Zhongheng Group	Deputy GM	2016-10-12		Y

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Zheng Chunmei	Wuhan University	Teacher	1986-06-01		Y
Zheng Chunmei	Hubei Huachangda Intelligent Equipment Co., Ltd.	Independent director	2013-10-01		Y
Zheng Chunmei	Tianhai Investment Co., Ltd.	Independent director	2015-03-01		Y
Zheng Chunmei	Jinglun Electronics Co., Ltd.	Independent director	2015-10-01		Y
Zheng Chunmei	Wuhan Guangxun Technology Co., Ltd.	Independent director	2016-08-01		Y
Wu Weihua	China National Securities Co., Ltd.	Managing Director	2018-12-01		Y
Yang Xiongwen	South China University of Technology	Teacher	2008-08-01		Y

Yang Xiongwen	Beijing Lifang (Guangzhou) Law Firm	Part-time lawyer	2015-07-01		
Explanation on post-holding in other unit	N/A				

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

Applicable Not applicable

1. On January 5, 2017, the company received the "Announcement on Public Condemnation to Shenzhen Zhongheng Huafa Co., Ltd. and Related Parties" of the Shenzhen Stock Exchange (hereinafter referred to as the "SZSE"): 1. Give a public condemnation to Shenzhen Huafa; 2. Give a public condemnation to Li Zhongqiu, the actual controller, chairman and general manager of Shenzhen Huafa; for the illegal behavior of Shenzhen Huafa and related parties and the punishment given by SZSE, SZSE will record in the credit archive of listed companies and publish to the public. See details at <http://www.cninfo.com.cn> about the Announcement on Receipt of Public Condemnation of Shenzhen Stock Exchange to the Company and Related Parties" (Announcement No.: 2017-01).

2. Mr. Yang Bin, deputy general manager and Chief Financial Officer of the Company, due to the failure to urge and organize the information disclosure work for the temporary announcement of Shenzhen China Agricultural University Technology Co., Ltd. in accordance with relevant regulations during his tenure as Secretary of the Board of Directors of Shenzhen China Agricultural University Science and Technology Co., Ltd., in August 2018, he was given a warning and fined 30000 yuan by Shenzhen Securities Regulatory Bureau of China Securities Regulatory Commission.

IV. Remuneration for directors, supervisors and senior executives

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

Remuneration of directors and supervisors are determined by general meeting, and the allowance standard for each independent director is RMB 60,000 per year (tax included).

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

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex (F/M)	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Li Zhongqiu	Chairman, GM	M	55	Currently in office	49.9	N
Gao Jianbo	Vice Chairman	M	55	Leave the office	0	Y

Jiang Junming	Vice Chairman	M	41	Currently in office	0	Y
Chen Zhigang	Director	M	46	Currently in office	0	Y
Yang Bin	Deputy General Manager, CFO	M	47	Currently in office	34.6	N
Li Ding'an	Independent director	M	74	Leave the office	4.25	N
Xu Jingwen	Independent director	M	54	Leave the office	4.25	N
Zhang Zhaoguo	Independent director	M	63	Leave the office	4.25	N
Zheng Chunmei	Independent director	F	54	Currently in office	1.75	N
Yang Xiongwen	Independent director	M	41	Currently in office	1.75	N
Wu Weihua	Independent director	M	49	Currently in office	1.75	N
Huang Yanbo	Supervisor	F	57	Currently in office	0	Y
Geng Qu	Supervisor	F	50	Leave the office	8.5	N
Chen Qin	Supervisor	F	33	Currently in office	14.7	N
Tang Ganyu	Deputy General Manager	F	42	Currently in office	36	N
Wu Aijie	Employee Supervisor	F	48	Currently in office	14.26	N
Niu Zhuo	Secretary of the Board	F	37	Currently in office	23.8	
Total	--	--	--	--	199.76	--

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)	17
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Employee in-post of main Subsidiaries (people)	981
The total number of current employees (people)	998
The total number of current employees to receive pay (people)	998
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	793
Sales personnel	25
Technical personnel	71
Financial personnel	13
Administrative personnel	96
Total	998
Education background	
Category of education background	Numbers (people)
Master and on-the-job graduate students	2
Undergraduate	59
Junior college	63
Other	874
Total	998

2. Remuneration Policy

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

3. Training programs

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

(2) The company regularly or irregularly organizes professional training for employees according to the departments and division of labor, including internal training and external training, therein to, internal training are provided by specialized personnel in the company; external training are provided by organizing employees to

participate in the trade associations and the training organized by supervision department.

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

4. Labor outsourcing

Applicable Not applicable

Section X. 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.

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

Yes No

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

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

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

1. Personnel: The company fully and independently operates in the labor, personnel and salary management systems and has established the independent management system, all of the company's senior executives are working in the Company and receive the salaries, no senior executive has held a post in both the Company and the controlling shareholder's company, and no financial staff has held a post in two or more of the related companies.
2. Assets: The company has the clear property rights with the controlling shareholders and the capabilities of independent management, possesses the full rights to control the production system, supporting facilities and land use rights, no major shareholder has occupied or dominated the assets.
3. Finance: The company has established the independent, complete, standardized financial accounting system and financial management system, and the corresponding internal control system and internal audit system in

accordance with the requirements of the "Accounting Standards for Business Enterprises" to make the independent financial decisions.

4. Organization: the board of directors, the board of supervisors, and other internal organizations are sound and operate independently, the organization is completely separated from the controlling shareholders, all organizations of the company are set up based on the norms and requirements of the listed company and the company's actual business features which have the independent office addresses and there is no mixed operation or co-working, and the controlling shareholders legally exercise the investors' rights and undertake the corresponding obligations.

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

III. Horizontal competition

Applicable Not applicable

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

1. Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2018	AGM	48.02%	2019-05-21	2019-05-22	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz000020&stockCode=000020&announcementId=1206288941&announcementTime=2019-05-22
2019 First Extraordinary shareholders' general meeting	Extraordinary shareholders' general meeting		2019-09-12	2019-09-16	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz000020&stockCode=000020&announcementId=120692

					1954&announcementTime=2019-09-16
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2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and shareholders' general meeting

The attending of Board Meeting and shareholders' general meeting by independent directors							
Independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Board Meeting for the second time in a row (Y/N)	Times presented in shareholders' general meeting
Zhang Zhaoguo	2	2	0	0	0	N	1
Li Ding'an	2	2	0	0	0	N	1
Xu Jingwen	2	0	0	2	0	Y	1
Zheng Chunmei	1	0	1	0	0	N	1
Yang Xiongwen	1	0	1	0	0	N	1
Wu Weihua	1	0	1	0	0	N	1

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

Mr. Xu Jinwen worked in Hong Kong and failed to attend the company's board of directors for two consecutive times due to work reasons. After the second absence, Mr. Xu Jinwen ceased to serve as an independent director of the company.

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

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

3. The nominations committee

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

4. The Strategic Committee

In the reporting period, the Strategic Committee puts forward reasonable suggestions for the strategic development of the Company by combining with actual situation of the Company.

VII. Works from Supervisory Committee

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

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

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

IX. Internal Control

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

Yes No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2020-04-30	
Disclosure index of full internal control evaluation report	Juchao Website http://www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	100.00%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
v	<p>1. General deficiencies: the amount of direct property loss is between 50,000 yuan and 150,000 yuan, penalized by the district-level (including district-level) government sector but not having a negative impact on the company's regular disclosure; 2. Important deficiencies: the amount of direct property loss is between 150,000 yuan and 450,000 yuan, penalized by the provincial level (including provincial level) government sector but not having a negative impact on the company's regular disclosure; 3. Major deficiencies: the amount of direct property loss is more than 450,000 yuan, penalized 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: general deficiencies: misstatement index 1 $\geq 0.5\%$, and misstatement index 2 $< 0.5\%$; important deficiencies: $0.5\% \leq$ misstatement index 2 $< 1\%$; major deficiencies: misstatement index 2 $\geq 1\%$</p>	<p>General deficiencies: misstatement index 1 $\geq 0.5\%$, and misstatement index 2 $< 0.5\%$;</p> <p>Important deficiencies: $0.5\% \leq$ misstatement index 2 $< 1\%$;</p> <p>Major deficiencies: misstatement index 2 $\geq 1\%$</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

Applicable Not applicable

Deliberations in Internal Control Audit Report	
We believe that the Huafa Company was in accordance with the "basic norms of internal control" and the relevant provisions and maintained effective internal control of financial reporting in all material respects	
Disclosure details of audit report of internal control	Disclosed
Disclosure details of audit report of internal control	2020-04-30
Disclosure date of audit report of internal control (full-text)	Juchao Website http://www.cninfo.com.cn
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes No

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

Yes No

Section XI. Corporate Bond

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

No

Section XII. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2020-04-28
Name of audit institute	DAXIN Certified Public Accountants LLP
Document serial of audit report	Da Xin Shen Zi[2020] No.: 5-00106
Name of CPA	Li Wei, Fan Zhang

Auditor's Report

To all shareholders of SHENZHEN ZHONGHENG HUAFA CO., LTD.:

I. Auditing opinions

We have audited the financial statement under the name of SHENZHEN ZHONGHENG HUAFA CO., LTD. (hereinafter referred to as the Company), including the consolidated and parent Company's balance sheet of 31 December 2019 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2019 and its operation results and cash flows for the year ended.

II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on

these matters.

(i) Revenue recognition

1. Description of the matter

As stated in Note V (XXXI) to the consolidated statement of your company, the main business income from display and injection molded foam of 2019 recognized by your company was RMB 6465328.8416 million, accounting for 89.60% of operating income, an increase of 9.98% compared to 2018. The income from selling products is confirmed when the risks and the rewards of the property in the goods have been transferred to the customer, for domestic sales, the income is confirmed by the other party's receipt of the product, for export sales, the income is confirmed by the relevant customs declaration documents when the product has been shipped and the declaration formalities have been completed.

Since income is one of your company's key performance indicators, in order to prevent the inherent risks of manipulating the time point of income recognition for achieving specific goals or expectations, we identify the authenticity of income recognition for displays and injection molded foam as key audit items.

2. Audit response

In response to the authenticity of revenue recognition, we design and implement the following audit procedures:

- (1) We understand, evaluate, and test the design and implementation of key internal controls related to the revenue cycle, and test the effectiveness of internal controls;
- (2) Select samples to inspect the sales contract or order, check the invoice, outbound order, receipt, and customs declaration, identify the contract terms and conditions related to the risks and reward transfer of the ownership of the goods, and evaluate whether the time point of revenue recognition meets the requirements of Accounting Standards for Business Enterprises
- (3) Enquire the business information of major customers to identify whether there is related relationship; check the rationality and fairness of the related transactions;
- (4) For the income transactions recorded before and after the balance sheet date, select samples, check the outbound order, receipt, logistics records, bills of lading and other supporting documents to assess whether the income is recorded in the appropriate accounting period;
- (5) According to the characteristics and nature of the customer transaction, we select income samples with large amount to send a letter to the customer to confirm the current sales income amount and the balance of accounts receivable, and maintain control over the letter during the process of sending the letter.

(ii) Related transaction

1. Description of the matter

As stated in Note IX (iv) to the consolidated statement of your company, your company purchased a total of 261 million yuan of materials and finished products from the related parties, Hong Kong Yutian International Investment Co., Ltd. and Wuhan Hengsheng Photoelectric Industry Co., Ltd., and sold a total of 130 million yuan of goods to the related parties, Hong Kong Yutian International Investment Co., Ltd. and Wuhan Hengsheng Photoelectric Industry Co., Ltd. As the related transactions involve a large amount of money and there is a risk if the transaction constitutes a transaction cycle, we classify the related transaction as a key audit matter.

2. Audit response

- (1) Understand, evaluate and test the internal control of your company's related relationships and related transactions;
- (2) Obtain the related party relationship table compiled by your company, and conduct appropriate background investigation to identify and verify related parties through Internet information inquiry;
- (3) Obtain a list of related transactions of your company, understand the commercial reasons of related transactions, check related contracts or agreements, invoices, customs declarations, etc. of related transactions, and conduct letter confirmation for the accrual and balance of major related transactions to verify whether the accounting treatment is appropriate. ;
- (4) Understand the authorization and approval procedures for related transactions of your company, check the procurement and sales vouchers to third parties, compare the purchase and sales prices of related parties and non-related parties, and verify whether the related transactions are fair;
- (5) Obtain the related party's final procurement and sales lists to the third party provided by your company, check the relevant contract agreements and bank slip of the procurement and sales of the related party to the third party, and verify the authenticity of the transaction and whether it constitutes a transaction cycle.

(iii) Material arbitration

1. Description of the matter

As stated in Note XII (I) (II) to the consolidated statement, on August 16, 2017, the South China International Economic and Trade Arbitration Commission made a ruling of HNGZSC [2017] No. D376, ruled that your company and Wuhan Zhongheng had to pay a total of 234 million yuan of liquidated damages and other cost. On November 5, 2019, the South China International Economic and Trade Arbitration Commission issued the ruling HNGZSC [2019] No. D618 that your company and Wuhan Zhongheng Group should pay V&T Law Firm the lawyer fee of RMB 19,402,000 and the liquidated damages. Your company believed that case [2017] No. D376 (Vanke arbitration case for short) had problems in the arbitration procedure and the determination of the so-called breach of contract facts, and the ruling results damaged the company's legitimate rights and interests. Your company believed that the liability for breach of contract in the Vanke arbitration case should be fully borne by Wuhan Zhongheng Group and Wuhan Zhongheng promised to bear all arbitration losses in full. If the company paid in advance due to the execution of the case, it will immediately request Wuhan Zhongheng to fulfill its commitment and eliminate the impact. Your company believed that case [2019] No. D618 (referred to as the lawyer fee arbitration case) was caused by the Vanke arbitration case, there's a close causal relationship between the two cases, and Wuhan Zhongheng Group issued a Commitment Letter to Shenzhen Hwafa in December 2016 that Wuhan Zhongheng Group shall bear the full amount if the arbitration determines that Vanke wins the lawsuit and the disputes caused by the contract lead to arbitration losses. Due to the uncertainty of the division of liability for fault of internal performance the defaulting entity and the possibility of the transfer of interest in Wuhan Zhongheng, the management needs to make significant judgments and estimates on whether the matter is recognized as the estimated liability or the current profits or losses, so we recognize the major arbitration matter as a key audit matter.

2. Audit response

- (1) Understand the company's policies and procedures for determining major issues by conducting inspections, consulting with management and corporate legal counsel;
- (2) Collect your company's asset replacement contracts, asset replacement and related transaction announcements and old contracts, cooperation agreement between your company and Wuhan Zhongheng Group, and the Arbitration Award HNGZSC [2017] No. D376. related to this major issue, your company's application for repeal of arbitration, the ruling of Shenzhen Intermediate People's Court for rejection, the enforcement notice of Shenzhen Intermediate People's Court, and the Arbitration Award HNGZSC [2019] No. D618, counsel's legal opinion and other documents and materials, and understand the supporting evidence for the management of your company to make judgments on the important matters;
- (3) Engage legal experts to make independent judgments on the matter, and make independent judgments on legal special opinions issued by legal experts;
- (4) Check whether the major arbitration matter is sufficiently and properly disclosed in the financial report.

IV. Other information

The management of the Company (the "Management") is responsible for other information which includes the information covered in the Company's 2019 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during our audit, or whether there is any material misstatement.

Based on the works executed by us, we should report the fact if we find any material misstatement in other information. In this regards, we have nothing to report.

V. Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Responsibilities of the auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and

timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DAXIN Certified Public Accountants LLP

Chinese Certified Public Accountant:
(Project partner)

China

Chinese Certified Public Accountant:

28 April 2020

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated balance sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD.

2020-04-28

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	38,095,501.00	34,108,330.27
Settlement provisions		
Capital lent		
Trading financial assets		
Financial assets measured by fair value and with variation reckoned		

into current gains/losses		
Derivative financial assets		
Note receivable		69,185,516.71
Account receivable	138,755,691.43	116,797,834.51
Receivable financing	42,096,834.02	
Accounts paid in advance	23,007,637.46	31,348,429.54
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	6,351,361.16	5,777,179.08
Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventories	66,971,551.96	62,973,909.38
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	1,395,071.36	59,370.18
Total current assets	316,673,648.39	320,250,569.67
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	48,952,992.57	50,681,322.86

Fixed assets	198,229,817.31	188,083,873.38
Construction in process		5,727,760.23
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	42,968,600.44	41,815,689.74
Research and development costs		
Goodwill		
Long-term deferred expenses	309,781.15	542,116.99
Deferred income tax assets	6,803,360.00	6,829,856.59
Other non-current assets	225,700.00	3,158,964.00
Total non-current assets	297,490,251.47	296,839,583.79
Total assets	614,163,899.86	617,090,153.46
Current liabilities:		
Short-term borrowings	24,633,898.20	161,568,657.88
Loan from central bank		
Capital borrowed		
Trading financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	16,761,590.51	27,642,356.66
Account payable	108,804,905.20	60,975,306.43
Accounts received in advance	356,446.21	159,528.60
Contract liabilities		
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	5,877,341.25	4,700,208.36
Taxes payable	12,877,944.98	11,232,819.87
Other accounts payable	28,027,592.62	26,778,863.92

Including: Interest payable	89,365.28	439,558.70
Dividend payable		
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	12,000,000.00	
Other current liabilities		
Total current liabilities	209,339,718.97	293,057,741.72
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	73,000,000.00	
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long-term wages payable		
Accrual liability	64,411.00	64,411.00
Deferred income	2,331,720.00	
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	75,396,131.00	64,411.00
Total liabilities	284,735,849.97	293,122,152.72
Owner's equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		

Reasonable reserve		
Surplus public reserve	77,391,593.25	77,391,593.25
Provision of general risk		
Retained profit	-177,712,041.86	-183,172,091.01
Total owner' s equity attributable to parent company	329,428,049.89	323,968,000.74
Minority interests		
Total owner' s equity	329,428,049.89	323,968,000.74
Total liabilities and owner' s equity	614,163,899.86	617,090,153.46

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

2. Balance Sheet of Parent Company

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	3,494,245.90	13,234,774.97
Trading financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable		
Account receivable		
Receivable financing		
Accounts paid in advance		153,050.00
Other account receivable	97,165,023.85	99,155,253.08
Including: Interest receivable		
Dividend receivable		
Inventories	14,806.50	14,806.50
Contractual assets		
Assets held for sale		

Non-current assets maturing within one year		
Other current assets	173,950.26	17,055.88
Total current assets	100,848,026.51	112,574,940.43
Non-current assets:		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	186,608,900.00	186,608,900.00
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	25,166,301.06	26,374,703.70
Fixed assets	98,410,024.38	99,227,872.22
Construction in process		
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	4,553,709.24	4,698,654.96
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	7,367,646.35	7,506,905.90
Other non-current assets		
Total non-current assets	322,106,581.03	324,417,036.78
Total assets	422,954,607.54	436,991,977.21
Current liabilities:		
Short-term borrowings		100,000,000.00
Trading financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		

Derivative financial liability		
Notes payable		
Account payable	10,745,840.16	10,745,840.16
Accounts received in advance	57,266.01	41,937.00
Contract liabilities		
Wage payable	1,220,979.02	1,020,979.02
Taxes payable	8,489,130.72	7,161,707.15
Other accounts payable	19,100,375.42	22,672,441.54
Including: Interest payable		
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year	12,000,000.00	
Other current liabilities		
Total current liabilities	51,613,591.33	141,642,904.87
Non-current liabilities:		
Long-term loans	73,000,000.00	
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long-term wages payable		
Accrual liability	64,411.00	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	73,064,411.00	64,411.00
Total liabilities	124,678,002.33	141,707,315.87
Owner's equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital		

securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	77,391,593.25	77,391,593.25
Retained profit	-208,863,486.54	-211,855,430.41
Total owner' s equity	298,276,605.21	295,284,661.34
Total liabilities and owner' s equity	422,954,607.54	436,991,977.21

3. Consolidated Profit Statement

In RMB

Item	2019	2018
I. Total operating income	721,557,440.51	637,046,707.03
Including: Operating income	721,557,440.51	637,046,707.03
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	713,911,668.31	633,599,676.67
Including: Operating cost	634,502,127.35	566,691,476.49
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	3,900,270.42	3,975,984.41
Sales expense	20,879,256.97	14,100,247.17
Administrative expense	38,034,071.63	38,515,205.15
R&D expense	6,649,163.02	

Financial expense	9,946,778.92	10,316,763.45
Including: Interest expenses	10,638,951.99	12,785,854.43
Interest income	631,958.95	656,538.09
Add: other income	259,080.00	924,020.00
Investment income (Loss is listed with “-”)	180,964.60	326,439.49
Including: Investment income on affiliated company and joint venture		
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)	190,618.99	
Losses of devaluation of asset (Loss is listed with “-”)	-385,333.82	-700,496.64
Income from assets disposal (Loss is listed with “-”)	9,298.34	49,159.75
III. Operating profit (Loss is listed with “-”)	7,900,400.31	4,046,152.96
Add: Non-operating income	334,950.66	2,886,811.06
Less: Non-operating expense	484,592.52	2,341,006.76
IV. Total profit (Loss is listed with “-”)	7,750,758.45	4,591,957.26
Less: Income tax expense	2,290,709.30	1,296,934.54
V. Net profit (Net loss is listed with “-”)	5,460,049.15	3,295,022.72
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	5,460,049.15	3,295,022.72
2.termination of net profit (net		

loss listed with ‘-’)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	5,460,049.15	3,295,022.72
2.Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of		

held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	5,460,049.15	3,295,022.72
Total comprehensive income attributable to owners of parent Company	5,460,049.15	3,295,022.72
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0193	0.0116
(ii) Diluted earnings per share	0.0193	0.0116

As for the enterprise combined under the same control, net profit of 0 Yuan achieved by the merged party before combination while 0 Yuan achieved last period.

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

4. Profit Statement of Parent Company

In RMB

Item	2019	2018
I. Operating income	38,216,680.42	36,771,309.00
Less: Operating cost	7,304,872.41	5,902,505.91
Taxes and surcharge	1,302,971.22	1,115,764.39

Sales expenses		
Administration expenses	15,825,546.36	19,018,506.25
R&D expenses		
Financial expenses	8,665,845.55	9,466,405.33
Including: interest expenses	8,631,842.66	9,451,554.17
Interest income	16,312.01	29,174.19
Add: other income		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated Company and joint venture		
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)	557,038.21	
Losses of devaluation of asset (Loss is listed with “-”)		50,563.29
Income on disposal of assets (Loss is listed with “-”)		-27,388.25
II. Operating profit (Loss is listed with “-”)	5,674,483.09	1,291,302.16
Add: Non-operating income	11,431.87	200.00
Less: Non-operating expense	440,391.48	2,289,447.82
III. Total Profit (Loss is listed with “-”)	5,245,523.48	-997,945.66
Less: Income tax	2,253,579.61	304,638.80
IV. Net profit (Net loss is listed with “-”)	2,991,943.87	-1,302,584.46
(i)continuous operating net profit (net loss listed with “-”)	2,991,943.87	-1,302,584.46

(ii) termination of net profit (net loss listed with ‘-’)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		

8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
VI. Total comprehensive income	2,991,943.87	-1,302,584.46
VII. Earnings per share:		
(i) Basic earnings per share	0.0106	-0.0046
(ii) Diluted earnings per share	0.0106	-0.0046

5. Consolidated Cash Flow Statement

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	553,928,004.01	479,256,981.38
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received		

Other cash received concerning operating activities	13,798,593.97	149,122,946.48
Subtotal of cash inflow arising from operating activities	567,726,597.98	628,379,927.86
Cash paid for purchasing commodities and receiving labor service	378,873,939.95	419,823,861.32
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	64,417,822.74	59,375,348.93
Taxes paid	12,372,419.54	18,875,771.50
Other cash paid concerning operating activities	37,598,708.74	152,199,405.77
Subtotal of cash outflow arising from operating activities	493,262,890.97	650,274,387.52
Net cash flows arising from operating activities	74,463,707.01	-21,894,459.66
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	180,964.60	326,439.49
Net cash received from disposal of fixed, intangible and other long-term assets	198,536.93	924,820.00
Net cash received from disposal of subsidiaries and other units		

Other cash received concerning investing activities	75,000,000.00	144,000,000.00
Subtotal of cash inflow from investing activities	75,379,501.53	145,251,259.49
Cash paid for purchasing fixed, intangible and other long-term assets	3,288,039.15	15,063,404.44
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	75,000,000.00	144,000,000.00
Subtotal of cash outflow from investing activities	78,288,039.15	159,063,404.44
Net cash flows arising from investing activities	-2,908,537.62	-13,812,144.95
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	215,911,217.10	381,872,622.67
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	215,911,217.10	381,872,622.67
Cash paid for settling debts	267,928,436.03	387,355,473.63
Cash paid for dividend and profit distributing or interest paying	10,984,022.74	12,486,591.53
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	278,912,458.77	399,842,065.16

Net cash flows arising from financing activities	-63,001,241.67	-17,969,442.49
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	129,924.29	162,282.40
V. Net increase of cash and cash equivalents	8,683,852.01	-53,513,764.70
Add: Balance of cash and cash equivalents at the period -begin	27,961,209.60	81,474,974.30
VI. Balance of cash and cash equivalents at the period -end	36,645,061.61	27,961,209.60

6. Cash Flow Statement of Parent Company

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	31,130,517.17	33,955,787.66
Write-back of tax received		
Other cash received concerning operating activities	126,052,122.79	238,751,046.31
Subtotal of cash inflow arising from operating activities	157,182,639.96	272,706,833.97
Cash paid for purchasing commodities and receiving labor service	5,137,335.48	4,705,956.98
Cash paid to/for staff and workers	3,853,129.50	4,162,519.09
Taxes paid	3,503,529.69	5,303,657.62
Other cash paid concerning operating activities	130,808,236.27	241,037,646.61
Subtotal of cash outflow arising from operating activities	143,302,230.94	255,209,780.30
Net cash flows arising from operating activities	13,880,409.02	17,497,053.67
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	1,000.00	82,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	1,000.00	82,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	228,914.40	1,285,642.47
Cash paid for investment		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	228,914.40	1,285,642.47
Net cash flows arising from investing activities	-227,914.40	-1,203,642.47
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	90,000,000.00	200,000,000.00
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	90,000,000.00	200,000,000.00
Cash paid for settling debts	105,000,000.00	220,000,000.00
Cash paid for dividend and profit distributing or interest paying	8,631,842.66	9,451,554.17
Other cash paid concerning		

financing activities		
Subtotal of cash outflow from financing activities	113,631,842.66	229,451,554.17
Net cash flows arising from financing activities	-23,631,842.66	-29,451,554.17
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	1,311.90	557.68
V. Net increase of cash and cash equivalents	-9,978,036.14	-13,157,585.29
Add: Balance of cash and cash equivalents at the period -begin	12,024,179.58	25,181,764.87
VI. Balance of cash and cash equivalents at the period -end	2,046,143.44	12,024,179.58

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

Current period

In RMB

Item	2019													Minority interests	Total owner's equity
	Owners' equity attributable to the parent Company														
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit	Other	Subtotal		
	Preferred stock	Perpetual capital securities	Other												
I. Balance at the end of the last year	283,161,277.00				146,587,271.50				77,391,593.25		-183,172,091.01		323,968,000.74		323,968,000.74
Add: Changes of accounting policy															
Error correction of															

the last period																	
Enterprise combine under the same control																	
Other																	
II. Balance at the beginning of this year	283,161,27.00				146,587,271.50				77,391,593.25				-183,172,091.01			323,968,000.74	323,968,000.74
III. Increase/Decrease in this year (Decrease is listed with “-”)													5,460,049.15			5,460,049.15	5,460,049.15
(i) Total comprehensive income													5,460,049.15			5,460,049.15	5,460,049.15
(ii) Owners’ devoted and decreased capital																	
1.Common shares invested by shareholders																	
2. Capital invested by holders of other equity instruments																	
3. Amount reckoned into owners equity with share-based payment																	
4. Other																	
(III) Profit distribution																	
1. Withdrawal of surplus reserves																	
2. Withdrawal of general risk																	

provisions															
3. Distribution for owners (or shareholders)															
4. Other															
(IV) Carrying forward internal owners' equity															
1. Capital reserves converted to capital (share capital)															
2. Surplus reserves converted to capital (share capital)															
3. Remediating loss with surplus reserve															
4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. Other															
(V) Reasonable reserve															
1. Withdrawal in the report period															
2. Usage in the report period															
(VI)Others															
IV. Balance at	283				146,				77,3		-177		329,		329,

the end of the report period	,16 1,2 27. 00				587, 271. 50				91,5 93.2 5		,712, 041. 86		428, 049. 89		428, 049. 89
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Last period

In RMB

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

	00													
III. Increase/ Decrease in this year (Decrease is listed with “-”)										3,29 5,02 2.72		3,29 5,02 2.72		3,295 ,022. 72
(i) Total comprehensi ve income										3,29 5,02 2.72		3,29 5,02 2.72		3,295 ,022. 72
(ii) Owners’ devoted and decreased capital														
1.Common shares invested by shareholders														
2. Capital invested by holders of other equity instruments														
3. Amount reckoned into owners equity with share-based payment														
4. Other														
(III) Profit distribution														
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk provisions														
3. Distribution for owners (or shareholders)														
4. Other														
(IV) Carrying forward internal														

owners' equity																
1. Capital reserves converted to capital (share capital)																
2. Surplus reserves converted to capital (share capital)																
3. Remedying loss with surplus reserve																
4. Carry-over retained earnings from the defined benefit plans																
5. Carry-over retained earnings from other comprehensive income																
6. Other																
(V) Reasonable reserve																
1. Withdrawal in the report period																
2. Usage in the report period																
(VI)Others																
IV. Balance at the end of the report period	283,161,277.00				146,587,271.50				77,391,593.25			-183,172,091.01			323,968,000.74	323,968,000.74

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

Current period

In RMB

Item	2019											Total owners' equity
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surpluses reserve	Retained profit	Other	
		Preferred stock	Perpetual capital securities	Other								
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-211,855,430.41		295,284,661.34
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-211,855,430.41		295,284,661.34
III. Increase/Decrease in this year (Decrease is listed with "-")										2,991,943.87		2,991,943.87
(i) Total comprehensive income										2,991,943.87		2,991,943.87
(ii) Owners' devoted and decreased capital												
1. Common shares invested by shareholders												
2. Capital												

invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Distribution for owners (or shareholders)													
3. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Carry-over retained earnings from the defined benefit plans													
5. Carry-over retained earnings from other comprehensive income													
6. Other													
(V) Reasonable reserve													

1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-208,863,486.54		298,276,605.21

Last period

In RMB

Item	2018											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Other	Total owner's equity
		Preferred stock	Perpetual capital securities	Other								
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95		296,587,245.80
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95		296,587,245.80
III. Increase/Decrease in this year (Decrease is listed with										-1,302,584.46		-1,302,584.46

“-”)												
(i) Total comprehensive income										-1,302,584.46		-1,302,584.46
(ii) Owners' devoted and decreased capital												
1. Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)												
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												

3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-211,855,430.41		295,284,661.34

III. Company profile

1. The registration place of the enterprise, the form of organization and the headquarters address

Shenzhen Zhongheng HUAFA Company Limited (hereinafter referred to as Company or the Company), established on 8 December 1981. Uniform social credit code 91440300618830372G.

Registered place and head office of the Company: 411 Bldg., Huafa (N) Road, Futian District, Shenzhen

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227.00

2. The nature of the business and the main business activities

The Company belongs to the computer, telecommunication and manufacturing of other electronic equipment.

Business scope: producing and sales of vary color TV set, liquid crystal display, LCD (operates in branch), radio-recorder, sound equipment, electronic watch, electronic game and computers, the printed wiring board,

precision injection parts, light packaging material (operates in Wuhan) and hardware (including tool and mould) for various electronic products and supporting parts, plating and surface treatment and tin wire, development and operation of real estate (Shen Fang Di Zi No.: 7226760) and property management. Funded affiliated companies in Wuhan and Jilin. Setting up branches in capital of the province (Lhasa City excluded) in China and municipality directly under the central government.

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

The financial statement has been deliberated and approved by BOD on 28 April 2020. According to Article of Association, the statement shall be submitted for deliberation in shareholders general meeting.

Consolidate scope in the Period including: subsidiaries including Shenzhen HUAFA Property Lease Management Co., Ltd (no annual inspection in 2011, and business license revoke on 1 April 2014), Shenzhen Zhongheng HUAFA Property Co., Ltd, Wuhan Hengfa Technology Co., Ltd., Shenzhen HUAFA Hengtian Co., Ltd. and Shenzhen HUAFA Hengtai Co., Ltd. More of subsidiaries found in “Note VIII. Equity in other subjects”.

IV. Preparation basis of Financial Statements

1. Preparation basis

Base on the running continuously and actual transactions and events, in line with the Accounting Standards for Business Enterprise – Basic Standards and specific principle of accounting standards issued by the Ministry of Finance, the Company prepared and formulate the financial statement lies on the followed important accounting policy and estimation.

2. Going concern

The Company expects that the production and sales will be in a virtuous cycle within 12 months from the end of the reporting period, and there is no risk that affects the continued operations.

V. Important accounting policy and estimation

Notes on specific accounting policies and accounting estimation:

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

1. Declaration of obedience to Accounting Standards for Business Enterprise

The Financial Statements of the Company are up to requirements of *Accounting Standards for Business Enterprise* and also a true and thorough reflection to the relevant information as the Company’s financial position dated 31st December 2019 and the operation results as well as cash flow for the year of 2019.

2. Accounting period

The Company's accounting year is Gregorian calendar year, namely from 1st January to 31st December of every year.

3. Business cycle

The Company's business cycle is one year (12 months) as a normal cycle, and the business cycle is the determining criterion for the liquidity of assets and liabilities of the Company.

4. Bookkeeping standard currency

The Renminbi (RMB) is taken as the book-keeping standard currency.

5. Accounting methods for consolidation of enterprises under the same control or otherwise

1. Consolidation of enterprises under the same control

Where the Company for long term equity investment arising from business combination under common control satisfies the combination consideration by payment of cash, transfer of non-cash assets or assumption of debt, the carrying value of the net assets of the acquire in combined financial statement of the ultimate controller shared by the Company as at the combination date shall be deemed as the initial investment cost of such long term equity investment. If the equity instrument issued by combining party are consider as the combination consideration, than the total value of the issuing shares are consider as the share capital. The difference between the initial cost of long-term equity investment and book value of consideration (or total face value of the shares issued) paid, capital surplus adjusted; if the capital surplus not enough to written down, than retained earning adjusted.

2. Business combination not under common control

As for business combination not under common control, combination costs refer to the sum of the fair value of the assets paid, liabilities occurred or assumed as well as equity securities issued by the acquirer to obtain control over the acquire as at the acquisition date. As for acquiree that obtained by consolidation not under the same control, the qualified confirmation of identified assets, liability and contingency liabilities should calculated by fair value on day of purchased. If the consolidation cost larger than the fair value amount of identified net assets from acquiree's, the differences should be recognized as goodwill. If the consolidation cost less than the fair value amount of identified net assets from acquiree's, the differences should reckoned into current non-operating income.

6. Preparation methods for consolidated financial statements

1. Consolidation financial statement range

The Company includes all the subsidiaries (including the separate entities controlled by the Company) into

consolidated financial statement, including companies controlled by the Company, non-integral part of the investees and structural main body.

2. Centralize accounting policies, balance sheet dates and accounting periods of parent and subsidiaries.

As for the inconsistency between the subsidiaries and the Company in the accounting policies and periods, the necessary adjustment is made on the subsidiaries' financial statements in the preparation of the consolidated financial statements according to the Company's accounting policies and periods.

3. Offset of consolidated financial statement

The consolidated financial statements shall be prepared on the basis of the balance sheet of the parent company and subsidiaries, which offset the internal transactions incurred between the parent company and subsidiaries and within subsidiaries. The owner's equity of the subsidiaries not attributable to the parent company shall be presented as minority equity under the owner's equity item in the consolidated balance sheet. The long term equity investment of the parent company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as "Less: treasury stock" under the owners' equity item in the consolidated balance sheet.

4. Accounting for acquisition of subsidiary through combination

For subsidiaries acquired under enterprise merger involving enterprises under common control, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the financial year in which the combination took place. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not involving entities under common control, the identifiable net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition.

5. Accounting treatment of disposal subsidiaries

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

If the control power of the investee is lost due to the disposal of part of the equity investment, etc., when preparing the consolidated financial statements, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the difference between the share of the original subsidiary's net assets that should be continuously calculated from the purchase date or the merger date is included in the current investment income when the control is lost and also offsets goodwill. Other comprehensive income related to the equity investment of the original subsidiary is converted into current investment income when the control is lost.

7. Determination criteria of cash and cash equivalent

The cash recognized in the preparation of the cash flow statements, is the Company's storage cash and deposits available for payment anytime. The cash equivalents recognized in the preparation of the cash flow statements refers to the investment held by the Company with characteristic of short-term, strong mobility, easy transfer to known sum cash and has slim risk from value changes.

8. Foreign currency exchange and the conversion of foreign currency statements

1. Foreign currency exchange

The approximate exchange rate of the spot exchange rate on transaction occurred should be used for standard money conversion while foreign currency exchange occurred On the balance sheet day, the monetary items are converted on the current rate on the balance sheet day, concerning the exchange differences between the spot exchange rate on that date and initial confirmation or the sport exchange rate on previously balance sheet date, should reckoned in to current gains/losses except the capitalizing on exchange differences for foreign specific loans, which was reckoned into cost for capitalizing. The non-monetary items measured on the historic cost are still measured by the original bookkeeping rate with the sum of the bookkeeping standard currency unchanged. Items of non-monetary foreign currency which was calculated by fair value, should converted by spot exchange rate on the confirmation day of fair value, difference between the converted amount of bookkeeping currency and original amount of bookkeeping currency, was treated as changes of fair value (including exchange rate changed) reckoned into current gains/losses or recognized as other consolidated income.

2. Conversion of foreign currency financial statements

Upon the conversion of the foreign currency financial statements of the controlling subsidiaries, joint enterprises, and the affiliated enterprises on the bookkeeping standard currency different from the Company's, the accounting check and preparation of the consolidated financial statements are made. Assets and liabilities items in the balance sheet are converted on the current rate on the balance sheet day; owners' equity items besides the "retained profit" item, the other items are converted on the actual rate. Items of revenue and expenses in profit statement, should converted by the approximate exchange rate of spot exchange rate on occurring date. The conversion difference of the foreign currency financial statements is listed specifically in the owners' equity in the balance sheet. If the foreign cash flow determined by rational system method, the approximate exchange rate of spot exchange rate on occurring date should prevail. The cash influenced by the rate fluctuation is listed specifically in the cash flow statement. As for the foreign operation, the conversion difference of the foreign currency statement related to the foreign operation is transferred in proportion into the disposal of the current loss/gain.

9. Financial instrument

1. Category and recognition of financial instrument

Financial instrument is the contract that taken shape of the financial asses for an enterprise and of the financial liability or equity instrument for other units.

(1) Financial assets

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

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

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

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

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

(2) Financial liabilities

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

2. Measurement of financial instruments

The initial recognition of the Company's financial instruments is measured at fair value. For financial assets and financial liabilities measured at fair value and whose changes are included in the current profit and loss, the

related transaction costs are directly included in the current profit and loss; for other types of financial assets or financial liabilities, the related transaction costs are included in the initial recognition amount. For the accounts receivable or bills receivable arising from the sale of products or the provision of labor services, not containing or not considering significant financing components, the Company shall use the amount of consideration expected to be received as the initial recognition amount. The subsequent measurement of financial instruments depends on their classification.

(1) Financial assets

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

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

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

(2) Financial liabilities

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

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

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

If the financial instrument has an active market, the fair value is determined by the quoted price in the active market; if the financial instrument doesn't have an active market, the fair value is determined by adopting the valuation technique. Valuation techniques mainly include market approach, income approach and cost approach.

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

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

(1) Financial assets

If the Company's financial asset meets one of the following conditions, it shall be terminated for confirmation: ① The contract right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred, and the Company has transferred almost all risks and rewards of ownership of the financial asset; ③ The financial asset has been transferred, although the Company has neither transferred nor retained almost all the remuneration in the ownership of the financial asset, it has not retained control of the financial asset.

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

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

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

included in other comprehensive income (the financial assets involved in the transfer are classified as financial assets measured at fair value and their changes are included in other comprehensive income).

(2) Financial liability

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

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

10.Note receivable

Found more in 11.Account receivable

11.Account receivable、 Account receivable

1. How to determine expected credit losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Account age	Expected credit loss rate of receivable (%)
Within one year (one year)	0

included)	
1-2 years	5
2-3 years	10
Over 3 years	30

2. Accounting treatment methods of expected credit losses

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

12.Receivable financing

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

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

13. Other account receivable

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

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

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

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

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

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

For other receivables being divided into portfolio 1, the Company refers to the historical credit loss experience, combines with the current conditions and the prediction of future economic situation, and prepares a comparison

table of the aging of accounts receivable and the expected credit loss rate of the entire duration, and calculates the expected credit losses.

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

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

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

14. Inventory

1. Categories of inventory

The inventory is goods or manufactured products held for sale, products in process, and materials and matters utilized in the production or supply of labor. Mainly including raw material, revolving materials (wrappage and low-value consumption goods etc.), outside processing materials, goods in process, semi-finished goods, stocks and so on.

2. Accounting method for inventory delivery

When inventories are issued, the actual cost is determined by the first in first out method.

3. Accrual method inventory falling price reserves

On the balance sheet day, the inventory is measured on the lower one between the cost and the net realizable value, and the provision for the falling price reserves is accrued on each inventory item; however, as for the inventory of large quantity and low price, the provision is accrued on the inventory category.

4. Inventory system

Inventory system of the Company is perpetual inventory system

5. Amortization method for the low-value consumables and wrap page

Low-value consumables and packages are amortized by one-point method

15. Long-term equity investment

1. Recognition of initial investment cost

For a long-term equity investment obtained by a business combination, if it is a business combination under the same control, take the share of the combine party obtained in the book value of the net assets in the consolidated financial statements of the ultimate controlling party on the combination date as the initial investment cost; in the case of the consolidation of enterprises not under the same control, recognized as the initial cost is the recognized consolidation cost on the purchase day. As for the long term equity investment obtained by cash payment, the initial investment cost is the actual purchase payment. As for the long term equity investment obtained by the equity securities offering, the initial investment cost is the fair value of the equity securities. As for the long-term equity investment obtained by debt reorganization, initial investment cost of such investment should determine by relevant regulation of the “Accounting Standards for Business Enterprise No.12- Debt Reorganization”; as for the long term equity investment obtained by the exchange of the non-monetary assets, the initial investment cost is recognized on the relevant rules in the “Accounting Standards for Business Enterprise No. 7- Exchange of Non-Monetary Assets”

2. Subsequent measurement and profit or loss recognition

Where the company has a control over the investee, long-term equity investments are measured using cost method. Long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value through profit or loss according to according to relevant requirements of Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

3. Basis of conclusion for common control and significant influence over the investee

Joint control over an investee refers to where the activities which have a significant influence on return on certain arrangement could be decided only by mutual consent of the investing parties sharing the control, which includes the sales and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities, etc.; Significant influence on the investee refers to that: significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions is met: there is representative in the board of directors or similar governing body of the investee; participation in the investee’s policy setting process; assign key management to the investee; the investee relies on the technology or technical information of the investing company; or major transactions with the investee.

16. Investment real estate

Measurement for investment real estate

Cost method

Depreciation or amortization method

The types of investment real estate of the Company include the leased land use rights, leased buildings, and land use rights held and prepared for transfer after appreciation. Investment real estate is initially measured at cost and subsequently measured by using the cost model.

The leased buildings in the Company's investment property adopts straight-line depreciation to calculate and distill depreciation, specific accounting policy are same as part of the fixed assets. The leased land use rights in the investment property and the land use rights to be transferred after appreciation adopt straight-line amortization, specific accounting policy are same as part of the intangible assets.

17. Fixed assets**(1) Recognition**

Fixed assets refers to the tangible assets holding for purpose of producing goods, providing labor services, leasing or operation management, which has one accounting fiscal year of using life. Meanwhile as up to the following conditions, they are recognized: the economic interest related to the fixed assets probably flow into the Company; the cost of the fixed assets can be measured reliably.

(2) Depreciation method

Category	Depreciation method	Depreciation life (year)	Salvage rate	Annual depreciation rate
House building	Straight-line depreciation	20-50	10.00	1.80-4.50
Machinery equipment	Straight-line depreciation	10	10.00	9.00
Mold equipment	Straight-line depreciation	3	10.00	30.00
Transportation equipment	Straight-line depreciation	5	10.00	18.00
Instrument equipment	Straight-line depreciation	5	10.00	18.00
Tool equipment	Straight-line depreciation	5	10.00	18.00
Office equipment	Straight-line depreciation	5	10.00	18.00

The fixed assets of the Company mainly include house and buildings, machinery equipment, electronic equipment,

transportation equipment, etc.; the method of depreciation is based on the straight-line method. Determine the useful life and estimated net residual value of fixed assets according to the nature and use of various types of fixed assets. At the end of the year, review the useful life, estimated net residual value, and depreciation method of fixed assets, if there is a difference from the original estimate, make corresponding adjustments. Except for the fixed assets that have been fully depreciated and continue to be used and the land that is separately accounted for, the Company calculates and depreciates all fixed assets.

(3) Recognition basis, valuation and depreciation method for fixed assets under financing lease

The fixed assets under financing lease are the lease that has substantially transferred all the risks and rewards associated with asset ownership. The initial valuation of the fixed assets under financing lease is to take the lower one between the fair value of the leased assets and the present value of the minimum lease payments on the start date of the lease period as the entry value; the subsequent valuation of the fixed assets under financing lease adopts the depreciation policy consistent with the own fixed assets to make depreciation and impairment provision.

18. Construction in process

Construction in process of the Company divided as self-run construction and out-bag construction. The Construction in process of the Company carried forward as fixed assets while the construction is ready for the intended use. Criteria of the expected condition for use should apply one of the follow conditions: The substance construction (installation included) of the fixed assets has completed all or basically; As the projects have been in test production or operation, and the results show that the assets can operate properly and produce the qualified products stably, or the test operation result shows the assets can operate or open properly. The expenditure of the fixed assets on the construction is a little or little. The fixed assets of the project constructed have been up to the requirements of the design or contract, or basically up to.

19. Borrowing expenses

1. Recognition principle on capitalization of borrowing expenses

As for the Company's actual borrowing expenses directly attributable to the assets construction or production, it is capitalized and reckoned into the relevant assets cost; as for other borrowing expenses, it is recognized on the actual sum and reckoned into the current loss/gain. The assets up to the capitalization are assets as the capital assets, investment real estate, and inventory reaching the expectant availability or sale ability.

2. Calculation of the capitalization

Capitalization term: the period from the time starts to capitalization to the time the capitalization ends. The period of capitalization suspended is not included. The capitalization of borrowing expenses should be suspended while the abnormal interrupt, which surpass three months continuously, in the middle of acquisition or construction or production.

As for the borrowing of the specific borrowing, the capitalization sum is recognized on the current actual interest expenses less the interest income of the borrowing capital not utilized but deposited in the bank or the return of the temporary investment; As for the appropriation of the general borrowing, the capitalization sum is recognized on the weighted average of, the accumulative assets expenditure above the specific borrowing, and times the capitalization rate of the appropriation; As for the discount or premium of the borrowing, the discount or premium to be diluted in every accounting period is recognized in the actual rate method.

The effective interest method is the method for the measurement of the diluted discount or premium or interest expenses on the actual interest rate; and the actual interest rate is the interest rate used in the discount of the future cash flow in the expectant duration period as the current book value of the borrowing.

20. Intangible assets

(1) Accounting method, service life and impairment test

1. Accounting method of intangible assets

The Company's intangible assets are measured initially on cost. The intangible assets purchased in are taken as the actual cost on the actual payment and relevant expenditure. As for the intangible assets invested in by the investors, the actual cost is recognized on the value stipulated in the contract or agreement; however, if what is stipulated in the contract or agreement is not fair value, the actual cost is recognized on fair value. As for the self-developed intangible assets, their cost is the actual total expenditure before reaching the expectant purpose.

The follow-up measurements of the Company's intangible assets respectively are: the line amortization method is taken on the intangible assets of finite service life, and at the year-end, the check is taken on the service life and dilution of the intangible assets, and the corresponding adjustment is made if there is inconsistency with the previous expected ones. As for the intangible assets of uncertain service life, it is not diluted, however, the service life is checked at year-end; If there is solid evidence to its finite service life, its service life is estimated and diluted in straight line method.

2. Judgment basis for uncertain service life

The Company will not be able to foresee the time limit within which the asset brings economic benefits to the company, or the intangible assets with uncertain useful life identified as intangible assets with uncertain useful life. The basis for judging the uncertainty of useful life is from the contractual rights or other legal rights, but the contract stipulates or the law rules there is no definite useful life; combining the same industry case and or the relevant expert argumentation, it is still incapable of judging the time limit within which the intangible assets bring economic benefits to the company.

At the end of each year, review the useful life of intangible assets with indefinite useful life by mainly adopting the bottom-up method, the relevant departments of intangible assets take the basic review and evaluate whether there is any change in the judgment basis for indefinite useful life.

(2) Accounting policies for internal research and development expenditure

Expenditures for internal research and development projects at the research phase shall be included in the current profit or loss when incurred; expenditures incurred at the development phase and recognized as intangible assets shall be transferred to intangible assets accounting.

21. Long-term assets impairment

Long-term equity investments, investment properties measured at cost and long-term assets such as fixed assets, construction in progress, productive biological assets at cost method, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

22. Long-term deferred expenditure

The Company's long-term deferred expenditure are expenses paid out and with one year above (one-year excluded) benefit period. The long-term deferred expenses are diluted by periods according to the benefit period. As the long-term deferred expenses cannot enable the accounting period's beneficiary, all dilution values of the project undiluted yet, are transferred into the current loss/gain.

23. Employees remuneration

(1) Accounting for short-term benefits

In the period of employee services, short-term benefits are actually recognized as liabilities and charged to profit or loss, or if otherwise required or allowed by other accounting standards, to the related costs of assets for the current period. At the time of actual occurrence, The Company's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value. Regarding to the medical and health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Company paid for employees, the Company should recognize corresponding employees benefits payable according to the appropriation basis and proportion as stipulated by relevant requirements and recognize the corresponding liabilities and include these expenses in the profits or losses of the current period or recognized as respective assets costs.

(2) Accounting for post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in assets. In respect of the defined benefit scheme, the Company shall use the projected unit credit method and attribute the welfare obligations calculated using the formula stipulated by the defined benefit scheme to the service period of the employee, and record the obligation in the current profit and loss or related assets cost.

(3) Accounting for termination benefits

The Company recognizes a liability and expenses in the current profit or loss for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits; and when the Company recognizes costs for restructuring involving the payment of termination costs.

(4) Accounting for other long-term employee benefits

The Company provides other long-term employee benefits to its employees. For those falling within the scope of defined contribution scheme, the Company shall account for them according to relevant requirements of the defined contribution scheme. In addition, the Company recognizes and measures the net liabilities or net assets of the other long-term employee benefits according to relevant requirements of the defined contribution scheme.

24. Accrual liability

The obligation related to contingencies is the current obligation assumed by the company, and performing this obligation may result in an outflow of economic benefits, and this obligation can be determined as the estimated liabilities when the amount can be reliably measured. The Company makes initial measurement in accordance with the best estimate for performing the related current obligation, if the expenditure as needed has a continuous range, and the likelihood of occurrence of various results in this range is the same, the best estimate is determined by the median value within the range; if a number of items are involved, the best estimate is determined by the calculation of various possible outcomes and related probabilities.

At the balance sheet date, the book value of estimated liabilities should be rechecked, if there is conclusive evidence indicates that this book value cannot truly reflect the current best estimate, and then the book value should be adjusted in accordance with the current best estimate.

25. Revenue(Income)

Whether implemented the new revenue standards

Yes No

Accounting policy for recognition and measurement of revenue(income)

1. Sales of goods

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

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

2. Labor service providing

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

If an enterprise cannot, on the date of the balance sheet, measure the result of a transaction concerning the

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

3. Transition of asset use right

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

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

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

N/A

26. Government subsidy

1. Category of government subsidy and accounting treatment

Governments subsidy of the Company refer to the monetary and non-monetary assets obtained from government for free (excluding the capital invested by government as an owner). If the government grants are monetary assets, it shall be measured according to the amount received or receivable. If the government grants are non-monetary assets, it shall be measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at the nominal amount.

Government grants related to daily activities are included in other income in accordance with the economic business. Government grants not related to daily activities are included in the non-operating income and expenditure.

Government grants that the government documents clearly stipulate to be used for the purchase and establishment or forming long-term assets in other way are recognized as government grants related to assets. For the government grants that the government documents do not clearly specify the subsidy target and can form long-term assets, the part corresponding to the asset value is recognized as the government grants related to the

assets, and the rest is recognized as the government grants related to the income. For the government grants which are difficult to be distinguished, recognize the whole as the government grants related to the income. Government grants related to assets are recognized as deferred income. The amount recognized as deferred income is included in the current profit and loss in a reasonable and systematic manner within the useful life of the relevant asset.

Government grants other than government grants related to assets are recognized as government grants related to income. If the government grants related to the income are used to compensate the related expenses or losses of the enterprise in the future period, recognize them as deferred income and include them in the current profit and loss during the period of recognizing the related expenses. The government grants used to compensate the relevant expenses or losses incurred by the enterprise are directly included in the current profit and loss.

The Company obtained the policy preferential loan interest subsidy, and the finance allocated the interest subsidy funds to the loan bank, and the loan bank provides loans to the Company at a preferential interest rate, take the actual amount of the loan received as the entry value of the loan, and calculate the relevant borrowing costs according to the loan principal the policy preferential interest rate. If the finance directly appropriates the interest subsidy funds to the Company, the Company will offset the relevant borrowing costs with the corresponding interest subsidy.

2. Time points to recognize the government grants

Government grants are recognized when they meet the conditions attached to government grants and can be received. Government grants measured in accordance with the amount receivable are recognized when there is conclusive evidence at the end of the period that it meets the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds. Other government grants other than government grants measured in accordance with the receivable amount are recognized when the grant is actually received.

27. Deferred income tax asset / deferred income tax liability

1. Where there is difference between the carrying amount of the assets or liabilities and its tax base, (as for an item that has not been recognized as an asset or liability, if its tax base can be determined in light of the tax law, the tax base shall recognized as the difference) the deferred income tax and deferred income tax liabilities shall be determined according to the applicable tax rate in period of assets expected to recover or liability expected to pay off.

2. The deferred income tax assets shall be recognized to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. On balance sheet date, if there have concrete evidence of obtaining, in future period, enough taxable amounts to deduct the deductible temporary difference, the un-confirmed deferred income tax assets in previous accounting period shall be recognized. If there has no enough taxable amounts, obtained in future period, to deducted the deferred income tax

assets, book value of the deferred income tax assets shall be kept in decreased.

3. The taxable temporary differences related to the investments of subsidiary companies and associated enterprises shall recognized as deferred income tax liability, unless the Company can control the time of the reverse of temporary differences and the temporary differences are unlikely to be reversed in the expected future. As for the deductible temporary difference related to the investment of the subsidiary companies and associated enterprises, deferred income tax assets shall be recognized while the temporary differences are likely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

28. Leasing

(1) Accounting treatment for operating lease

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

(2) Accounting treatment for finance lease

Accounting treatment for finance lease: At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payable.

29. Changes in important accounting policies and estimates

(1) Changes in important accounting policies

√ Applicable □ Not applicable

Content and reason of changes in accounting policies	Approval procedure	Note
The Ministry of Finance issued the Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets, Accounting Standards for Business Enterprise No. 24- Hedge Accounting and Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments after revised in 2017 (these four items	Change of the accounting policy has deliberated and approved by the 11 th session of 9 th BOD	

are collectively referred to as the new financial instrument standards).The Company implemented the above mentioned new standards after revision since 1 st January 2019, and relevant content with accounting policy concerned are been adjusted.		
In April 2019, the Ministry of Finance issued the Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate (Cai Kuai [2019] No.6) (hereinafter referred to as Financial Statement Format), in terms of the financial statement of mid-term 2019, the annual financial statement and later period's financial statement are required to preparing in line with the Accounting Standards for Business Enterprise and Financial Statement Format.	Change of the accounting policy has deliberated and approved by the 11 th session of 9 th BOD	

The Company will implement the relevant regulation of Cai Kuai (2019) No.6 issued by Ministry of Finance, relevant financial statements are been adjusted. Items and amount has major influence on 31st December 2018 in balance sheet are as:

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

(2) Changes in important accounting estimates

Applicable Not applicable

(3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards, new revenue standards and new leasing standards since 2019

Applicable Not applicable

Consolidate balance sheet

In RMB

Item	2018-12-31	2019-01-01	Adjustments
Current assets:			
Monetary funds	34,108,330.27	34,108,330.27	
Settlement provisions			
Capital lent			
Tradable financial assets			
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Note receivable	69,185,516.71	69,185,516.71	
Account receivable	116,797,834.51	116,797,834.51	
Receivable financing			
Accounts paid in advance	31,348,429.54	31,348,429.54	
Insurance receivable			
Reinsurance receivables			
Contract reserve of reinsurance receivable			
Other account receivable	5,777,179.08	5,777,179.08	
Including: Interest receivable			
Dividend receivable			
Buying back the sale of financial assets			
Inventories	62,973,909.38	62,973,909.38	
Contractual assets			
Assets held for sale			
Non-current asset due within one year			

Other current assets	59,370.18	59,370.18	
Total current assets	320,250,569.67	320,250,569.67	
Non-current assets:			
Loans and payments on behalf			
Debt investment			
Finance asset available for sales			
Other debt investment			
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment			
Investment in other equity instrument			
Other non-current financial assets			
Investment real estate	50,681,322.86	50,681,322.86	
Fixed assets	188,083,873.38	188,083,873.38	
Construction in progress	5,727,760.23	5,727,760.23	
Productive biological asset			
Oil and gas asset			
Right-of-use assets			
Intangible assets	41,815,689.74		
Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned	542,116.99	542,116.99	
Deferred income tax asset	6,829,856.59	6,829,856.59	
Other non-current asset	3,158,964.00	3,158,964.00	

Total non-current asset	296,839,583.79		
Total assets	617,090,153.46	617,090,153.46	
Current liabilities:			
Short-term loans	161,568,657.88	161,568,657.88	
Loan from central bank			
Capital borrowed			
Trading financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Note payable	27,642,356.66	27,642,356.66	
Account payable	60,975,306.43	60,975,306.43	
Accounts received in advance	159,528.60	159,528.60	
Contractual liability			
Selling financial asset of repurchase			
Absorbing deposit and interbank deposit			
Security trading of agency			
Security sales of agency			
Wage payable	4,700,208.36	4,700,208.36	
Taxes payable	11,232,819.87	11,232,819.87	
Other account payable	26,778,863.92	26,778,863.92	
Including: Interest payable	439,558.70	439,558.70	
Dividend payable			
Commission charge and commission payable			
Reinsurance payable			

Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	293,057,741.72	293,057,741.72	
Non-current liabilities:			
Insurance contract reserve			
Long-term loans			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable			
Long-term wages payable			
Accrual liability	64,411.00	64,411.00	
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	64,411.00	64,411.00	
Total liabilities	293,122,152.72	293,122,152.72	
Owner's equity:			
Share capital	283,161,227.00	283,161,227.00	
Other equity instrument			
Including: Preferred stock			
Perpetual capital securities			
Capital public reserve	146,587,271.50	146,587,271.50	

Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve	77,391,593.25	77,391,593.25	
Provision of general risk			
Retained profit	-183,172,091.01	-183,172,091.01	
Total owner' s equity attributable to parent company	323,968,000.74	323,968,000.74	
Minority interests			
Total owner' s equity	323,968,000.74	323,968,000.74	
Total liabilities and owner' s equity	617,090,153.46	617,090,153.46	

Explanation on adjustment

N/A

Balance Sheet of Parent Company

In RMB

Item	2018-12-31	2019-01-01	Adjustments
Current assets:			
Monetary funds	13,234,774.97	13,234,774.97	
Trading financial assets			
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Note receivable			
Account receivable		0.00	
Receivable financing			
Accounts paid in advance	153,050.00	153,050.00	
Other account receivable	99,155,253.08	99,155,253.08	

Including: Interest receivable			
Dividend receivable			
Inventories	14,806.50	14,806.50	
Contractual assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	17,055.88	17,055.88	
Total current assets	112,574,940.43	112,574,940.43	
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	186,608,900.00	186,608,900.00	
Investment in other equity instrument			
Other non-current financial assets			
Investment real estate	26,374,703.70	26,374,703.70	
Fixed assets	99,227,872.22	99,227,872.22	
Construction in process			
Productive biological assets			
Oil and natural gas assets			
Right-of-use assets			
Intangible assets	4,698,654.96	4,698,654.96	
Research and development costs			

Goodwill			
Long-term deferred expenses			
Deferred income tax assets	7,506,905.90	7,506,905.90	
Other non-current assets			
Total non-current assets	324,417,036.78	324,417,036.78	
Total assets	436,991,977.21	436,991,977.21	
Current liabilities:			
Short-term borrowings	100,000,000.00	100,000,000.00	
Trading financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable			
Account payable	10,745,840.16	10,745,840.16	
Accounts received in advance	41,937.00	41,937.00	
Contract liabilities			
Wage payable	1,020,979.02	1,020,979.02	
Taxes payable	7,161,707.15	7,161,707.15	
Other accounts payable	22,672,441.54	22,672,441.54	
Including: Interest payable			
Dividend payable			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities			

Total current liabilities	141,642,904.87	141,642,904.87	
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable			
Long-term wages payable			
Accrual liability	64,411.00	64,411.00	
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	64,411.00	64,411.00	
Total liabilities	141,707,315.87	141,707,315.87	
Owner's equity:			
Share capital	283,161,227.00	283,161,227.00	
Other equity instrument			
Including: Preferred stock			
Perpetual capital securities			
Capital public reserve	146,587,271.50	146,587,271.50	
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve	77,391,593.25	77,391,593.25	
Retained profit	-211,855,430.41	-211,855,430.41	

Total owner's equity	295,284,661.34	295,284,661.34	
Total liabilities and owner's equity	436,991,977.21	436,991,977.21	

Explanation on adjustment

N/A

(4) Retrospective adjustment of early comparison data description when initially implemented the new financial instrument standards and new leasing standards since 2019

Applicable Not applicable

VI. Taxes

1. Major tax and tax rate

Taxes	Taxation basis	Tax rate
VAT	Domestic sales revenue	16%. 13%. 6%. 5%. 3%
Urban maintenance and construction tax	Turnover tax payable	7%
Corporate income tax	Taxable income	15%. 25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%. 1.5%
Property tax	0% of original value of the property	1.2%

Explain the different taxation entity of the enterprise income tax

Taxation entity	Income tax rate
Shenzhen Zhongheng Huafa Co., Ltd.	25%
Wuhan Hengfa Technology Co., Ltd.	15%

2. Tax preferences

According to the “Measures for the Determination of High-tech Enterprises”, and through the enterprise application, expert review, and public announcement and other procedures, the Company’s wholly-owned subsidiary, Wuhan Hengfa Technology Co., Ltd., has been identified as a high-tech enterprise, and obtained the “High-tech Enterprise Certificate” jointly issued by the Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Local Taxation Bureau of Hubei Province on November 28, 2017, the certificate number is GR201742001840, which is valid for 3 years. The applicable corporate income tax rate of the subsidiary Wuhan Hengfa Technology Co., Ltd. for 2019 was 15%.

VII. Notes to main items in consolidated financial statement

1. Monetary fund

RMB/CNY

Item	Closing balance	Opening balance
Cash on hand	432,301.32	236,354.29
Bank deposit	37,660,862.75	28,935,450.70
Other monetary fund	2,336.93	4,936,525.28
Total	38,095,501.00	34,108,330.27

Other explanation

Other monetary funds are bank acceptance draft deposit

2. Note receivable

(1) Category

RMB/CNY

Item	Closing balance	Opening balance
Bank acceptance bill		56,817,845.23
Commercial acceptance bill		12,367,671.48
Total		69,185,516.71

RMB/CNY

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Including:										
Including:										

Accrual of bad debt provision on single basis:

RMB/CNY

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

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

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

Applicable Not applicable

3. Account receivable

(1) Category

RMB/CNY

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Account receivable with bad debt provision accrual on a single basis	13,146,290.18	8.65%	13,146,290.18	100.00%	0.00	13,144,007.21	10.12%	13,144,007.21	100.00%	0.00
Including:										
Account receivable with bad debt provision accrual by combination	138,759,879.49	91.35%	4,188.06	0.00%	138,755,691.43	116,798,645.79	89.88%	811.28	0.00%	116,797,834.51
Including:										
Including: combination 1: Take account ages of receivables as a combination of credit risk characteristics	138,759,879.49	91.35%	4,188.06	0.00%	138,755,691.43	116,798,645.79	89.88%	811.28	0.00%	116,797,834.51
Total	151,906,169.67	100.00%	13,150,478.24	8.66%	138,755,691.43	129,942,653.00	100.00%	13,144,818.49	10.12%	116,797,834.51

Accrual of bad debt provision on single basis: 13,146,290.18

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Hong Kong Haowei	1,870,887.18	1,870,887.18	100.00%	Uncollectible

Industrial Co., Ltd.				
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Uncollectible
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Uncollectible
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Uncollectible
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	100.00%	Uncollectible
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100.00%	Uncollectible
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100.00%	Uncollectible
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100.00%	Uncollectible
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00%	Uncollectible
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100.00%	Uncollectible
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00%	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00%	Uncollectible
Chuangjing	247,811.87	247,811.87	100.00%	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00%	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00%	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00%	Uncollectible
TCL Electronics	145,087.14	145,087.14	100.00%	Uncollectible

(Hong Kong) Co., Ltd.				
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00%	Uncollectible
Sky Worth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00%	Uncollectible
Other	2,039,896.72	2,039,896.72	100.00%	Uncollectible
Total	13,146,290.18	13,146,290.18	--	--

Accrual of bad debt provision on single basis:

RMB/CNY

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

Accrual of bad debt provision on portfolio: 4,188.06

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio
Within one year	138,678,646.05		
1-2 years	78,705.66	3,935.28	5.00%
2-3 years	2,527.78	252.78	10.00%
Over 3 years			
Total	138,759,879.49	4,188.06	--

Explanation on portfolio basis:

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

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

Nil

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

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

Applicable Not applicable

By account age

RMB/CNY

Account ages	Book balance
Within one year (one year included)	138,678,646.05
1-2 years	78,705.66
2-3 years	2,527.78
Over 3 years	13,146,290.18
Over 5 years	13,146,290.18
Total	151,906,169.67

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

Bad debt provision accrual in the period: :

RMB/CNY

Category	Opening balance	Amount changed in the period				Closing balance
		Accrual	Collected or reversal	written-off	Other	
Take account ages of receivables as a combination of credit risk characteristics	811.28	5,659.75				6,471.03
Total	811.28	5,659.75				6,471.03

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

RMB/CNY

Company	Amount collected or reversal	Way of collection
---------	------------------------------	-------------------

Nil

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

RMB/CNY

Company	Closing balance of account receivable	Proportion in total account receivables at year-end	Closing balance of bad debt provision
Qingdao Haidayuan Purchasing Service Co., Ltd.	65,447,634.65	43.08%	
Hong Kong Yutian International Investment Co., Ltd.	25,582,267.94	16.84%	

ViewSonic Technology (China) Co., Ltd.	12,410,110.25	8.17%	
Viewsonic International Cooperation	8,106,932.08	5.34%	
Xiamen Edmond Electronic Technology Co., Ltd.	7,409,898.88	4.88%	
Total	118,956,843.80	78.31%	

4. Receivable financing

RMB/CNY

Item	Closing balance	Opening balance
Note receivable	42,096,834.02	
Total	42,096,834.02	

Receivable financing Changes in the period and changes in fair value

Applicable Not applicable

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

Applicable Not applicable

Other explanation:

The amount of pledged notes receivable at the end of the year is 16,762,424.96 yuan, and the amount of notes receivable endorsed or discounted at the end of the year but not yet due at the balance sheet date is 103,461,070.37 yuan. At the end of the year, there is no bill converted into accounts receivable due to the drawer's failure to perform the contract.

5. Accounts paid in advance

(1) By account age

RMB/CNY

Account ages	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	22,879,096.29	99.44%	31,254,429.54	99.70%
1-2 years	128,541.17	0.56%	94,000.00	0.30%
Total	23,007,637.46	--	31,348,429.54	--

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

Nil

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

Company	Closing balance	Proportion in total accounts paid in advance (%)
Hong Kong Yutian International Investment Co., Ltd.	13,902,631.23	60.43
Haier Digital Technology (Qingdao) Co., Ltd.	6,772,918.25	29.44
Haier Digital Technology (Shanghai) Co., Ltd.	926,683.93	4.03
Guangzhou Shikun Electronic Technology Co., Ltd.	638,467.37	2.78
Shengya Asia Technology (Shenzhen) Co., Ltd.	140,000.00	0.61
Total	22,380,700.78	97.28

Other explanation:

Nil

6. Other account receivable

RMB/CNY

Item	Closing balance	Opening balance
Other account receivable	6,351,361.16	5,777,179.08
Total	6,351,361.16	5,777,179.08

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

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin & deposit	1,583,408.99	1,793,485.04
Borrow money	1,944,700.12	1,973,013.76
Intercourse funds	11,534,893.51	6,647,012.36
Rental receivable	5,847,389.48	6,626,917.46
Other	505,560.36	3,997,620.50
Less: Bad debt provision	-15,064,591.30	-15,260,870.04
Total	6,351,361.16	5,777,179.08

2) Accrual of bad debt provision

RMB/CNY

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on 1 Jan. 2019	141,281.55		15,119,588.49	15,260,870.04
Balance of 1 Jan. 2019 in the period	—	—	—	—
Accrual in current period	208,688.65		279,286.17	487,974.82
Reversal in current period	97,438.68		586,814.88	684,253.56
Balance on Dec. 31, 2019	252,531.52		14,812,059.78	15,064,591.30

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

 Applicable Not applicable

By account age

RMB/CNY

Account ages	Book balance
Within one year (one year included)	5,360,212.08
Within one year	5,360,212.08
1-2 years	447,862.44
Over 3 years	15,607,877.94
3-4 years	2,389,726.00
Over 5 years	13,218,151.94
Total	21,415,952.46

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

Bad debt provision accrual in the period: :

RMB/CNY

Category	Opening balance	Amount changed in the period				Closing balance
		Accrual	Collected or reversal	written-off	Other	
Phase I	141,281.55	208,688.65	97,438.68			252,531.52

Phase III	15,119,588. 49	279,286.17	586,814.88			14,812,059.78
Total	15,260,870. 04	487,974.82	684,253.56			15,064,591.30

Nil

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

RMB/CNY

Company	Amount collected or switches back	Way of collection
Zhao Baomin	553,901.68	Recovery by court
Total	553,901.68	--

Nil

4) Top 5 other receivables collected by arrears party at ending balance

RMB/CNY

Company	Nature	Closing balance	Account ages	Proportion in total other receivables at year-end	Closing balance of bad debt provision
Portman	Rental receivable	4,021,734.22	Over 3 years	18.78%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd	Rental receivable	1,380,608.00	Over 3 years	6.45%	1,380,608.00
Fujian Jielian Electronics Co., Ltd.	Margin & deposit	800,000.00	Over 3 years	3.74%	240,000.00
Compensation for traffic accidents	Intercourse funds	555,785.81	Over 3 years	2.60%	555,785.81
Hebei Botou Court	Intercourse funds	520,021.00	Over 3 years	2.43%	520,021.00
Total	--	7,278,149.03	--	33.98%	6,718,149.03

7. Inventories

Whether implemented the new revenue standards

√ Y □ N

(1) Category

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Inventories fall	Book value	Book balance	Inventories fall	Book value

		provision or contract performance costs impairment provision			provision or contract performance costs impairment provision	
Raw materials	33,817,180.23	2,844,484.06	30,972,696.17	39,497,353.01	1,695,940.61	37,801,412.40
Inventory goods	27,590,425.68	486,362.31	27,104,063.37	24,483,140.41	1,543,123.71	22,940,016.70
Homemade semi-finished products	8,775,225.16	232,090.00	8,543,135.16	2,175,657.06	124,384.26	2,051,272.80
Low priced and easily worn articles	463,639.07	111,981.81	351,657.26	216,771.16	35,563.68	181,207.48
Total	70,646,470.14	3,674,918.18	66,971,551.96	66,372,921.64	3,399,012.26	62,973,909.38

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

RMB/CNY

Item	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	1,695,940.61	1,148,543.45				2,844,484.06
Inventory goods	1,543,123.71			1,056,761.40		486,362.31
Homemade semi-finished products	124,384.26	107,705.74				232,090.00
Low priced and easily worn articles	35,563.68	76,418.13				111,981.81
Total	3,399,012.26	1,332,667.32		1,056,761.40		3,674,918.18

The decline in inventory combined with sluggishness and aging is accrued at net realizable value, and some inventory goods are sold off.

8. Other current assets

Whether implemented the new revenue standards

Y N

RMB/CNY

Item	Closing balance	Opening balance
Value-added tax to be deducted	1,352,757.06	17,055.88
Advance payment of income tax	42,314.30	42,314.30
Total	1,395,071.36	59,370.18

Other explanation:

Nil

9. Investment real estate

(1) Investment real estate measured at cost

√ Applicable □ Not applicable

RMB/CNY

Item	House and building	Land use right	Construction in process	Total
I. Original book value				
1. Opening balance	133,661,686.94			133,661,686.94
2. Current increased				
(1) Outsourcing				
(2) inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3. Current decreased				
(1) Disposal				
(2) other transfer-out				
4. Closing balance	133,661,686.94			133,661,686.94
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	82,980,364.08			82,980,364.08
2. Current increased	1,728,330.29			1,728,330.29

(1) Accrual or amortization	1,728,330.29			1,728,330.29
3. Current decreased				
(1) Disposal				
(2) other transfer-out				
4. Closing balance	84,708,694.37			84,708,694.37
三. Impairment provision				
1. Opening balance				
2. Current increased				
(1) Accrual				
3. Current decreased				
(1) Disposal				
(2) other transfer-out				
4. Closing balance				
IV. Book value				
1. Ending book value	48,952,992.57			48,952,992.57
2. Opening book value	50,681,322.86			50,681,322.86

10. Fixed assets

RMB/CNY

Item	Closing balance	Opening balance
Fixed assets	105,372,345.62	95,226,401.69
Disposal of fixed assets	92,857,471.69	92,857,471.69
Total	198,229,817.31	188,083,873.38

(1) Fixed asset

RMB/CNY

Item	House building	Machinery equipment	Means of transportati	Office equipment	Instrument equipment	Tool equipment	Mold equipment	Total

			on					
I. Original book value								
1. Opening balance	65,608,798.85	90,197,960.43	5,960,519.70	6,325,043.73	3,137,707.65	6,552,700.16	16,231,125.01	194,013,855.53
2. Current increased	7,591,818.56	5,894,639.83	413,065.19	883,365.75	85,910.41	2,885,542.77	4,421,333.33	22,175,675.84
(1) Purchasing	39,042.10	5,894,639.83	413,065.19	883,365.75	85,910.41	2,885,542.77	4,421,333.33	14,622,899.38
(2) Construction in process transfer-in	7,552,776.46							7,552,776.46
(3) increased by combination								
3. Current decreased		1,446,345.31	203,000.00	28,266.09	12,210.00	85,470.09		1,775,291.49
(1) Disposal or scrapping		1,446,345.31	203,000.00	28,266.09	12,210.00	85,470.09		1,775,291.49
4. Closing balance	73,200,617.41	94,646,254.95	6,170,584.89	7,180,143.39	3,211,408.06	8,754,968.35	21,250,262.83	214,414,239.88
II. Accumulative depreciation								
1. Opening balance	16,797,572.46	58,664,225.14	4,178,805.31	4,171,441.92	2,479,255.54	2,960,180.84	9,535,972.63	98,787,453.84

2.Current increased	1,990,962.81	3,915,991.50	655,958.62	866,630.09	105,051.60	891,253.60	3,304,267.07	11,730,115.29
(1)Accrual	1,990,962.81	3,915,991.50	655,958.62	866,630.09	105,051.60	891,253.60	3,304,267.07	11,730,115.29
3.Current decreased		1,219,090.30	182,700.00	20,587.89	10,989.00	42,307.68		1,475,674.87
(1) Disposal or scrapping		1,219,090.30	182,700.00	20,587.89	10,989.00	42,307.68		1,475,674.87
4.Closing balance	18,788,535.27	61,361,126.34	4,652,063.93	5,017,484.12	2,573,318.14	3,809,126.76	12,840,239.70	109,041,894.26
III. Depreciation reserves								
1.Opening balance								
2.Current increased								
(1)Accrual								
3.Current decreased								
(1) Disposal or scrapping								
4.Closing balance								
IV. Book								

value								
1. Ending book value	54,412,082.14	33,285,128.61	1,518,520.96	2,162,659.27	638,089.92	4,945,841.59	8,410,023.13	105,372,345.62
2. Opening book value	48,811,226.39	31,533,735.29	1,781,714.39	2,153,601.81	658,452.11	3,592,519.32	6,695,152.38	95,226,401.69

(2) Fixed assets leasing-out by operational lease

RMB/CNY

Item	Ending Book value
House building	800,418.77

(3) Disposal of fixed assets

RMB/CNY

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

Other explanation

11. Construction in process

RMB/CNY

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

(1) Construction in process

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Expansion of Plant 3 item				5,727,760.23		5,727,760.23
Total				5,727,760.23		5,727,760.23

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

RMB/CNY

Item	Budget	Opening balance	Current increased	Fixed assets transferred-in in the Period	Other decreased in the Period	Closing balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year	Source of funds
Expansion of Plant 3 item		5,727,760.23		5,727,760.23								
Total		5,727,760.23		5,727,760.23			--	--				--

12. Intangible assets**(1) Intangible assets**

RMB/CNY

Item	Land use right	Patent right	Non-patented technology	Computer software	Total
I. Original book value					
1. Opening balance	55,089,774.36			661,878.97	55,751,653.33
2. Current increased				3,034,537.44	3,034,537.44
(1) Purchasing				3,034,537.44	3,034,537.44
(2) internal R&D					
(3) increased by combination					
3. Current					

decreased					
(1) Disposal					
4.Closing balance	55,089,774.36			3,696,416.41	58,786,190.77
II. Accumulated amortization					
1.Opening balance	13,434,017.64			501,945.95	13,935,963.59
2.Current increased	1,445,488.89			326,709.95	1,772,198.84
(1)Accrual	1,445,488.89			326,709.95	1,772,198.84
3.Current decreased					
(1) Disposal					
4.Closing balance	14,879,506.53			828,655.90	15,708,162.43
III. Depreciation reserves					
1.Opening balance					
2.Current increased				109,427.90	109,427.90
(1)Accrual				109,427.90	109,427.90
3.Current decreased					
(1) Disposal					
4.Closing balance				109,427.90	109,427.90
IV. Book value					
1.Ending	40,210,267.83			2,758,332.61	42,968,600.44

book value					
2.Opening book value	41,655,756.72			159,933.02	41,815,689.74

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

13. Long-term deferred expenses

RMB/CNY

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Closing balance
Amortization of cloud service fees	542,116.99		232,335.84		309,781.15
Total	542,116.99		232,335.84		309,781.15

Other explanation

14. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets without offset

RMB/CNY

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	28,835,877.80	6,787,257.25	28,641,162.96	6,813,753.84
Accrual liability	64,411.00	16,102.75	64,411.00	16,102.75
Total	28,900,288.80	6,803,360.00	28,705,573.96	6,829,856.59

(2) Amount of deferred income tax asset and deferred income tax liability after trade-off

RMB/CNY

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		6,803,360.00		6,829,856.59

(3) Deferred income tax asset without recognized

RMB/CNY

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

15. Other non-current assets

Whether implemented the new revenue standards

√ Y □ N

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Advance payment for engineering				80,000.00		80,000.00
Advance payment for equipment	225,700.00		225,700.00	357,810.00		357,810.00
Advance payment for intangible assets				2,721,154.00		2,721,154.00
Total	225,700.00		225,700.00	3,158,964.00		3,158,964.00

Other explanation:

16. Short-term borrowings

(1) Category

RMB/CNY

Item	Closing balance	Opening balance
Loan in pledge	12,000,000.00	13,500,000.00
Secured portfolio loan	12,633,898.20	148,068,657.88
Total	24,633,898.20	161,568,657.88

Explanation on category of Short-term loans

Nil

17. Notes payable

RMB/CNY

Category	Closing balance	Opening balance
Bank acceptance bill	16,761,590.51	17,642,356.66

Letter of credit		10,000,000.00
Total	16,761,590.51	27,642,356.66

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

18. Account payable

(1) Account payable

RMB/CNY

Item	Closing balance	Opening balance
Within one year (one year included)	95,647,603.05	48,686,573.85
Over one year	13,157,302.15	12,288,732.58
Total	108,804,905.20	60,975,306.43

(2) Major account payable over one year

RMB/CNY

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

Other explanation:

Nil

19. Accounts received in advance

Whether implemented the new revenue standards

Y N

(1) Accounts received in advance

RMB/CNY

Item	Closing balance	Opening balance
Within one year (one year included)	257,789.27	139,961.60
Over one year	98,656.94	19,567.00
Total	356,446.21	159,528.60

20. Wage payable**(1) Wage payable**

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
I. Short-term benefits	4,700,208.36	61,598,913.85	60,450,469.42	5,848,652.79
II. Post-employment benefits-defined contribution plans		4,537,771.29	4,509,082.83	28,688.46
III. Dismiss welfare		208,190.30	208,190.30	
Total	4,700,208.36	66,344,875.44	65,167,742.55	5,877,341.25

(2) Short-term benefits

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Wages, bonuses, allowances and subsidies	3,720,025.80	54,370,174.64	53,236,136.41	4,854,064.03
2. Employee benefits		4,580,070.92	4,580,070.92	
3. Social insurance premium	23,041.98	2,220,880.78	2,206,474.58	37,448.18
Including: Medical insurance	23,041.98	1,953,519.63	1,940,842.69	35,718.92
Work injury insurance		110,913.75	110,173.02	740.73
Maternity insurance		156,447.40	155,458.87	988.53
4. Housing accumulation fund	24,310.00	310,133.88	310,133.88	24,310.00
5. Labor union expenditure and personnel education expense	932,830.58	117,653.63	117,653.63	932,830.58
Total	4,700,208.36	61,598,913.85	60,450,469.42	5,848,652.79

(3) Defined contribution plans

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Basic endowment insurance		4,372,268.24	4,344,706.65	27,561.59
2. Unemployment insurance		165,503.05	164,376.18	1,126.87
Total		4,537,771.29	4,509,082.83	28,688.46

Other explanation:

Nil

21. Taxes payable

RMB/CNY

Item	Closing balance	Opening balance
VAT	3,192,458.47	3,432,174.00
Corporate income tax	7,032,715.76	5,683,136.41
Individual income tax	30,265.20	45,962.89
Urban maintenance and construction tax	1,050,282.59	547,965.38
Property tax	310,683.11	290,438.28
Land use tax	25,424.98	75,345.69
Educational surtax	450,889.35	235,610.56
Local educational surtax	234,049.86	126,852.76
Dike fee	1,665.00	1,665.00
Stamp tax	39,940.66	24,738.90
Disposal fund of waste electrical products	509,570.00	768,930.00
Total	12,877,944.98	11,232,819.87

Other explanation:

Nil

22. Other accounts payable

RMB/CNY

Item	Closing balance	Opening balance
Interest payable	89,365.28	439,558.70

Other accounts payable	27,938,227.34	26,339,305.22
Total	28,027,592.62	26,778,863.92

(1) Interest payable

RMB/CNY

Item	Closing balance	Opening balance
Interest of short-term loans payable	89,365.28	439,558.70
Total	89,365.28	439,558.70

Significant overdue and unpaid interest:

RMB/CNY

Loan unit	Overdue amount	Reason for overdue

Other explanation:

(2) Dividend payable

RMB/CNY

Item	Closing balance	Opening balance

Other explanation, including important Dividend payables that have not been paid for more than 1 year, the reasons for non-payment should be disclosed:

(3) Other accounts payable**1) Other account payable by nature**

RMB/CNY

Item	Closing balance	Opening balance
Margin & deposit	10,354,134.67	10,914,478.12
Lease management fee	3,251,610.67	2,612,566.67
Intercourse funds	8,544,383.61	7,531,055.87
After sale and repairment	1,747,809.47	1,696,994.97
Other	4,040,288.92	3,584,209.59
Total	27,938,227.34	26,339,305.22

2) Significant other account payable with over one year age

RMB/CNY

Item	Closing balance	Reasons for non-payment or carry over
Shenzhen SED Property Development	1,853,393.35	Without settlement

Co., Ltd.		
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Margin
Linghang Technology (Shenzhen) Co., Ltd	656,345.28	Without settlement
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Without settlement
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Margin
Total	4,646,968.46	--

Other explanation

Nil

23. Non-current liabilities due within one year

RMB/CNY

Item	Closing balance	Opening balance
Long-term loans due within one year	12,000,000.00	
Total	12,000,000.00	

Other explanation:

Nil

24. Long-term loans

(1) Category

RMB/CNY

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

Description of Long-term loans classification:

Nil

Other explanation, including interest rate range:

Interest rate range 7.9166 %

25. Accrual liability

Whether implemented the new revenue standards

Y N

RMB/CNY

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

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

Nil

26. Deferred income

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance	Causes
Government subsidy		2,590,800.00	259,080.00	2,331,720.00	Industrial transformation subsidies
Total		2,590,800.00	259,080.00	2,331,720.00	--

Items involving Government subsidy:

RMB/CNY

Liability	Opening balance	New subsidy increased in the period	Amount reckoned in non-operating income in the period	Amount included in other income in the current period	Amount of cost and expense offset in the current period	Other change	Closing balance	Assets-related/Income-related
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019		2,000,000.00		200,000.00			1,800,000.00	Assets-related
Provincial special fund for transformation and upgrading		590,800.00		59,080.00			531,720.00	Assets-related

of traditional industry for 2018								
----------------------------------	--	--	--	--	--	--	--	--

Other explanation:

Nil

27. Share capital

In RMB

	Opening balance	Changes in the Period (+,-)					Closing balance
		Issuing new shares	Bonus shares	Shares transfer from public reserves	Other	Subtotal	
Total shares	283,161,227.00						283,161,227.00

Other explanation:

Ended as 31 December 2019, the shares of the Company held by controlling shareholder has 116,100,000 shares in status of pledge, taking 41% of the total share capital; mortgagee is China Merchants Securities Assets Management Co., Ltd. Shares in judicial freeze amounted as 119,289,894 shares.

28. Capital public reserve

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Capital premium (equity premium)	96,501,903.02			96,501,903.02
Other Capital public reserve	50,085,368.48			50,085,368.48
Total	146,587,271.50			146,587,271.50

Other explanation, including changes and reasons of changes:

Nil

29. Surplus public reserve

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
------	-----------------	----------------------------	-----------------------------	-----------------

Statutory surplus reserves	21,322,617.25			21,322,617.25
Discretionary surplus reserve	56,068,976.00			56,068,976.00
Total	77,391,593.25			77,391,593.25

Other explanation, including changes and reasons for changes:

Nil

30. Retained profit

RMB/CNY

Item	Current period	Last period
Retained profit at the end of the previous period before adjustment	-183,172,091.01	-186,467,113.73
Retained profit at period-begin after adjustment	-183,172,091.01	-186,467,113.73
Add: net profit attributable to owners of the parent company	5,460,049.15	3,295,022.72
Retained profit at period-end	-177,712,041.86	-183,172,091.01

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan.
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan.

31. Operating revenue and cost

RMB/CNY

Item	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Main business	646,532,884.16	596,169,654.97	582,037,124.29	545,577,228.99
Other business	75,024,556.35	38,332,472.38	55,009,582.74	21,114,247.50
Total	721,557,440.51	634,502,127.35	637,046,707.03	566,691,476.49

Whether implemented the new revenue standards

Y N

Information relating to revenue:

RMB/CNY

Category	Branch 1	Branch 2	Total

Including:				
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				

Information relating to performance obligations:

Nil

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

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

Other explanation

32. Tax and surcharges

RMB/CNY

Item	Current Period	Last Period
Urban maintenance and construction tax	804,287.45	920,169.24
Educational surtax	344,694.60	394,358.26
Property tax	1,521,853.12	1,331,816.18
Land use tax	579,168.99	710,368.64
Vehicle use tax	24,828.58	6,540.00
Stamp tax	443,943.26	407,261.30
Local education development fee	181,494.42	205,470.79
Total	3,900,270.42	3,975,984.41

Other explanation:

Nil

33. Sales expense

RMB/CNY

Item	Current Period	Last Period
Employee compensation	4,301,179.20	4,042,578.84
Freight	6,467,421.32	4,452,902.42
Commodity inspection fee	876,706.96	675,532.35

Customs fee	143,589.91	202,996.81
Commodity loss	3,797,231.43	755,506.56
After-sales service fee	4,383,391.47	3,046,552.35
Business entertainment expense	184,161.63	338,626.00
Other	725,575.05	585,551.84
Total	20,879,256.97	14,100,247.17

Other explanation:

Increase of the sales expenses in the period mainly because increase of the export declaration and long-distance freight, the return and exchange expenses are directly included in the current expenses.

34. Administrative expense

RMB/CNY

Item	Current Period	Last Period
Salary	10,633,657.05	9,019,534.64
Depreciation charge	2,158,804.24	1,682,743.00
Social insurance premium	2,484,358.93	2,656,825.97
Business entertainment expense	4,726,829.54	3,031,992.90
Employee benefits	932,274.48	1,452,996.99
Travel expenses	1,012,373.74	1,472,496.29
Amortization of intangible assets	1,772,198.84	1,491,626.63
Traffic expenses	757,169.92	1,319,577.46
Consulting fee	1,059,054.98	1,368,885.21
Security	1,111,784.83	1,911,021.67
Repairs	2,266,890.44	3,126,804.08
Audit fee	773,163.57	778,988.81
Office expenses	1,247,596.34	1,364,212.02
Communication fee	209,777.84	317,611.81
Amortization of low cost and short lived articles	190,664.39	798,387.40
Securities information disclosure fee	344,524.44	392,164.56
Litigation fee	53,050.00	28,055.00
Lease fee	4,395,032.42	4,711,758.56
Staff education and labor union funds	117,653.63	83,620.77
Water and electricity	646,754.82	622,054.17

Other expenses	1,140,457.19	883,847.21
Total	38,034,071.63	38,515,205.15

Other explanation:

Nil

35. R& D expenses

RMB/CNY

Item	Current Period	Last Period
Employee compensation	4,804,190.42	
Direct material input	390,914.57	
Depreciation and amortization	650,145.58	
Power and manufacturing cost	698,061.22	
Other	105,851.23	
Total	6,649,163.02	

Other explanation:

Nil

36. Financial expense

RMB/CNY

Item	Current Period	Last Period
Interest costs	10,638,951.99	12,785,854.43
Less: Interest income	631,958.95	656,538.09
Exchange loss	4,801,837.04	4,895,989.78
Less: exchange gains	5,145,385.72	6,915,754.78
Handing expense	281,574.56	206,052.11
Other expense	1,760.00	1,160.00
Total	9,946,778.92	10,316,763.45

Other explanation:

Nil

37. Other income

RMB/CNY

Sources	Current Period	Last Period
Stabilization subsidy		139,020.00

Subsidy for R&D input		785,000.00
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	200,000.00	
Provincial special fund for transformation and upgrading of traditional industry for 2018	59,080.00	
Total	259,080.00	924,020.00

38. Investment income

RMB/CNY

Item	Current Period	Last Period
Investment income from financial products	180,964.60	326,439.49
Total	180,964.60	326,439.49

Other explanation:

Nil

39. Credit impairment loss

RMB/CNY

Item	Current Period	Last Period
Bad debt loss of other account receivable	196,278.74	
Credit impairment loss of account receivable	-5,659.75	
Total	190,618.99	

Other explanation:

Nil

40. Losses on assets impairment

Whether implemented the new revenue standards

√ Y □ N

RMB/CNY

Item	Current Period	Last Period
I. Bad debt loss		13,140.19
II. Inventory falling price loss and impairment loss of contract performance cost	-275,905.92	-713,636.83

XII. Impairment loss of Intangible assets	-109,427.90	
Total	-385,333.82	-700,496.64

Other explanation:

Nil

41. Asset disposal income

RMB/CNY

Source of asset disposal income	Current Period	Last Period
Disposal gains arising from the disposal of not held for sale fixed assets \ intangible assets	9,298.34	49,159.75
Total	9,298.34	49,159.75

42. Non-operating income

RMB/CNY

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
Government subsidy	275,300.00	2,871,800.00	275,300.00
Fine income	40,702.97	3,314.07	40,702.97
Other	18,947.69	11,696.99	18,947.69
Total	334,950.66	2,886,811.06	334,950.66

Government subsidy reckoned into current gains/losses:

RMB/CNY

Item	Issuing subject	Offering causes	Nature	Subsidy impact current gains/losses (Y/N)	The special subsidy (Y/N)	Amount in the Period	Amount in last period	Assets-related/Income-related
Subsidy for cultivating enterprises	Wuhan Science & Technology Bureau (Wuhan Intellectual Property Office)	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to	Y	N		50,000.00	Income-related

			encourage investment					
2018 municipal foreign trade fund	Ministry of Finance of Wuhan	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N	50,000.00	271,800.00	Income-related
Enterprise development bonus	Management committee of Wuhan Caidian Economic Development Zone	Award	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N		1,900,000.00	Income-related
Subsidy for recognition of Hi-Tech Enterprises in 2018	Bureau of Science, Technology and Economic Information of Caidian District, Wuhan	Subsidy	Subsidiaries acquired due to R&D technology update and transformation etc.	Y	N		50,000.00	Income-related
Trade development guide fund	Bureau of Commerce in Wuhan Caidian District	Subsidy	Subsidy obtained for conforms with the local support	Y	N		150,000.00	Income-related

			policy for investment incentive to encourage investment					
Subsidy for science and technology innovation platform for 2017	Bureau of Science, Technology and Economic Information of Caidian District, Wuhan	Subsidy	Subsidiaries acquired due to R&D technology update and transformation etc.	Y	N		300,000.00	Income-related
2017 central foreign trade and economic cooperation special fund (promoting the development of processing trade in central and western China)	Ministry of Finance of Wuhan	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N		150,000.00	Income-related
Job search and entrepreneurship subsidy received for injection molding	Labor and employment administration bureau of Wuhan Caidian District	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage	Y	N	6,000.00		Income-related

			investment					
Award for excellent enterprises in 2018	Financial branch of Economic Development Zone of Wuhan Caidian	Award	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N	200,000.00		Income-related
Foreign trade funds at provincial level in 2018	Zero balance special account of Wuhan Finance Bureau	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N	17,300.00		Income-related
Provincial foreign economic and trade development project	Department of Commerce of Hubei Province	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	Y	N	2,000.00		Income-related

Other explanation:

Nil

43. Non-operating expenditure

RMB/CNY

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
Loss on debt restructuring	484,592.52	181,801.76	484,592.52
Loss on exchange of non-monetary assets		2,158,200.00	
External donation		1,005.00	
Total	484,592.52	2,341,006.76	

Other explanation:

Nil

44. Income tax expense

(1) Statement of income tax expense

RMB/CNY

Item	Current Period	Last Period
Current income tax expense	2,264,212.71	1,395,622.14
Deferred income tax expense	26,496.59	-98,687.60
Total	2,290,709.30	1,296,934.54

(2) Adjustment on accounting profit and income tax expenses

RMB/CNY

Item	Current Period
Total profit	7,750,758.45
Income tax based on statutory/applicable rate	1,937,689.61
Impact by different tax rate applied by subsidies	-251,490.04
Effect of adjusting the income tax in previous period	-14,546.09
Impact of non-taxable income	1,339,362.52
Impact of deductible loss of un-recognized deferred income tax assets in the prior period of use	27,724.13
Extra tax deduction for R&D costs	-748,030.84
Income tax expense	2,290,709.30

Other explanation

Nil

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

RMB/CNY

Item	Current Period	Last Period
Unit intercourse account	2,484,797.74	111,961,826.54
Collection management fee and utilities etc.	2,977,706.16	3,382,270.33
Repayment from employees	160,311.00	63,050.23
Margin, deposit	3,289,643.20	3,655,539.50
Interest income	689,183.43	146,904.87
Refunds	597,038.28	25,925,884.92
Claim deduction etc.	722,943.15	191,650.09
Government subsidy	2,866,100.00	3,795,820.00
Other	10,871.01	
Total	13,798,593.97	149,122,946.48

Note of cash received with other operating activities concerned:

Nil

(2) Cash paid with other operating activities concerned

RMB/CNY

Item	Current Period	Last Period
Unit intercourse account	1,975,618.44	126,247,786.47
Advances to employees	879,995.14	991,373.48
Litigation fee		81,105.00
Margin, deposit	8,161,965.07	1,181,899.00
Entertainment expense	4,471,380.81	3,000,255.62
Water and electricity	1,493,292.41	388,342.19
Travel expenses	1,117,219.86	1,437,228.54
Freight	5,104,276.56	3,868,873.39
Traffic expenses	870,970.33	1,109,528.61
Repairs	2,153,601.68	856,969.82
Audit fees, consulting fees	3,008,697.45	2,392,374.59
Security	812,676.00	457,335.66
Financial institutions handling fee	120,224.97	187,021.74

Office expenses	724,155.68	881,794.91
Communication fee	223,819.12	294,321.76
Lease fee	3,386,329.51	4,711,758.56
Other	1,357,458.71	1,411,122.02
Refunds	9,058.00	42,523.31
Commodity inspection fee	310,390.97	141,794.01
After-sales service fee	1,055,553.88	1,265,862.21
Fines and indemnities	17,499.71	857,970.32
Securities information disclosure fee	344,524.44	392,164.56
Total	37,598,708.74	152,199,405.77

Note of cash paid with other operating activities concerned:

Nil

(3) Cash received with other investment activities concerned

RMB/CNY

Item	Current Period	Last Period
Redemption of principal of financial products	75,000,000.00	144,000,000.00
Total	75,000,000.00	144,000,000.00

Note of cash received with other investment activities concerned

Nil

(4) Cash paid related with investment activities

RMB/CNY

Item	Current Period	Last Period
Purchasing financial products	75,000,000.00	144,000,000.00
Total	75,000,000.00	144,000,000.00

Note of cash paid related with investment activities

Nil

46. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

RMB/CNY

Supplementary information	This Period	Last Period
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1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	5,460,049.15	3,295,022.72
Add: Assets impairment provision	1,114,001.22	700,496.64
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	12,250,042.94	11,640,445.16
Amortization of intangible assets	1,772,198.84	1,491,626.63
Amortization of long-term deferred expenses	232,335.84	296,557.11
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-10,298.34	-49,159.75
Financial expenses (income is listed with “-”)	10,640,263.89	12,785,854.43
Investment loss (income is listed with “-”)	-180,964.60	-326,439.49
Decrease of deferred income tax assets (increase is listed with “-”)	26,496.59	98,687.60
Decrease of inventory (increase is listed with “-”)	-4,273,548.50	-2,586,887.73
Decrease of operating receivable accounts (increase is listed with “-”)	18,484,235.02	-12,126,884.80
Increase of operating payable accounts (decrease is listed with “-”)	28,948,894.96	-37,113,778.18
Net cash flow arising from operating activities	74,463,707.01	-21,894,459.66
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents:	--	--
Closing balance of cash	36,645,061.61	27,961,209.60
Less: Opening balance of cash	27,961,209.60	66,240,945.59
Less: opening balance of cash equivalent		15,234,028.71
Net increased amount of cash and cash equivalent	8,683,852.01	-53,513,764.70

(2) Constitution of cash and cash equivalent

RMB/CNY

Item	Closing balance	Opening balance
I . Cash	36,645,061.61	27,961,209.60
Including: Cash on hand	432,301.32	236,354.29
Bank deposit available for payment at any time	36,212,760.29	27,724,855.31
III. Balance of cash and cash equivalent at period-end	36,645,061.61	27,961,209.60

Other explanation:

Year-end Monetary fund-other monetary fund refers to the bank acceptance bond 2,336.93 Yuan, which is not belonging to the cash and cash equivalent; year-end Monetary funds- bank deposit 1,448,102.46 yuan was frozen by court, and not belonging to the cash and cash equivalent.

47. Assets with ownership or use right restricted

RMB/CNY

Item	Ending Book value	Restriction reasons
Monetary funds	1,450,439.39	Bank acceptance margin and Court frozen
Fixed assets	13,384,379.59	Bank loan secured
Intangible assets	7,032,797.52	Bank loan secured
Receivable financing	16,762,424.96	Pledged
Account receivable	20,830,185.59	Pledged
Investment real estate	36,996,301.06	Bank loan secured
Disposal of fixed assets	92,857,471.69	Court closure
Total	189,313,999.80	--

Other explanation:

Nil

48. Item of foreign currency**(1) Item of foreign currency**

RMB/CNY

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds	--	--	

Including: USD	241,956.84	6.9762	1,687,939.31
Euro			
HKD	100,032.66	0.8958	89,609.26
Account receivable	--	--	
Including: USD	5,828,231.35	6.9762	40,658,907.54
Euro			
HKD			
Long-term loans	--	--	
Including: USD			
Euro			
HKD			
Account paid in advance	2,283,539.58	6.9762	15,930,428.80
Including: USD	2,283,539.58	6.9762	15,930,428.80
Short-term borrowings	1,811,000.00	6.9762	12,633,898.20
Including: USD	1,811,000.00	6.9762	12,633,898.20
Account received in advance	14,980.00	6.9762	104,503.48
Including: USD	14,980.00	6.9762	104,503.48

Other explanation:

Nil

49. Government subsidy

(1) Government subsidy

RMB/CNY

Category	Amount	Item for presentation	Amount reckoned into current gains/losses
Award for excellent enterprises in 2018	200,000.00	Non-operating income	200,000.00
Foreign trade funds at provincial level in 2018	17,300.00	Non-operating income	17,300.00
Job search and entrepreneurship subsidy	6,000.00	Non-operating income	6,000.00
Provincial special fund for transformation and upgrading	590,800.00	Deferred income	59,080.00

of traditional industry for 2018			
Foreign trade funds at the municipal level in 2018 (Export award)	50,000.00	Non-operating income	50,000.00
Provincial foreign economic and trade development project	2,000.00	Non-operating income	2,000.00
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	2,000,000.00	Deferred income	200,000.00

VIII. Equity in other subjects

1. Equity in subsidiary

(1) Constitute of enterprise group

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

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

Nil

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

Nil

Major structured entity included in consolidates statement:

Nil

Basis of termination of agent or consignor:

Nil

Other explanation

Nil

IX. The risk associated with financial instruments

The Group's main financial instruments include loans, receivables, payable, tradable financial assets, trading financial liabilities, etc., please refer to the details of each financial instrument in Note 5. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within the limits.

The objective of the Group's risk management is to strike a proper balance between risks and profits, minimize the negative impact of risks on the Group's operating results, and maximize the benefits of shareholders and other equity investors. Based on this risk management objectives, the Group's basic strategy for risk management is to identify and analyze the risks faced by the Group, establish appropriate risk bottom lines and carry out risk management, and timely and reliably monitor the risks control them within the limits.

(1) Market risk

The market risk of financial instruments refers to the risk that the fair value or the future cash flows of financial instruments fluctuate due to the changes in market prices, including foreign exchange risk, interest rate risk and other price risk.

Exchange rate risk

The Group's exchange rate risk is mainly related to US dollars and Hong Kong dollars. Except the Group's second level subsidiary, Hengfa Technology Company's monitor business has day-to-day operations in US dollars; other principal business activities of the Group settle accounts in RMB. On December 31, 2019, except for the US dollar balance of assets and liabilities in below table and the sporadic Hong Kong dollar balance, the Group's assets and liabilities are all RMB balance. The exchange rate risk arising from the assets and liabilities of the US dollar, Hong Kong dollar balance may have an impact on the Group's operating results.

Item	2019-12-31(RMB conversion)	2018-12-31(RMB conversion)
Monetary funds- USD	1,687,939.31	2,010,146.81
Monetary funds- HKD	89,609.26	28.62
Account receivable- USD	40,658,907.54	44,086,655.90
Account paid in advance- USD	15,930,428.80	19,035,307.91
Short-term borrowings- USD	12,633,898.20	25,068,657.88

The Company eyes on the influence from variation of exchange

2) Interest rate risk

The interest rate risk of the Group arises from bank loans. The financial liabilities of floating interest rate make the Group face cash flow interest rate risk, and the financial liabilities of fixed rate make the Group face the interest rate risk of fair value. The Group determines the relative proportion of fixed rate and floating interest rate contracts based on the prevailing market environment. On December 31, 2019, the Group's interest-bearing debt was mainly the fixed rate and floating interest rate loan contract denominated in Renminbi and US dollars, amounting to RMB 109,633,898.20 (December 31, 2018: RMB 161,568,657.88).

The Group's risk of changes in the cash flow of financial instruments due to changes in interest rates is mainly related to the floating interest rate bank loans. The Group's policy is to maintain the floating interest rate of these loans so as to eliminate the fair value risk of the interest rate changes.

3) Price risk

The Group sells monitors and so on at market prices and is therefore affected by such price fluctuations.

(2) Credit risk

Credit risk refers to the risk that a party of the financial instrument does not fulfill its obligations and causes property loss to another party. On December 31, 2017, the maximum credit risk exposure that may cause financial losses to the Group is mainly attributable to the failure of the other party to fulfill its obligations resulting in the losses of the Group's financial assets and the Group's financial guarantees, including:

The carrying amount of the financial assets recognized in the consolidated balance sheet; for the financial instruments measured at fair value, the book value reflects its risk exposures but not the maximum risk exposure, and its maximum risk exposure changes with the future changes in fair value.

In order to reduce the credit risk, the Group has set up a special department to determine the credit line, carry out the credit approval, and implement other monitoring procedures to take necessary measures to recover the overdue credit. In addition, the Group reviews the recovery of each individual receivable at every balance sheet date to accrue sufficient provision for bad debts of uncollectible funds. As a result, the Group's management believes that the Group's credit risk has been greatly reduced.

The Group's working capital is deposited in banks with higher credit ratings, so the credit risk of working capital is low.

The Group has adopted necessary policies to ensure that all customers have good credit records. In addition to the top five account receivables, the Group has no other significant credit risk.

The total amount of the top five account receivables is: 118,956,843.80 Yuan.

(3) Liquidity risk

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

institutions in order to maintain a certain line of credit and reduce the liquidity risk.

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

Amount on December 31, 2019

Item	Within one year	1-2 years	2-3 years	Over 3 years	Total
Financial assets					
Monetary funds	38,095,501.00				38,095,501.00
Receivable financing	42,096,834.02				42,096,834.02
Account receivable	138,678,646.05	78,705.66	2,527.78	13,146,290.18	151,906,169.67
Other account receivable	5,360,212.08	447,859.44	3.00	15,607,877.94	21,415,952.46
Account paid in advance	22,879,096.29	128,541.17			23,007,637.46
Financial liabilities					
Short-term borrowings	24,633,898.20				24,633,898.20
Notes payable	16,761,590.51				16,761,590.51
Account payable	106,393,443.21	2,411,461.99			108,804,905.20
Other accounts payable	27,938,227.34				27,938,227.34
Advance receivable	257,789.27	98,656.94			356,446.21
Wage payable	5,877,341.25				5,877,341.25

Sensitivity analysis

The Group uses the sensitivity analysis technique to analyze the possible impacts of the reasonable and possible changes in risk variable on the current profit and losses or the owner's equity. Since any risk variable rarely changes in isolation, and the correlation among the variables has a significant effect on the final effect amount of a certain risk variable changes, and the following contents are on the assumption that the change in each variable is independent.

(1) Sensitivity analysis of foreign exchange risk

Sensitivity analysis of foreign exchange risk assumes that all overseas operating net investment hedges and cash flow hedges are highly effective.

On the basis of the above assumptions, in case that other variable don't change, the after-tax effect of the possible and reasonable changes in the exchange rate on the current profits and losses are as follows

Item	Exchange rate fluctuation	2019		2018	
		Impact on net profit	Impact on owner's	Impact on net profit	Impact on owner's

			equity		equity
All foreign currency	5% appreciation of the RMB	-2,281,529.08	-2,281,529.08	-2,003,174.07	-2,003,174.07
All foreign currency	5% devaluation of the RMB	2,281,529.08	2,281,529.08	2,003,174.07	2,003,174.07

X. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd	Wuhan	Production and sales, real estate development and sales, housing leasing and management	34,500,000.00	41.21%	41.21%

Explanation on parent company of the enterprise

Nil

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation:

Nil

2. Subsidiary of the Enterprise

Found more in VIII. Equity in other entity in the Note

3. Other Related party

Other Related party	Relationship with the Enterprise
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Yutian Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Yutian International Investment Co., Ltd.	Control by same controlling shareholder and ultimate controller

Wuhan New Oriental Real Estate Development Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Property Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Optical Valley Display System Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Xingye Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Dongfang Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Xiahua Zhongheng Electronics Co. Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Yutian Trading Co., Ltd	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Hongguang Real Estate Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Huayu Investment Holding Co., Ltd.	Control by same controlling shareholder and ultimate controller
Yutian Investment Co., Ltd(Famous Sky Capital Limited)	Control by same controlling shareholder and ultimate controller
Yutian International Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Zhongheng Yutian Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Henghua Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Yongye Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Hengrui Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Henglian Optoelectronics Co., Ltd.	Control by same controlling shareholder and ultimate controller

Other explanation

Nil

4. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

RMB/CNY

Related party	Content	Current Period	Trading limit approved	Whether over the approved limited or not (Y/N)	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Purchasing display	122,172,251.41	170,916,900.00	N	127,867,957.79
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Purchasing display	110,747,651.72	125,571,600.00	N	73,806,587.19
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Purchasing display	28,387,151.42	83,714,400.00	N	33,635,380.66

Goods sold/labor service providing

RMB/CNY

Related party	Content	Current Period	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Sales of display	107,934,645.13	99,679,782.04
Wuhan Zhongheng Yutian Trading Co., Ltd	Sales of display	58,479.76	92,116.00
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales of display	13,253,190.28	10,018,665.74
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales of materials	8,305,534.66	10,685,360.21

Explanation on goods purchasing, labor service providing and receiving

Nil

(2) Related guarantee

As the guarantor

RMB/CNY

Secured party	Amount guarantee	Start	End	Completed or not (Y/N)
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Hengfa Technology Company	36,000,000.00	2018-04-20	2022-04-20	N
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As the secured party

RMB/CNY

Guarantor	Amount guarantee	Start	End	Completed or not (Y/N)
36,000,000.00	90,000,000.00	2019-07-01	2022-07-01	N

Explanation on related guarantee

Nil

(3) Remuneration of key manager

RMB/CNY

Item	Current Period	Last Period
Total	1,443,000.00	1,056,077.00

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

RMB/CNY

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Hong Kong Yutian International Investment Co., Ltd.	25,582,267.94		36,750,397.49	
Account receivable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	350,779.63		2,591,229.44	
Accounts paid in advance	Hong Kong Yutian International Investment Co., Ltd.	13,902,631.23		17,120,874.77	
Accounts paid in advance	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.			8,294,072.28	
Total		39,835,678.80		64,756,573.98	

(2) Payable

RMB/CNY

Item	Related party	Closing book balance	Opening book balance
Account payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	3,186,713.37	
Notes payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	138,355.71	
Total		3,325,069.08	

6. Commitments of related party

In line with the claim of application for arbitration from Shenzhen Vanke, Shen HUAFa and Wuhan Zhongheng paid and money together. As the commitment letter to Shen HUAFa from Wuhan Zhongheng Group, if the Vanke wins, the losses from disputes arising by contract will bear by Wuhan Zhongheng Group in full.

7. Other

Nil

XI. Commitment or contingency**1. Important commitment**

Important commitment on balance sheet date

Nil

2. Contingency

On April 17, 2020, Shenzhen Zhongheng HUAFa Co., Ltd. received the notice of responding to the lawsuit [(2020) Yue 03 min Chu 17] and other relevant materials delivered by Shenzhen intermediate people's Court of Guangdong Province . Shenzhen Zhongheng HUAFa Technology Co., Ltd. (hereinafter referred to as "HUAFa technology" or "the plaintiff") sued the company and its controlling shareholder Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Wuhan Zhongheng group" or "the third party") for the dispute over the asset replacement contract. Shenzhen Zhongyuan has filed the case No. (2020) Yue 03 min Chu 17.

XII. Events after the balance sheet date**1. Explanation on other events after the balance sheet date**

Affected by the novel coronavirus pneumonia epidemic, the lessees of property leasing request free rent, the

factory has been shut down for nearly two months, the company's operation has been affected to a certain extent, the first quarter suffered losses, and the subsequent impact on the company as of the reporting date is still under evaluation.

XIII. Other important events

1. Other

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

(1) Arbitration

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

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

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

While filing the arbitration, Shenzhen Vanke also applied for property preservation of 400 million Yuan of property under the name of Shenzhen Huafa and Wuhan Zhongheng to Shenzhen Intermediate People's Court. According to the ruling of Shenzhen Intermediate People's Court and "Notification of Sealing up, Seizing and

Freezing Assets” (The reference numbers are (2016) Yue 03 Cai Bao No. 51, (2016) Yue 03 Cai Bao No. 53), the 27 house properties (Note: the property within the scope of Huafa renovation project) under the name of Shenzhen HUAFA and 116,489,894 shares (Note: of which 116,100,000 shares have been pledged) of Shenzhen HUAFA stock held by Wuhan Zhongheng were frozen.

(2) Progress of arbitration

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

In December 2016, Wuhan Zhongheng to Shenzhen HUAFA issued a “Commitment Letter” which included that if the arbitration (Note: the case) ruled in favor of Shenzhen Vanke, the loss of arbitration caused by the contract disputes should be fully assumed by our company. In the above contingent losses, if the judicial decision ruled your company to pay the compensation in advance, our company promised to pay your company in cash within one month, if our company could not pay on time due to uncontrollable factors, our company would like to pay the corresponding interest according to the benchmark interest rate of bank loans in the corresponding period. Because the plots in the renovation project placed in our company hadn’t been applied for transfer procedures and were still under your company’s name (Note: based on the “Asset Replacement Contract” signed by Wuhan Zhongheng and Shenzhen HUAFA on April 29, 2009), therefore, there was no risk of compliance, at the same time, our company promised to give priority to paying the above compensation with the compensation for demolition of renovation project.

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

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

On August 16, 2017, South China International Economic and Trade Arbitration Commission made the “Arbitral

Award” SCIA [2017] D376, according to the arbitral award, the applicant and counterclaim respondent in arbitration case SCIA [2017] D376 were Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Applicant” and “Vanke”). The first respondent and the first applicant for counterclaim were Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd (hereinafter referred to as “Wuhan Zhongheng” and “First Respondent”). The second respondent and the second applicant for counterclaim were Zhongheng Huafa. The award results were as follows:

- ① The first respondent and the second respondent pay liquidated damages to the applicant with a base number of RMB 600 million, calculating by the annual interest rate of 36% from October 1, 2015 to November 11, 2016;
- ② The first respondent and the second respondent pay the lawyer fees of RMB 1.4 million to the applicant due to the case;
- ③ The first respondent and the second respondent pay the property preservation fees of RMB 10,000 to the applicant;
- ④ The arbitration fees for this request and case was RMB 3,101,515.00, the first respondent and the second respondent should bear 70%, i.e. RMB 2,171,060.50, and the applicant should bear 30%, i.e. RMB 930,454.50. The applicant had already paid the arbitration fees in full amount for this request which could be used as the arbitration fees of this case and request and shall not be refunded. The first respondent and the second respondent should directly pay RMB 2,171,060.50 to the applicant;

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

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

- ⑤ Reject the applicant’s other arbitration requests;
- ⑥ Reject the arbitration counterclaims of the first respondent and the second respondent.

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

On February 7, 2018, the company and Wuhan Zhongheng Group applied to Shenzhen Intermediate People’s Court to revoke the Ruling HNGZSC [2017] D376, the court made a judgment on August 16, 2018, rejecting the company’s request for revocation. The company and its controlling shareholder Wuhan Zhongheng Group received the “Execution Notice of Shenzhen Intermediate People’s Court” ([2018] Yue03Zhi No. 1870), and the

executor applied to the court for compulsory execution, the company was listed as dishonest person subject to execution by Shenzhen Intermediate People's Court. On December 13, 2019, the company announced that it had been removed from the list of dishonest persons subject to execution by the Shenzhen Intermediate People's Court.

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

The company engaged lawyers to make an independent investigation and judgment on the event, and issued special legal opinion that the reasons of Wuhan Zhongheng resulted in a failure of a net handover, the corresponding urban renewal functional department could not issue the corresponding demolition documents, which in turn made the project company fail to be confirmed as the subject of implementation, and finally and directly made the subject of implementation fail to get the "Land Value Payment Notification" and sign the "Land Use Rights Transfer Contract". Therefore, Wuhan Zhongheng should bear all responsibilities for faults in response to the breach of contract. Wuhan Zhongheng issued the Commitment Letter in December 2016, pledged that if the arbitration judged Vanke to win the case, Wuhan Zhongheng should bear all arbitration losses caused by the contract dispute; after the award came into effect, Wuhan Zhongheng issued the Confirmation Letter again on November 23, 2017 to divide the duty of performance of the award; the independent directors of the company issued independent opinions after careful study that Wuhan Zhongheng should bear the arbitration losses in full; the management of the company also made an investigation and affirmed that Wuhan Zhongheng should bear all liability for satisfaction on the Award HNGZSC [2017] D376, and the award amount should be paid by Wuhan Zhongheng in full.

(ii) Arbitration case of legal service contract dispute with V&T (Shenzhen) Law Firm

On March 12, 2018, the company received the arbitration notice No. SHEN DX20180087 from Shenzhen Court of International Arbitration, V&T (Shenzhen) Law Firm requested to make a ruling that the Company and Wuhan Zhongheng pay the delinquent lawyer's fees of RMB 19,402,000 and the liquidated damages (The liquidated damages shall take five ten-thousandths of a day as a standard based on RMB 19,402,000 from August 24, 2017 to the date of payment of the above-mentioned lawyer's fees, and the liquidated damages up to February 12, 2018 was RMB 1,678,273.00). The company should bear all the arbitration fees for this case.

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

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

According to the company's announcement, the dispute between V & T Law Firm and Wuhan Zhongheng Group

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

XIV. Principle notes of financial statements of parent company

1. Account receivable

(1) Category of account receivable

RMB/CNY

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with bad debt provision accrual on a single basis	10,293,424.29	100.00 %	10,293,424.29	100.00 %	0.00	10,293,424.29	100.00 %	10,293,424.29	100.00 %	0.00
Including:										
Including:										
Total	10,293,424.29	100.00 %	10,293,424.29	100.00 %		10,293,424.29	100.00 %	10,293,424.29	100.00 %	0.00

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

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Hong Kong Haowei Industrial Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Uncollectible
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Uncollectible
Qingdao Haier Parts	1,225,326.15	1,225,326.15	100.00%	Uncollectible

Procurement Co., Ltd.				
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Uncollectible
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100.00%	Uncollectible
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100.00%	Uncollectible
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100.00%	Uncollectible
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00%	Uncollectible
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100.00%	Uncollectible
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00%	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00%	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00%	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00%	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00%	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100.00%	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00%	Uncollectible
Sky Worth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00%	Uncollectible
Other	1,990,217.45	1,990,217.45	100.00%	Uncollectible
Total	10,293,424.29	10,293,424.29	--	--

Accrual of bad debt provision on single basis:

RMB/CNY

Name	Closing balance
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	Book balance	Bad debt provision	Accrual ratio	Accrual causes
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Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

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

Applicable Not applicable

By account age

RMB/CNY

Account ages	Book balance
Over 3 years	10,293,424.29
Over 5 years	10,293,424.29
Total	10,293,424.29

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

RMB/CNY

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

2. Other account receivable

RMB/CNY

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

Other account receivable	97,165,023.85	99,155,253.08
Total	97,165,023.85	99,155,253.08

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

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin & deposit	304,608.00	720,065.04
Borrow money	1,869,073.12	1,960,013.76
Intercourse funds	107,488,541.28	108,761,355.74
Rental receivable	5,847,389.48	6,317,469.46
Other	168,162.09	466,137.41
Less: Bad debt provision	-18,512,750.12	-19,069,788.33
Total	97,165,023.85	99,155,253.08

2) Accrual of bad debt provision

RMB/CNY

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on 1 Jan. 2019	3,136.83		19,066,651.50	19,069,788.33
Balance of 1 Jan. 2019 in the period	—	—	—	—
Accrual in current period				
Reversal in current period	3,136.53		553,901.68	557,038.36
Balance on Dec. 31, 2019	0.30		18,512,749.82	18,512,750.12

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

 Applicable Not applicable

By account age

RMB/CNY

Account ages	Book balance
Within one year (one year included)	96,860,413.55
Within one year	96,860,413.55
1-2 years	312,212.44
2-3 years	
Over 3 years	18,505,147.98
3-4 years	1,446,706.00
Over 5 years	17,058,441.98
Total	115,677,773.97

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

Bad debt provision accrual in the period:

RMB/CNY

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

Nil

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

RMB/CNY

Company	Amount collected or switches back	Way of collection
Zhao Baomin	553,901.68	Recovery by court
Total	553,901.68	--

Nil

4) Top 5 other receivables collected by arrears party at ending balance

RMB/CNY

Company	Nature	Closing balance	Account ages	Proportion in total other receivables at year-end	Closing balance of bad debt provision
Wuhan Hengfa Technology Co., Ltd.	Intercourse funds	88,710,861.94	Within one year	76.69%	
Shenzhen Zhongheng HUAFA Property Co., Ltd	Intercourse funds	7,773,832.83	Within one year	6.72%	

Shenzhen HUAFA Property Leasing Co., Ltd.	Rental fee receivable	4,558,859.15	Over 3 years	3.94%	4,558,859.15
Portman	Intercourse funds	4,021,734.22	Over 3 years	3.48%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd	Rental fee receivable	1,380,608.00	Over 3 years	1.19%	1,380,608.00
Total	--	106,445,896.14	--	92.02%	9,961,201.37

3. Long-term equity investments

RMB/CNY

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

(1) Investment for subsidiary

RMB/CNY

The invested entity	Opening balance (Book value)	Changes in the period				Closing balance (Book value)	Closing balance of impairment provision
		Additional investment	Reduce investment	Accrual of impairment provision	Other		
HUAFA Lease Company						600,000.00	
HUAFA Property Company	1,000,000.00					1,000,000.00	
Hengfa Technology Company	183,608,900.00					183,608,900.00	
HUAFA Hengtian Company	1,000,000.00					1,000,000.00	
HUAFA Hengtai Company	1,000,000.00					1,000,000.00	

Total	186,608,900. 00					186,608,900. 00	600,000.00
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4. Operating revenue and cost

RMB/CNY

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	38,216,680.42	7,304,872.41	36,771,309.00	5,902,505.91
Total	38,216,680.42	7,304,872.41	36,771,309.00	5,902,505.91

Whether implemented the new revenue standards

√Yes □No

Information relating to revenue:

RMB/CNY

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

Information relating to performance obligations:

Nil

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

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

Other explanation

XV. Supplementary Information

1. Current non-recurring gains/losses

√ Applicable □ Not applicable

RMB/CNY

Item	Amount	Note
Gains/losses from the disposal of	9,298.34	

non-current asset		
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)	534,380.00	
Gain/loss of entrusted investment or assets management	180,964.60	
Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test	553,901.68	
Other non-operating income and expenditure except for the aforementioned items	-424,941.86	
Reversal of accrual liability		
Loss on assignment of claims		
Less: Impact on income tax	236,650.57	
Total	616,952.19	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

2. ROE and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share(RMB/Share)	Diluted earnings per share(RMB/Share)
Net profits belong to common stock stockholders of the Company	1.67%	0.0193	0.0193
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	1.48%	0.0171	0.0171

Section XIII. Documents available for reference

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