

Stock Code: 000020 200020

Public Notice No.:2021-10

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

Shenzhen Zhongheng Huafa Co., Ltd.

Text of First Quarterly Report 2021

Section I. Important Notes

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

All Directors are attended the Board Meeting for Quarterly Report deliberation. Li Zhongqiu, person in charge of the Company, Yang Bin, person in charger of accounting works and Wu Ai'jie, person in charger of accounting organ (accounting officer) hereby confirm that the Financial Statement of this Quarterly Report is authentic, accurate and complete.

Section II. Basic situation of the Company

I. Main accounting data and financial indexes

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

Yes No

	Current period	At the same period of last year	Changes of this period over same period of last year
Operating income (RMB)	190,936,203.57	87,800,584.55	117.47%
Net profit attributable to shareholders of the listed company (RMB)	5,557,677.31	-400,741.17	1,489.06%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	5,476,703.89	-208,179.52	2,735.02%
Net cash flow arising from operating activities (RMB)	-5,125,776.38	7,931,308.59	-164.63%
Basic earnings per share (RMB/Share)	0.0197	-0.0014	1,507.14%
Diluted earnings per share (RMB/Share)	0.0197	-0.0014	1,507.14%
Weighted average ROE	1.64%	-0.12%	1.76%
	At the end of the reporting period	At the end of last year	Changes of this period-end over same period-end of last year
Total assets (RMB)	637,523,241.97	627,779,621.06	1.55%
Net assets attributable to shareholder of listed company (RMB)	341,806,414.60	336,248,737.29	1.65%

Items and amount of non-recurring gains and losses

Applicable Not applicable

In RMB

Item	Amount from year-begin to period-end	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-6,163.53	
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)	6,000.00	
Gain or loss on the investment or management of assets	71,186.44	

Other non-operating income and expenditure except for the aforementioned items	10,677.58	
Less: impact on income tax	727.07	
Total	80,973.42	--

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*

II. Total number of shareholders at the end of this report period and top ten shareholders

1. Total number of common shareholders at the end of this report period and top ten common shareholders

In shares

Total common stock shareholders in reporting period-end	22,456	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Shareholder's name	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of share pledged/frozen	
					State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	42.13%	119,289,894	0	Pledged	116,100,000
					Frozen	119,289,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	Pledged	0
					Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD.	Overseas legal person	2.50%	7,072,000	0	Pledged	0
					Frozen	0
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	Pledged	0
					Frozen	0

Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.37%	3,870,117	0	Pledged	0
					Frozen	0
Li Zhongqiu	Overseas nature person	1.00%	2,830,000	0	Pledged	0
					Frozen	0
China Merchants Securities Hong Kong Co., Ltd.	State-owned legal person	0.79%	2,230,608	0	Pledged	0
					Frozen	0
LI SHERYN ZHAN MING	Overseas nature person	0.51%	1,446,100	0	Pledged	0
					Frozen	0
Shengyin Investment Co., Ltd.	Overseas legal person	0.50%	1,408,600	0	Pledged	0
					Frozen	0
# Xu Xinfen	Domestic nature person	0.45%	1,288,000	0	Pledged	0
					Frozen	0

Top ten shareholders with unrestricted shares held

Shareholder's name	Amount of unrestricted shares held	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.	7,072,000	Domestically listed foreign shares	7,072,000
Changjiang Securities Brokerage (Hongkong) 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
China Merchants Securities Hong Kong Co., Ltd.	2,230,608	Domestically listed foreign shares	2,230,608

LI SHERYN ZHAN MING	1,446,100	Domestically listed foreign shares	1,446,100
Shengyin Investment Co., Ltd.	1,408,600	Domestically listed foreign shares	1,408,600
# Xu Xinfen	1,288,000	RMB common share	1,288,000
Explanation on associated relationship among the aforesaid shareholders	<p>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. Shengyin Investment Co., Ltd. is an overseas wholly-owned subsidiary of Wuhan Zhongheng group.</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 common shareholders involving margin business (if applicable)	N/A		

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

Yes No

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

2. Total shareholders with preferred stock held and shares held by top ten shareholders with preferred stock held

Applicable Not applicable

Section III. Significant Events

I. Particulars about material changes in items of main accounting statement and financial index and explanations of reasons

√Applicable □Not applicable

Item	March 31, 2021	January 1, 2021	Y-o-y changes	Reasons of changes
Other receivables	2,060,681.11	4,466,949.96	-53.87%	Decrease in current accounts
Inventory	103,732,453.57	70,502,773.52	47.13%	Stocking in this period
Other current assets	1,129,263.49	4,255,643.19	-73.46%	The tax to be deducted is deducted for the current period.
Long-term prepaid expenses	19,361.35	77,445.31	-75.00%	Cloud service fee amortization
Short-term loans	20,921,296.00	12,527,808.00	67.00%	Short-term bank loans were increased in the current period.
Contract liabilities	171,293.92	287,140.66	-40.34%	The deposit received in advance has decreased during the period.
Employee compensation payable	3,106,406.38	5,737,366.59	-45.86%	The prepaid wages and expenses are paid in the current period
Other payables	18,556,536.88	27,608,281.01	-32.79%	Decrease in current accounts
Interest payable	63,086.88	26,335.66	139.55%	Short-term loans increased in the current period.
Item	January to March 2021	January to March 2020	Y-o-y changes	Reasons of changes
Operating income	190,936,203.57	87,800,584.55	117.47%	Increase in orders this period
Operating cost	160,692,426.33	73,672,446.25	118.12%	Increase in orders this period
Sales expense	9,604,962.16	3,448,537.85	178.52%	Increase in orders this period
R&D expenses	1,990,208.94	908,285.77	119.12%	Increased in R&D investment in this period
Other income	119,520.00	64,770.00	84.53%	Amortization of deferred income for the current period
Investment income	71,186.44	37,415.02	90.26%	Increase in financial income during the current period
Non-operating income	19,464.75	5,492.44	254.39%	Government subsidy income from the previous period
Non-operating expenses	8,950.00	263,835.56	-96.61%	Liquidated damages occurred in the previous period
Income tax expense	1,360,875.84	-85,032.71	-1700.41%	Increase in profit for the period
Item	January to March	January to March	Y-o-y changes	Reasons of changes

	2021	2020		
Cash received from the sale of goods and the provision of labor services	118,847,638.92	86,584,529.58	37.26%	Increase in sales collection in this period
Cash paid for purchasing goods and receiving labor services	90,764,568.41	56,760,923.41	59.91%	Increase in orders this period
Cash paid to and for employees	18,034,045.23	8,467,600.61	112.98%	Increase in orders this period
Taxes paid	8,114,109.92	2,351,100.26	245.12%	Increase in orders this period
Cash received from investment income	71,186.44	37,415.02	90.26%	Margin interest increased in this period
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	13,000.00	91,000.00	-85.71%	Disposal of old equipment in the previous period
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	1,624,675.50	467,211.58	247.74%	Purchase production equipment in this period
Other cash paid relating to investing activities	-	25,000,000.00	-100.00%	Bank wealth management decreased in this period
Cash received from loans	20,710,525.00	6,725,056.80	207.96%	Increase in short-term loans
Other cash paid relating to financing activities	6,408,886.53	-		Increase acceptance margin in this period
Influence on cash and cash equivalents due to fluctuation in exchange rate	-124,286.41	32,336.78	484.35%	The impact of exchange rate fluctuations in the current period

II. Analysis and explanation of significant events and their influence and solutions

√ Applicable □ Not applicable

(i) The Company signed Asset Exchange Contract with Wuhan Zhongheng New Science & Technology Industrial

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

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

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting of 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 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 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.

(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. 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 date 2 Feb. 2018.

Wuhan Zhongheng Group received the first-instance judgment of Guangdong Higher People's Court to the "pledged securities repurchase dispute" case sued by China Merchants Securities Asset Management Co., Ltd. in March 2021. Wuhan Zhongheng Group refused to accept the judgment and has appealed to the Supreme People's Court, the judgment of first instance has not yet taken effect. For details, please refer to the company announcement issued by the company on www.cninfo.com.cn on March 19, 2021.

(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 Juchao Website dated October 27, 2016, January 11, 2019, May 31, 2019 and August 7, 2019.

(iv) 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 Juchao Website dated 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 profit. For details, see the company's "Other Announcements on the Progress Involving Litigation and Arbitration" (Announcement No.: 2019-34) released on Juchao Website dated November 25, 2019.

Summary of important issues	Disclosure date	Interim report disclosure index
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Implementation progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

III. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

Applicable Not applicable

The Company has no commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies.

IV. Financial asset investment

1. Securities investment

Applicable Not applicable

No security investment in the Period.

2. Derivative investment

Applicable Not applicable

No derivative investment in the Period.

V. Progress of investment projects with raised funds

Applicable Not applicable

VI. Prediction of business performance from January – June 2021

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

Applicable Not applicable

VII. Major contracts for daily operations

Applicable Not applicable

VIII. Trust financing

Applicable Not applicable

No trust financing in the Period.

IX. Guarantee outside against the regulation

Applicable Not applicable

The Company had no guarantee outside against the regulation in the period.

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

Applicable Not applicable

The Company had no non-operational fund occupation form controlling shareholders and its related party in the period.

XI. Registration form for receiving research, communication and interview in the report period

Applicable Not applicable

Date	Reception location	Method	Type of investors	Object	Main content and information provided	Index for the interview and research
January 5, 2021	Office of the BOD locates in 6/F, Huafa Building	Telephone communication	Individual	Individual	Understand the company's production and operation situation, litigation progress and the progress of urban renewal projects	N/A