

SHENZHEN ZHONGHENG HUAFU CO., LTD.
ANNUAL REPORT 2021

April 2022

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, Chen Zhigang, person in charger of accounting works and Chuai Guoxu, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2021 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for Report deliberation.

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

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

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

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Documents Available for Reference

- I. Text of the Annual Report with 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 during the reporting period;
- IV. Article of Association
- V. Other relevant files.

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
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, 现改名为“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
Zhongheng Semiconductor (former Huafa Technology)	Refers to	Shenzhen Zhongheng Semiconductor Co., Ltd. (former Zhongheng Huafa Technology Co., Ltd)

Section II. Company Profile and Main Financial Indexes

I. Company information

Short form of the stock	Shen HUAFA -A, Shen HUAFA- B	Stock code	000020, 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中恒华发股份有限公司		
Short form of the Company (in Chinese)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFA CO., LTD.		
Legal representative	Li Zhongqiu		
Registrations add.	411 Bldg., Huafa (N) Road, Futian District, Shenzhen		
Code for registrations add	518031		
Historical changes of registered address	N/A		
Offices add.	6/F East Tower, Huafa Building, 411 Bldg., 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, Huafa Building, 411 Bldg., Huafa (N) Road, Futian District, Shenzhen	
Tel.	0755-86360201	
Fax.	0755-86360201	
E-mail	huafainvestor@126.com.cn	

III. Information disclosure and preparation place

Website of the Stock Exchange where the annual report of the Company disclosed	<i>Securities Times; Hong Kong Commercial Daily</i>
Media and Website where the annual report of the Company disclosed	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 SEG 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 SEG 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	WUYIGE Certified Public Accountants LLP
Offices add. for CPA	22/F College International Mansion, No.1 Zhi Chun Road, Haidian District, Beijing
Signing Accountants	Yao Cuiling, Yang Ting

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

	2021	2020	Changes in the current year over the previous year (+,-)	2019
Operating income (RMB)	765,611,248.70	691,742,269.12	10.68%	721,557,440.51
Net profit attributable to shareholders of the listed company (RMB)	7,201,902.02	6,830,187.40	5.44%	5,460,049.15
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	6,379,384.96	4,103,393.55	55.47%	4,843,096.96
Net cash flow arising from operating activities (RMB)	-12,323,760.07	59,719,269.60	-120.64%	74,463,707.01
Basic earnings per share(RMB/Share)	0.0254	0.0241	5.39%	0.0193
Diluted earnings per share(RMB/Share)	0.0254	0.0241	5.39%	0.0193
Weighted average ROE	2.07%	2.03%	0.04%	1.67%
	Year-end of 2021	Year-end of 2020	Changes at end of the current year compared with the end of previous year (+,-)	Year-end of 2019
Total assets (RMB)	659,933,225.57	627,779,621.06	5.12%	614,163,899.86
Net assets attributable to shareholder of listed company (RMB)	343,450,639.31	336,248,737.29	2.14%	329,428,049.89

The lower of the company's net profit before or after deduction of non-recurring profit (gain)/loss for the last three financial years is negative, and the audit report for the latest year indicates that there is uncertainty about the company's ability to continue as a going concern

Yes No

The lower of the net profit before or after deduction of non-recurring profit (gain)/loss is negative

Yes No

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

Unit: RMB/CNY

	Q 1	Q 2	Q 3	Q 4
Operating income	190,936,203.57	200,697,604.98	211,898,917.91	162,084,471.53
Net profit attributable to shareholders of the listed company	5,557,677.31	1,431,685.17	1,123,649.15	-1,014,695.49
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	5,476,703.89	1,557,494.89	572,226.97	-1,438,157.57
Net cash flow arising from operating activities	-5,125,776.38	-16,692,593.21	-2,235,279.99	40,890,272.74

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

Unit: RMB/CNY

Item	2021	2020	2019	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	7,871.56	817,533.49	9,298.34	
Governmental subsidy reckoned into current gains/losses (except for those with normal operation business concerned, and conform to the national policies &	1,297,733.35	2,728,618.05	534,380.00	

regulations and are continuously enjoyed at a fixed or quantitative basis according to certain standards)				
Gain/loss of entrusted investment or assets management		165,317.73	180,964.60	
Gains/losses arising from contingencies not related to Company's normal operating business	-736,748.18			
Except for the effective hedging operations related to normal business operation of the Company, the gains/losses of fair value changes from holding the trading financial assets and trading financial liabilities, and the investment earnings obtained from disposing the trading financial asset, trading financial liability	163,562.36			
Switch back of provision for depreciation of account receivable which was singly taken depreciation test			553,901.68	
Other non-operating income and expenditure except for the aforementioned items	417,245.81	-385,232.40	-424,941.86	
Less: Impact on income tax	327,147.84	599,443.02	236,650.57	
Total	822,517.06	2,726,793.85	616,952.19	--

Specific information on other items of profits/losses that qualified the definition of non-recurring profit(gain)/loss

Applicable Not applicable

The Company does not have other items of profits/losses that qualified the definition of non-recurring profit(gain)/loss

Information on the definition of non-recurring profit(gain)/loss that listed in the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary (non-recurring) Profit(gain)/loss* as the recurring profit(gain)/loss

Applicable Not applicable

The Company does not have any non-recurring profit(gain)/loss listed under the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary (non-recurring) Profit(gain)/loss* defined as recurring profit(gain)/loss

Section III Management Discussion and Analysis

I. Industry of the Company during the reporting period

With the arrival of the era of artificial intelligence, intelligence has become a major trend of the development of the home appliance industry, in the main electrical products, the intelligent rate of color TV is the highest, the intelligent permeability of air conditioning, washing machine is also accelerating, as the home appliance industry supporting manufacturers will benefit from the great development.

II. Main businesses of the Company during 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, polygon (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.

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.

IV. Main business analysis

1. Overview

In 2021, due to the adverse impact of THE COVID-19 epidemic on the macro economy, the impact brought by the sharp rise in the price of upstream raw materials in the industry, as well as the "dual control of energy consumption" and other measures introduced by some localities, the production and operation environment of the company is facing great challenges. Under the leadership of the company's leaders, all staff have basically completed the economic targets set at the beginning of the period, showing a benign development trend of stable growth.

In 2021, the Company achieved operating income of 765.6112 million yuan, an increase of 10.68% over the same period of previous year; total profit amounted to 11.9506 million yuan, an increase of 35.54% over the same period of previous year, and the net profit was 7.2019 million yuan, 5.44% up over the same period last year.

- Video service business achieved operating income of 415.4231 million yuan for the whole year, an increase of 4.89% on a year-on-year basis, 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 700,000 LCD monitors throughout the year of 2021.

- Injection molding business achieved operating income of 224.9477 million yuan for the whole year, an increase of 21.27% over the same period last year. 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 2021, which greatly improved production efficiency and reduced production costs. The injection molding division achieved sales volume of 11,182 tons throughout the year, completed the annual sales target.

- Polygon business achieved operating income of 43.4212 million yuan for the whole year, an increase of 21.18% over the same period last year. Sales for the whole year amounted as 2,851 tons, reaching the sales target, however, due to the impact of the epidemic and other factors, the profits of traditional industries suffered a slight loss. In order to better fulfill the sales target of 2022, 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 operating income of 50.3471 million yuan for the whole year, an increase of 24.05% from a year earlier. In 2022, the Company optimized the structural proportion of commercial tenants, and the occupancy rate was greatly improved, at the same time, the Company strictly controlled costs and reduced unnecessary expenditures. Therefore, the Company's overall rental profits increased significantly compared with the previous year.

2. Income and cost

(1) Constitute of operating income

Unit: RMB/CNY

	2021		2020		Increase/decrease y-o-y (+,-)
	Amount	Ratio in operation income	Amount	Ratio in operation income	
Total operation income	765,611,248.70	100%	691,742,269.12	100%	10.68%
According to industries					
Display	415,423,079.69	54.26%	396,060,015.82	57.26%	19.29%
Plastic injection hardware	224,947,682.55	29.38%	185,491,674.08	26.82%	-25.86%
Foam pieces	43,421,169.27	5.67%	35,833,322.61	5.18%	-44.30%
Property leasing	50,347,102.73	6.58%	40,587,453.21	5.87%	4.55%

Material income	26,693,866.77	3.49%	29,728,400.10	4.30%	-98.60%
Utilities and others	4,778,347.69	0.62%	4,041,403.30	0.58%	476.03%
According to products					
Display	415,423,079.69	54.26%	396,060,015.82	57.26%	4.89%
Plastic injection hardware	224,947,682.55	29.38%	185,491,674.08	26.82%	-3.82%
Foam pieces	43,421,169.27	5.67%	35,833,322.61	5.18%	21.18%
Property leasing	50,347,102.73	6.58%	40,587,453.21	5.87%	24.05%
Material income	26,693,866.77	3.49%	29,728,400.10	4.30%	146.35%
Utilities and others	4,778,347.69	0.62%	4,041,403.30	0.58%	18.23%
According to region					
Domestic	509,999,596.18	66.61%	89,452,347.92	12.93%	94.40%
Overseas	255,611,652.52	33.39%	602,289,921.20	87.07%	-11.55%
According to sales model					
Direct sales	765,611,248.70	100.00%	691,742,269.12	100.00%	10.68%

(2) The industries, products, regions or sales model accounting for over 10% of the Company's operation revenue or operation profit

√Applicable □ Not applicable

Unit: RMB/CNY

	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	415,423,079.69	391,846,657.69	5.68%	4.89%	-2.92%	-0.95%
Plastic injection hardware	178,411,171.56	168,078,526.96	5.79%	-3.82%	-2.79%	-2.96%
According to products						
Display	415,423,079.69	391,846,657.69	5.68%	4.89%	-2.92%	-0.95%
Plastic injection hardware	178,411,171.56	168,078,526.96	5.79%	-3.82%	-2.79%	-2.96%
According to region						
According to sales model						

Direct sales	593,834,251.25	559,925,184.65	5.71%	2.11%	4.10%	-1.81%
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Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

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

Yes No

According to industries	Item	Unit	2021	2020	Increase/decrease y-o-y (+,-)
Display	Sales volume	Set	712,137	900,704	-20.94%
	Output	Set	712,857	876,231	-18.65%
	Storage	Set	17,275	16,555	4.35%
Plastic injection hardware	Sales volume	Ton	9,464.96	9,902.24	-4.42%
	Output	Ton	11,181.58	10,272.97	8.84%
	Storage	Ton	2,634.87	918.25	186.94%
Foam pieces	Sales volume	Ton	2,880	2,511.02	14.69%
	Output	Ton	2,831.64	2,508.54	12.88%
	Storage	Ton	166.05	214.41	-22.55%

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

Applicable Not applicable

In 2021, the plastic injection hardware increase Zhengzhou Division, the inventory increased.

(4) Performance of significant sales contracts, major procurement contract entered into by the company up to the current reporting period

Applicable Not applicable

(5) Composition of operation cost

Classification of industries and products

Unit: RMB/CNY

Industries	Item	2021		2020		Increase/decrease y-o-y (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display		391,846,657.69	57.38%	369,785,369.91	60.30%	-2.92%
Plastic injection hardware		168,078,526.96	24.61%	168,053,472.02	27.40%	-2.79%

Foam pieces		45,040,644.84	6.60%	37,890,056.81	6.18%	0.42%
Property leasing		7,620,827.32	1.12%	5,329,922.72	0.87%	0.25%
Material income		65,440,257.86	9.58%	28,254,317.78	4.61%	4.97%
Utilities and others		4,858,092.80	0.71%	3,915,555.27	0.64%	0.07%

Unit: RMB/CNY

Products	Item	2021		2020		Increase/decrease y-o-y (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display		391,846,657.69	57.38%	369,785,369.91	60.30%	-2.92%
Plastic injection hardware		168,078,526.96	24.61%	168,053,472.02	27.40%	-2.79%
Foam pieces		45,040,644.84	6.60%	37,890,056.81	6.18%	0.42%
Property leasing		7,620,827.32	1.12%	5,329,922.72	0.87%	0.25%
Material income		65,440,257.86	9.58%	28,254,317.78	4.61%	4.97%
Utilities and others		4,858,092.80	0.71%	3,915,555.27	0.64%	0.07%

Explanation

Nil

(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)	513,936,870.10
Proportion in total annual sales volume for top five clients	67.13%

Ratio of related parties in annual total sales among the top five clients	13.08%
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Information of top five clients of the Company

Serial	Clients	Sales (RMB)	Proportion in total annual sales
1	No.1	189,532,652.51	24.76%
2	No.2	100,111,660.49	13.08%
3	No.3	111,017,090.11	14.50%
4	No.4	62,326,226.30	8.14%
5	No.5	50,949,240.69	6.65%
Total	--	513,936,870.10	67.13%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	92,047,329.20
Proportion in total annual purchase amount for top five suppliers	13.18%
Ratio of related parties in annual total sales among the top five suppliers	11.42%

Information of top five suppliers of the Company

Serial	Supplier	Purchase (RMB)	Proportion in total purchase
1	No.1	79,714,655.46	11.42%
2	No.2	4,362,455.47	0.62%
3	No.3	2,897,420.76	0.41%
4	No.4	3,531,828.12	0.51%
5	No.5	1,540,969.40	0.22%
Total	--	92,047,329.20	13.18%

Other explanation on main suppliers

Applicable Not applicable

3. Expenses

Unit: RMB/CNY

	2021	2020	Increase/decreas	Note of major changes
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			e y-o-y (+,-)	
Sales expense	8,440,486.05	15,417,760.60	-45.25%	Reduced commodity losses
Administrative expense	41,484,831.93	34,481,219.11	20.31%	
Financial expense	7,795,478.74	12,640,702.89	-38.33%	Decrease in foreign exchange gain/loss
R&D expenses	10,794,872.74	7,285,833.84	48.16%	Increase in R&D projects

4. R&D investment

√Applicable □Not applicable

Projects	Purpose	Progress	Goals to be achieved	Expected impact on the future development of the Company
R&D of the new piano curved surface display	Research on new display	Completed	Obtained a patent	New display
R&D of the back shell structure for new display	R&D of new display and back shell snap	Completed	Obtained a patent	New display and snap
R&D of new display and chassis	R&D of new display and chassis	Completed	Obtained a patent	New display and chassis
Development and application of the intelligent new process for home appliance panels	New processes	Completed	Obtained a patent	Access to new processes
Development and application of the new oiling and installation devices for domestic AC	New processes	Completed	Obtained a patent	Access to new processes
R&D and application of the heating system	New processes	Completed	Obtained a patent	Access to new processes

Personnel of R&D

	2021	2020	Change ratio(+,-)

Number of R&D (people)	96	76	26.32%
Ratio of number of R&D	8.57%	9.07%	-0.50%
Educational background	---	---	---
Undergraduate	52	45	15.56%
Master	0	0	0.00%
Age composition	---	---	---

Investment of R&D

	2021	2020	Change ratio(+,-)
R&D investment (RMB)	10,794,872.74	7,285,833.84	48.16%
R&D investment/Operation revenue	1.41%	1.05%	0.36%
Capitalization of R&D investment (RMB)	0.00	0.00	
Capitalization of R&D investment/R&D investment	0.00%	0.00%	

Reasons and effects of significant changes in composition of the R&D personnel

Applicable Not applicable

The reason of great changes in the proportion of total R&D investment accounted for operation revenue than last year

Applicable Not applicable

Reason for the great change in R&D investment capitalization rate and rational description

Applicable Not applicable

5. Cash flow

Unit: RMB/CNY

Item	2021	2020	Increase/decrease y-o-y (+,-)
Subtotal of cash in-flow from operation activity	538,510,578.56	580,631,785.58	-7.25%
Subtotal of cash out-flow from operation activity	550,834,338.63	520,912,515.98	5.74%
Net cash flow arising from operating activities	-12,323,760.07	59,719,269.60	-120.64%
Subtotal of cash in-flow from investment activity	262,594.04	56,951,415.71	-99.54%
Subtotal of cash out-flow from investment activity	6,583,893.47	60,471,921.66	-89.11%
Net cash flow arising from investment activities	-6,321,299.43	-3,520,505.95	1.00%

Subtotal of cash in-flow from financing activity	132,181,709.17	34,380,634.80	284.47%
Subtotal of cash out-flow from financing activity	108,092,163.32	96,093,364.01	12.49%
Net cash flow arising from financing activities	24,089,545.85	-61,712,729.21	1.00%
Net increased amount of cash and cash equivalent	2,751,573.57	-6,594,072.28	1.00%

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

Applicable Not applicable

The long-term loans declined

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

Applicable Not applicable

V. Analysis of the non-main business

Applicable Not applicable

Unit: RMB/CNY

	Amount	Ratio in total profit	Description of formation	Whether be sustainable (Y/N)
Investment income	290,069.30	2.43%	Income from short-term financial products	N
Asset impairment	-1,351,453.89	-11.31%	Provision for decline in value of inventory and decline in value of account receivable	N
Non-operating income	1,358,669.18	11.37%	Government subsidy	N
Non-operating expense	448,454.42	3.75%	Tax late payments	N

VI. Assets and liability

1. Major changes of assets composition

Unit: RMB/CNY

	Year-end of 2021		Year-begin of 2021		Ratio changes (+,-)	Note of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		

Monetary fund	34,426,043.11	5.22%	60,968,053.58	9.71%	-4.49%	
Account receivable	128,675,327.97	19.50%	128,063,911.79	20.40%	-0.90%	
Inventory	90,585,670.27	13.73%	70,166,013.49	11.18%	2.55%	
Investment real estate	46,191,777.80	7.00%	47,224,662.27	7.52%	-0.52%	
Fixed assets	187,889,261.50	28.47%	193,605,444.53	30.84%	-2.37%	
Construction in process	740,000.00	0.11%	740,000.00	0.12%	-0.01%	
Right-of-use assets	209,298.72	0.03%			0.03%	
Short-term loans	26,480,857.00	4.01%	12,527,808.00	2.00%	2.01%	
Contract liability	736,355.70	0.11%	287,140.66	0.05%	0.06%	
Long-term loans			61,000,000.00	9.72%	-9.72%	
Lease liability	115,101.00	0.02%			0.02%	

Foreign assets account for a relatively high proportion

Applicable Not applicable

2. Assets and liability measured by fair value

Applicable Not applicable

3.Assets right restriction till end of reporting period

Item	Ending book value	Restriction reasons
Monetary fund	1,530,911.93	Note payable margin
Monetary fund	90,369.78	Judicial freeze
Intangible assets	6,575,414.09	Collateral for borrowing
Investment real estate	11,308,296.62	Collateral for borrowing
Fixed assets	12,173,809.88	Collateral for borrowing
Disposal of fixed assets	92,857,471.69	Court seizure
Investment real estate	22,749,495.78	bank loan collateral
Note receivable	20,026,713.29	Note payable margin
Total	167,312,483.06	

VII. Investment analysis

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial assets 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.

VIII. 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

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

Applicable Not applicable

Main subsidiary and stock-jointly enterprise with over 10% influence on net profit of the Company

Unit: RMB/CNY

Company name	Type	Main business	Register capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengfa Technology Company	Subsidiary	Production and sales	181,643,111.00	514,408,420.68	224,010,957.01	712,214,105.05	-2,738,741.79	-2,188,076.22
HUAFA Property Company	Subsidiary	Property management	1,000,000.00	12,952,834.32	300,853.91	5,811,286.76	1,087,233.00	922,693.89

Subsidiary obtained and disposed in the Period

Applicable Not applicable

Explanation on holding equity participation enterprise

X. The structured subject controlled by the Company

Applicable Not applicable

XI. Future Development Prospects

(i) Business analysis

Wuhan Hengfa Technology, as an important subsidiary of the company, is facing increasing pressure under the influence of intensified market competition and tight supply of raw and auxiliary materials, the core of solving the predicament is to upgrade the technology to enhance the added value of technology and improve profitability; under the background of the upgrading of downstream consumer demand, by increasing the research and development of new products, the company adjusts and improves product structure, improves production technology, and enhance productivity; at the same time, expands the supply channels of upstream raw and auxiliary materials to avoid material shortages affecting production .

In a certain period of time, property leasing is still another important business for the company's development, the company makes full use of its own properties, providing operation, leasing and service businesses will bring a certain contribution to the company's cash flow. After the urban renewal and renovation project is gradually implemented, it will bring a long-term and stable source of income to the company.

(ii) New Annual Business Plan

◆ Industrial Business Upgrade

The epidemic of COVID-19 outbreak is not completely over, and all colleagues in the company continued to work hard to serve existing customers, vigorously expanded the market, and gained more market share; Meanwhile, the Company will intensify the development of raw & auxiliary materials suppliers in shortage within the market, try to avoid the negative impact of upstream material shortage on the Company's production. On the basis of

maintaining customers, actively looked for high-quality technology projects in consumer electronics, and gradually realized industrial upgrading through technology optimization and management optimization; at the same time, it strengthened management, improved production efficiency, improved product quality, and made full use of the geographical advantages of the company to make the business bigger and stronger.

◆ 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 2022, 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.

XII. Reception of research, communication and interview during the reporting period

√ Applicable □ Not applicable

Time	Reception location	Way	Reception type	Object	Main content and information provided	Basic situation index of investigation
2021-04-30	Office of the BOD locates in 6/F, Huafa Building	Telephone communication	Individual	Individual	Operation of the Company and progress of the urban renewal projects	N/A

Section IV 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. Independence of the Company relative to controlling shareholder and the actual controller in ensuring the Company's assets, personnel, finance, organization and businesses

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	Resolution of the Meeting
Annual General Meeting of 2020	AGM	48.98%	2021-05-20	2021-05-21	Report of the BOD for 2020, Report of BOS for 2020, Financial Report of 2020, Profit Distribution Plan of 2020, Annual Report of 2020 and its Summary, Financial Report of 2021, Proposal on Financing Quota for 2021, Proposal on Amount of Guarantee Provided by the

												Company for Bank Loans of Wholly-owned Subsidiary in 2021, Proposal to Re-appoint the Financial Report Auditor and Internal Control Auditor for year of 2021 and Proposal on Daily Related Transaction of Video Business for 2021
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2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Directors, supervisors and senior management

1. Basic information

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)	Reasons for increase or decrease of shares
Li Zhongqiu	Chairman	Currently in office	Male	57	2007-07-08	2022-09-11	2,830,000	0	0	0	2,830,000	
Jiang Junming	Vice Chairman	Currently in office	Male	43	2019-09-12	2022-09-11	0	0	0	0	0	
Chen Zhigan	Director	Currently in office	Male	48	2019-09-12	2022-09-11	0	0	0	0	0	

Zheng Chunmei	Independent director	Currently in office	Female	56	2019-09-12	2022-09-11	0	0	0	0	0	
Wu Weihua	Independent director	Currently in office	Male	43	2019-09-12	2022-09-11	0	0	0	0	0	
Yang Xiongwen	Independent director	Currently in office	Male	51	2019-09-12	2022-09-11	0	0	0	0	0	
Huang Yanbo	Chairman of the BOS	Currently in office	Female	59	2012-01-16	2022-09-11	0	0	0	0	0	
Chen Qin	Supervisor	Currently in office	Female	36	2015-11-06	2022-09-11	0	0	0	0	0	
Wu Aijie	Supervisor	Currently in office	Female	50	2019-10-10	2022-09-11	0	0	0	0	0	
Yang Bin	Deputy General Manager, Chief Financial Officer	Currently in office	Male	49	2015-11-06	2022-02-17	0	0	0	0	0	
Niu Zhuo	Secretary of the Board	Currently in office	Female	39	2019-10-25	2022-09-11	0	0	0	0	0	
					2019-10-25	2022-09-11						
Total	--	--	--	--	--	--	2,830,000	0	0	0	2,830,000	--

During the reporting period, whether there was any departure of directors and supervisors and dismissal of Senior management

Yes No

Changes of directors, supervisors and senior management

Applicable Not applicable

2. Post-holding

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

Li Zhongqiu, male, 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., CFO, secretary of the Board and executive deputy general manager of Wuhan Zhongheng New Technology Industry Group Co., Ltd., and now he is the Director, Deputy GM and CFO of the Company.

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 Hubei Hongyu New Packaging Material 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 Guangdong Hanrui 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 General Manager of Shenzhen Headquarters of Huajin Securities Co., Ltd. Investment Bank, he once served as General Manager of Investment Banking Division 3 of Founder Securities Underwriting Sponsor Co., Ltd., served as the managing director of the investment banking department and principal of the M & A financing business department of Huachuang 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 BOS 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

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. Leaving the Company in February 2022.

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 she is the secretary of the Board of the Company.

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	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.	Deputy General Manage of risk control department	2018-07-02		Y
Huang Yanbo	Wuhan Zhongheng Group	Deputy General Manage	2016-10-12		Y

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position in other unit	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	Hubei Hongyu New Packaging Materials	Independen	2021-08-01		Y

Chunmei	Co., Ltd.	t director			
Wu Weihua	Huajin Securities Co., Ltd.	GM	2020-01-01		Y
Yang Xiongwen	South China University of Technology	Teacher	2008-08-01		Y
Yang Xiongwen	Guangdong Hanrui Law Firm	Part-time lawyer	2021-01-14		N
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. 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 30,000 yuan by Shenzhen Securities Regulatory Bureau of China Securities Regulatory Commission.

3. Remuneration for directors, supervisors and senior management

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

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

Unit: 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 (Y/N)

Li Zhongqiu	Chairman, GM	Male	57	Currently in office	48	N
Jiang Junming	Vice Chairman	Male	43	Currently in office	0	Y
Chen Zhigang	Director	Male	48	Currently in office	0	Y
Yang Bin	Deputy General Manage, Chief Financial Officer	Male	49	Currently in office	30	N
Zheng Chunmei	Independent director	Female	56	Currently in office	6	N
Yang Xiongwen	Independent director	Male	51	Currently in office	6	N
Wu Weihua	Independent director	Male	43	Currently in office	6	N
Huang Yanbo	Supervisor	Female	59	Currently in office	0	Y
Chen Qin	Supervisor	Female	36	Currently in office	14.7	N
Wu Aijie	Employee supervisor	Female	50	Currently in office	18.75	N
Niu Zhuo	Secretary of the Board	Female	39	Currently in office	27.6	N
Total	--	--	--	--	157.05	--

VI. Responsibility performance of directors during the reporting period

1. The board of directors during the reporting period

Session of meeting	Date of meeting	Disclosure date	Meeting resolutions
The 5 th Session of 10 th BOD	2021-04-23	2021-04-27	Report of the GM for 2020, Report of the BOD for 2020, Financial Report of 2020, Profit Distribution Plan of 2020, Self-Evaluation Report on Internal Control for 2020, Annual Report of 2020 and its Summary, First Quarterly Report of 2021, Financial Report of 2021, Proposal on Financing Quota for 2021, Proposal on Amount of Guarantee Provided by the Company for Bank Loans of Wholly-owned Subsidiary in 2021, Proposal to Re-appoint the Financial Report Auditor and

			Internal Control Auditor for year of 2021, Proposal on Daily Related Transaction of Video Business for 2021, Proposal on Formulation of the Anti-Fraud & Reporting Complaint Management System, Proposal on Member Composition of the Special Committees under the 10 th BOD and Proposal on Convening the AGM of 2020
The 6 th Session of 10 th BOD	2021-08-20	2021-08-24	Semi-Annual Report of 2021
The 7 th Session of 10 th BOD	2021-10-22	2021-10-26	The Third Quarterly Report of 2021
First Extraordinary Shareholders General Meeting of 2021	2021-12-24	2021-12-24	Proposal on Change of Accounting Policies

2. The attending of directors to Board meetings and shareholders general meeting

The attending of directors to Board Meeting and Shareholders General Meeting							
Director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending the Board Meeting by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attend the general meeting
Li Zhongqiu	4	1	3	0	0	N	1
Jiang Junming	4	1	3	0	0	N	1
Chen Zhigang	4	1	3	0	0	N	1
Zheng Chunmei	4	1	3	0	0	N	1
Yang Xiongwen	4	1	3	0	0	N	1
Wu Weihua	4	1	3	0	0	N	1

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

Not applicable

3. Objection for relevant events from directors

Directors come up with objection about Company's relevant matters

Yes No

No directors come up with objection about Company's relevant matters in the Period

4. Other explanation about responsibility performance of directors

The opinions from directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from directors

Not applicable

VII. Duty performance of the special committees under the board during the reporting period

Committee name	Members	Number of meetings held	Date of meeting	Meeting content	Important comments and suggestions made	Other performance of duties	Specific circumstances of the objections (if applicable)
Strategic Committee	Li Zhongqiu, Jiang Junming, Zheng Chunmei	1	2021-04-23	Discussion of the strategy plan for year of 2021	Strategy Committee conducts their works in strict accordance with relevant laws and regulations as Company Law, Article of Association and Rules of Work of Strategy Committee, they diligently with full responsibility and based on actual condition propose relevant opinions.	Not applicable	Not applicable
Nominations Committee	Yang Xiongwen, Jiang Junming, Zheng Chunmei	0		Not applicable	Not applicable	Not applicable	Not applicable
Audit	Zheng	1	2021-04-16	Communicat	Audit	Not	Not

Committee	Chunmei, Wu Weihua, Chen Zhigang			e the annual audit works	Committee conducts their works in strict accordance with relevant laws and regulations as Company Law, Article of Association and Rules of Work of Audit Committee, they diligently with full responsibility and based on actual condition propose relevant opinions.	applicable	applicable
Remunerati on & Appraisal Committee	Wu Weihua, Yang Xiongwen, Li Zhongqiu	1	2021-04-16	The annual remuneration of directors, supervisors and senior managers has been reviewed	The Remuneratio n and Appraisal Committee carries out its work strictly in accordance with the Company Law, the Articles of Association, the Working Rules of the Remuneratio n and	Not applicable	Not applicable

					<p>Appraisal Committee and other relevant laws and regulations. It believes that the annual remuneration of directors, supervisors and senior managers is basically consistent with the actual situation of the company and conforms to relevant laws and regulations and the provisions of the remuneration and appraisal system of the company</p>		
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VIII. Works from BOS

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

Yes No

BOS has no objection about supervision events in reporting period.

IX. Particulars of workforce

1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company at period-end	13
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(people)	
Employee in-post of main Subsidiaries at period-end (people)	1,120
The total number of current employees at period-end (people)	1,133
The total number of current employees to receive pay (people)	1,133
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	919
Sales personnel	33
Technical personnel	94
Financial personnel	13
Administrative personnel	74
Total	1,133
Education background	
Category of education background	Numbers (people)
Master and on-the-job graduate students	6
Undergraduate	65
Junior college	84
Other	978
Total	1,133

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

X. Profit distribution plan and capitalizing of common reserves plan

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

Applicable Not applicable

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

Applicable Not applicable

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.

XI. 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.

XII. Construction and implementation of internal control system during the reporting period

1. Construction and implementation of internal control

The company has established an effective internal control system by improving internal management, strengthening information disclosure, and standardizing operation behavior in accordance with the Basic Norms for Enterprise Internal Control and its supporting guidelines and other internal control regulatory requirements,

and in accordance with the company's actual situation. According to the continuous development of the business, the company continuously improved and completed its internal control system for the current year, and strengthened the supervision of the internal audit department on the implementation of the internal control system at the same time, so as to ensure the effective implementation of the internal control system. The Annual Internal Control Self-Evaluation Report 2021 of the company reflected the construction and implementation of the company's internal control. During the reporting period, the company had no major defects in the construction and implementation of internal control.

2. Details of major defects in IC that found during the reporting period

Yes No

XIII. Management and controls on the subsidiary during reporting period

Name	Integration plans	Integration progress	Problems encountered in integration	Measures taken to resolve	Progress in solution	Follow-up solution plan
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

XIV. Internal control self-evaluation report or internal control audit report

1. Self-evaluation Report of Internal Control

Disclosure date of full internal control evaluation report	2022-04-26	
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
Qualitative criteria	1. General deficiencies: the amount of	1. General deficiencies: when facing

	<p>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>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

2. Audit 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	2022-04-26
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

XV. Rectification of Self-examination Problems in Special Governance Actions in Listed Company

According to the deployment of the special action on governance of listed companies of the China Securities Regulatory Commission, the company conducted a self-examination on corporate governance according to the content of the self-examination checklist. Through this self-examination, the company considers that the corporate governance complies with the requirements of the Company Law, the Securities Law and other laws and regulations, and the corporate governance structure is relatively complete.

Section V. Environmental and Social Responsibility

I. Major environmental

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

Yes No

Administrative punishment for environmental problems during the reporting period

Name of company or subsidiary	Reason for punishment	Violation	Punishment result	The impact on the production and operation of listed companies	The Company's rectification measures
N/A	N/A	N/A	N/A	N/A	N/A

Other environmental information disclosed refer to key polluters

Not applicable

Measures taken to reducing the carbon emissions during the reporting period and their effectiveness

Applicable Not applicable

Reasons for not disclosing other environmental information

Not applicable

II. Social Responsibility

Not applicable

III. Consolidating and expanding the achievements of poverty alleviation and rural revitalization

The Company has no achievements in poverty alleviation and rural revitalization plan during the reporting period.

Section VI. Important Events

I. 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	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing

			controlling-ship of the Shen Huafa either			
	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	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing

			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			
	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	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing

			Huafa			
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

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

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

II. 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.

III. External guarantee out of the regulations

Applicable Not applicable

No external guarantee out of the regulations occurred in the period.

IV. Statement on the latest “modified audit report” by BOD

Applicable Not applicable

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

Applicable Not applicable

VI. Explanation of the changes in accounting polices, accounting estimates or correction of significant accounting errors compared with the financial report of the previous year

Applicable Not applicable

The first implementation of the new lease standard

According to the Notice on Revising and Issuing Accounting Standards for Business Enterprises No. 21 - Leases (CK [2018] No. 35) issued by the Ministry of Finance on December 7, 2018, the revised Accounting Standards for Business Enterprises No. 21 - Lease takes effect on January 1, 2019 for companies listed both at home and abroad and companies listed overseas and preparing financial statements by using IFRS or ASBE; for other companies that implement Accounting Standards for Business Enterprises, it takes effect on January 1, 2021.

According to the regulations of the Ministry of Finance, the company has implemented the new lease standard from January 1, 2021 (hereinafter referred to as the “first implementation date”).

The main contents of the new lease standard implemented this time are as follows: (1) Under the new lease standard, except for short-term leases and low-value leases, lessees will no longer distinguish between finance leases and operating leases, and all leases are subject to the same accounting treatment, requiring the recognition of right-of-use assets and lease liabilities; (2) For right-of-use assets, where the lessee can reasonably determine that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued within the remaining useful life of the leased asset. Where it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. At the same time, the lessee needs to determine whether the right-of-use asset is impaired, and conduct accounting treatment for the recognized impairment losses; (3) For lease liabilities, the lessee shall calculate the interest expenses of the lease liabilities in each period of the lease term, and include them in the current profits and losses. (4) For short-term leases and leases of low-value assets, the lessee may choose not to recognize the right-of-use assets and lease liabilities, and include them in the relevant asset costs and liabilities and the current profits and losses in each period of the lease term by using the straight-line method or other systematic and reasonable methods.

The company will start accounting treatment for the impact of the implementation of the new lease standard on the company in accordance with the new lease standard from January 1, 2021, and according to the connection regulations, the information of the comparable period will not be adjusted, and the retained earnings at the beginning of 2021 shall be retrospectively adjusted by the difference between the new lease standard and the current lease standard on the first implementation date. This accounting policy change does not involve retrospective adjustments to previous years and will not have a significant impact on the company's financial statements.

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

Applicable Not applicable

No changes in consolidation statement scope in the reporting period

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

Accounting firm appointed

Name of domestic accounting firm	WUYIGE Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	50
Continuous life of auditing service for domestic accounting firm	6

Name of domestic CPA	Yao Cuiling, Yang Ting
Consecutive years for auditing service from domestic CPA	2
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A
Consecutive years for auditing services from foreign CPA (If applicable)	N/A

Re-appointed accounting firms in this period

Yes No

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

Applicable Not applicable

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

IX. Particular about delisting after annual report disclosed

Applicable Not applicable

X. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XI. 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	46,460	N	Ruling on 16 August 2017; put forward the application for dismantli	Found more in notice of the Company	In September 2018, Shenzhen Vanke applied for compulsory execution. In October 2019, due to the	2018-02-09	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204406606?anno

<p>“Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District”.</p>			<p>ng by the Company and controlling shareholder, the application was rejected by the court</p>		<p>outsider's application of "objection to execution" and "non-enforcement", the execution procedure was terminated. If the outsider's application was rejected by the Shenzhen Intermediate People's Court, Shenzhen Vanke would have the right to continue to apply for the resumption of compulsory execution.</p>		<p>unceTime=2018-02-09 ; http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205326846&announcementTime=2018-08-25</p>
<p>In March 2016, the Company and HUAFU Property suit against Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd. for contract violation and refuse to move the site</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>Execution completed</p>	<p>Execution completed</p>	<p>2016-09-14</p>	<p>http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announcementTime=2016-09-1407:41</p>
<p>Application for</p>	<p>1,940.2</p>	<p>N</p>	<p>The</p>	<p>A decision was</p>	<p>Implementing</p>	<p>2018-11-14</p>	<p>http://www</p>

<p>arbitration in case of contract dispute between the V&T Law Firm and Shenzhen Zhongheng Huafa Co., Ltd. and Wuhan Zhongheng Group</p>			<p>arbitration has been heard</p>	<p>issued and the Company's motion to dismiss was denied</p>		<p>.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018-11-14</p>
<p>Case of dispute on replacement contract between Zhongheng Semiconductor and Shenzhen Zhongheng Huafa Co., Ltd.</p>	<p>5,200</p>	<p>N</p>	<p>Second trial</p>	<p>Trial in progress</p>	<p>Trial in progress</p>	<p>2020-04-21 http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1207540113&orgId=gssz0000020&announcementTime=2020-04-21; http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1210151395&orgId=gssz0000020&announcementTime=2021-06-03; http://www</p>

													.cninfo.com.cn/new/disclosure/detail?stockCode=000020&announcementId=1210543149&orgId=gssz0000020&announcementTime=2021-07-22
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XII. Penalty and rectification

Applicable Not applicable

No penalties or rectifications during the reporting period.

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

Applicable Not applicable

XIV. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limit or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Hong Kong Yutian International	The same control	Purchase	Displays and Materials	In principle, the transaction	7951.68	7,951.68		15,697.92	N	Telegraphic transfer	The average market price	2021-4-27	http://www.cninfo.com.cn

Investment Co., Ltd.				<p>tion price of purchased raw materials is determined at approximately 1% lower than the prevailing average market price, with reference to the respective bargaining power of both parties.</p>							<p>refers to the price of products of the same specification that can be found in the website of globally renowned professional market research companies (http://www.lcdprofessionalmarketresearch.com) and LCD professional market research comp</p>	<p>n/new/disclosure/detail?stockCode=000020&announcementId=1209812794&orgId=gssz000020&announcementTime=2021-04-27</p>
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											anies (http://www.witsview.com) that are recognized in the industry		
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	The same control	Purchase	Displays	Ditto	8,073.17	8,073.17		13,081.6	N	Telegraphic transfer	Ditto	2021-4-27	Ditto
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	The same control	Purchase	Displays	Synchronize with the market situation	1,923.17	1,923.17		6,540.8	N	Telegraphic transfer	Ditto	2021-4-27	Ditto
Hong Kong Yutian International Investment Co., Ltd.	The same control	Sales	Displays	Synchronize with the market situation	10,011.17	10,011.17		19,622.4	N	Telegraphic transfer	Ditto	2021-4-27	Ditto
Wuhan Hengsheng	The same control	Sales	Displays	Synchronize with	4,506.34	4,506.34		6,540.8	N	Telegraphic transf	Ditto	2021-4-27	Ditto

Photo-electricity Industry Co., Ltd.	l			the market situation						er			
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	The same control	Sales	Material	Synchronize with the market situation	51.03	51.03		654.04	N	Telegraphic transfer	Ditto	2021-4-27	Ditto
Total					--	--	32,516.56	--	62,137.56	--	--	--	--
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)				During the reporting period, Hengfa Technology purchased LCD monitors from HK Yutian with 79.5168 million yuan approximately, 50.65% of the annual amount predicted at the beginning of the year; purchased LCD monitors from Hengsheng Photo-electricity with 80.7317 million yuan approximately, 61.71% of the annual amount predicted at the beginning of the year; purchasing LCD Display from Hengsheng Photo-electricity with about 19.2317 million yuan, 13.39% of the annual amount predicted at the beginning of the year; sold LCD Display whole machine to HK Yutian with US\$ 9.5462 million approximately, 29.4% of the annual amount predicted at the beginning of the year; sold LCD Display to Hengsheng Photo-electricity with 45.0634 million yuan approximately, 68.9% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price (if applicable)				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

Whether has non-operational contact of related liability and debts or not

Yes No

No non-operational contact of related liability or debts in Period

5. Contact with the related finance companies

Applicable Not applicable

There are no deposits, loans, credits or other financial business between the Company, the related finance companies and related parties.

6. Transactions between the finance company controlled by the Company and related parties

Applicable Not applicable

There are no deposits, loans, credits or other financial business between the finance companies controlled by the Company and related parties

7. Other related transactions

Applicable Not applicable

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

XV. 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

In 10 thousand Yuan

Particulars about the external guarantee of the Company and the subsidiaries (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	Collateral (if applicable)	Counter-guarantee situation (if applicable)	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee between 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	Collateral (if applicable)	Counter-guarantee situation (if applicable)	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2021-04-27	30,000		2,648.09	Joint liability guaranty			One year	Y	Y
Total amount of approving guarantee for subsidiaries in report period (B1)		30,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		8,257.94				
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)		2,648.09				
Guarantees of subsidiaries to subsidiaries										
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee term	Complete implementation or not	Guarantee for related party (Y/N)
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)	8,257.94
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)	2,648.09
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)			7.71%
Including:			

Explanation on compound guarantee

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

The Company had no trust financing in the reporting period.

(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.

XVI. Explanation on other significant events

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” on 26 August 2015 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. In April 2020, Zhongheng Semiconductor sued the company to Shenzhen Intermediate People’s Court, and requested the company to transfer the above mentioned two pieces of lands and compensate the economic loss of 52 million yuan, as of the date of disclosure of the report, the case is under trial in second instance and the outcome is not yet available. 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, 7 Sept. 2018, 21 April 2020, 3 June 2020 and 22 July 2021 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's 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.

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

Section VII. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

Unit: 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%
1. State-owned shares									
2. State-owned legal person's shares									
3. Other domestic shares									
Including: Domestic legal person's shares									
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
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%
3. Overseas listed foreign shares									
4. Others									
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

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

Unit: Share

Total common stock shareholders in reporting period-end	19,773	Total common stock shareholders at end of last month before annual report disclosed	20,689	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	0
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							annual report disclosed (if applicable) (found in note 8)	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Change s in report period	Amount of restricted shares held	Amount of un-restricted shares held	Information of shares pledged, tagged or frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	42.13%	119,289,894	0	0	119,289,894	Pledged	116,100,000
							Frozen	119,289,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD.	Overseas legal person	2.50%	7,072,000	0	0	7,072,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	0	5,355,249	Pledged	0
							Frozen	0
Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.37%	3,870,117	0	0	3,870,117	Pledged	0
							Frozen	0
Li Zhongqiu	Overseas nature person	1.00%	2,830,000	0	0	2,830,000	Pledged	0
							Frozen	0
Jin Guoping	Domestic nature person	0.86%	2,432,500	0	0	2,432,500	Pledged	0
							Frozen	0
Huang Xuelin	Domestic nature person	0.66%	1,880,503	0	0	1,880,503	Pledged	0
							Frozen	0
China Merchants	State-owned	0.58%	1,639,700	0	0	1,639,700	Pledged	0

Securities Hong Kong Co., Ltd.	legal person		73			73	Frozen	0
Li Wei	Domestic nature person	0.57%	1,610,000	0	0	1,610,000	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 Group.; Shengyin Investment Limited is a wholly-owned subsidiary of Wuhan Zhongheng Group outside of China. Other than that, 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.							
Description of the above shareholders in relation to delegate/entrusted voting rights and abstention from voting rights.	N/A							
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.	7,072,000	Domestically listed foreign shares	7,072,000					
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					
Jin Guoping	2,432,500	RMB common share	2,432,500					

Huang Xuelin	1,880,503	RMB common share	1,880,503
China Merchants Securities Hong Kong Co., Ltd.	1,639,773	Domestically listed foreign shares	1,639,773
Li Wei	1,610,000	Domestically listed foreign shares	1,610,000
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	Among the top ten shareholders, Li Zhongqiu is the actual controller of Wuhan Zhongheng Group.; Shengyin Investment Limited is a wholly-owned subsidiary of Wuhan Zhongheng Group outside of China. Other than that, 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.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	Among the top ten shareholders, Jin Guoping holds 73,200 shares through ordinary accounts, 2,359,300 shares through credit securities accounts, totaling 2,432,500 shares; Huang Xuelin holds 629,902 shares through ordinary accounts, 1,250,601 shares through credit securities accounts, totaling 1,880,503 shares;		

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

				<p>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)</p>
<p>Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period</p>	<p>Not applicable</p>			

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

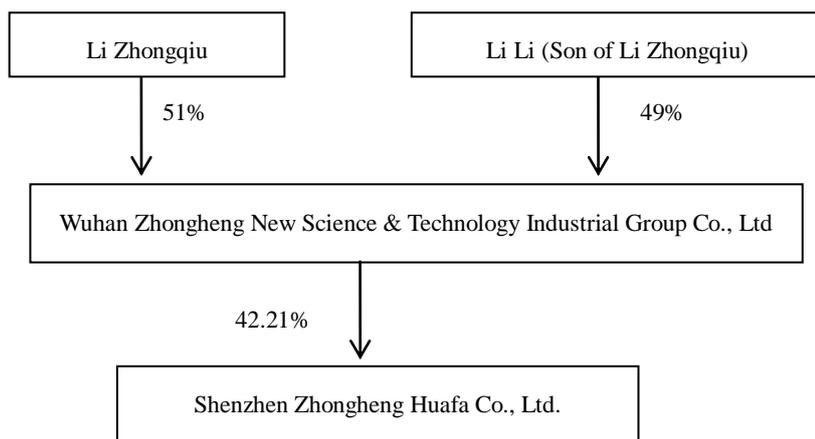
Actual controller's name	Relationship	Nationality	Enjoy the residence rights in the other country or area (Y/N)
Li Zhongqiu	Li Zhongqiu himself	Hong Kong	N
Li Li	Person acting in concert (including agreement, relatives, share the same controlling)	P.R.C	N
Main occupation in position	Chairman and General Manager		
Listed companies in and out of China that controlled in last 10 years	The Company		

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. The total number of shares pledged by controlling shareholders or the first majority shareholder and its persons acting in concert accounts for 80% of the shares held by them

Applicable Not applicable

Name	Type of shareholder	Total amount of stock pledge financing (10 thousand yuan)	Specific Use	Repayment period	Source of repayment funds	Whether there is a risk of debt service or liquidation (Y/N)	Whether it affects the stability of the control of the company(Y/N)
Wuhan Zhongheng Group	Controlling shareholder	108,000	Replacement of loans and replenishment	own funds		N	N

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

Applicable Not applicable

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

Applicable Not applicable

IV. The specific implementation of shares buy-back during the reporting period

Implementation progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

Section VIII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section IX. Corporate Bonds

Applicable Not applicable

Section X. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2022-04-23
Name of audit institute	WUYIGE Certified Public Accountants LLP
Document serial of audit report	Da Xin Shen Zi[2022] No.: 5-00018
Name of CPA	Fan Zhang, Yang Ting

Text of Audit 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 2021 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 2021 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 (34) to the consolidated statement of your company, the main business income from display and injection molded foam of 2021 recognized by your company was RMB 637,255,400, accounting for 83.23% of operating income. The revenue generated from the sale of products is recognized when the control of the product has 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

(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, customs declaration and freight bill of lading, 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; conduct terminal sales penetrating inspections on related transactions; 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) Send correspondence to significant customers to confirm the amount of current sales revenue and account receivable balance, and maintain controls over the correspondence during the sending process.

(ii) Related transaction

1. Description of the matter

As stated in Note VIII (4) to the consolidated statement of your company, your company purchased a total of 179 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 146 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 for the same related party at the same time there are sales and purchase business, there is a risk of circular transactions, 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 XI (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 (hereinafter referred to as Vanke Arbitration case), ruled that your company and Wuhan Zhongheng had to pay a total of 234 million yuan of liquidated damages and other cost.

Your company believed that there were problems in the arbitration procedure and the determination of the so-called breach of contract in the Vanke arbitration case, and the finding damaged the legitimate rights and interests of the company. 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 Group undertook to fully bear all arbitration losses. In case of advance payment due to the execution of the case, the company would immediately request Wuhan Zhongheng Group to fulfill its commitment and eliminate the impact. Your company and Wuhan Zhongheng Group received an enforcement ruling (Document No. (2018) Yue 03 Zhi No. 1870-5) in 2020, and the relevant house property in the name of the person to be enforced could not be disposed of due to objections from person outside the case, and the person outside the case applied for not enforcing the arbitration award to Shenzhen Intermediate People's Court, the enforcement procedure was terminated. If the "non-enforcement" proposed by the person outside the case is rejected in accordance with the law, Shenzhen Vanke can continue to apply to the Shenzhen Intermediate People's Court for resumption of enforcement.

As the Vanke arbitration case has not been completed, and there is uncertainty in the division of responsibilities for the breach of contract within the defaulting entity, as well as the possibility of benefit transfer of Wuhan Zhongheng Group, the management needs to make significant judgments and estimates on whether the matter is recognized as an estimated liability or current profit and loss, so we have identified this significant 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, various rulings and enforcement notices related to the case, 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) Sending a communication letter to company's legal counsel to get an update on the progress of major litigation cases, and determine if there is a material impact on the company's financial statements;
- (5) 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 2021 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 (if applicable) 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.

WUYIGE Certified Public Accountants LLP

Chinese CPA: Cuiling Yao
(Project Partner)

China • Beijing

Chinese CPA: Ting Yang

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated balance sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD.

Unit: RMB/CNY

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	34,426,043.11	60,968,053.58
Settlement provisions		
Capital lent		
Trading financial assets		
Derivative financial assets		
Note receivable	105,922,317.60	20,240,464.79
Account receivable	128,675,327.97	128,063,911.79
Receivable financing	500,000.00	10,057,385.11
Accounts paid in advance	7,996,570.95	39,643,255.11
Insurance receivable		

Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	4,520,412.70	4,466,949.96
Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventories	90,585,670.27	70,166,013.49
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	3,732,033.86	4,255,643.19
Total current assets	376,358,376.46	337,861,677.02
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	46,191,777.80	47,224,662.27
Fixed assets	187,889,261.50	193,605,444.53
Construction in progress	740,000.00	740,000.00
Productive biological asset		
Oil and gas asset		
Right-of-use assets	209,298.72	
Intangible assets	39,171,573.09	40,820,657.80
Expense on Research and Development		
Goodwill		
Long-term expenses to be	1,691,257.89	77,445.31

apportioned		
Deferred income tax asset	7,681,680.11	7,383,734.13
Other non-current asset		66,000.00
Total non-current asset	283,574,849.11	289,917,944.04
Total assets	659,933,225.57	627,779,621.06
Current liabilities:		
Short-term loans	26,480,857.00	12,527,808.00
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable	21,554,981.30	37,416,381.20
Account payable	88,529,478.96	98,318,239.88
Accounts received in advance		
Contractual liability	736,355.70	287,140.66
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	3,844,381.07	5,737,366.59
Taxes payable	14,657,117.69	14,204,642.62
Other account payable	30,448,913.14	27,608,281.01
Including: Interest payable	113,080.26	26,335.66
Dividend payable		
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	61,104,400.61	12,000,000.00
Other current liabilities	64,644,280.61	18,322,972.81
Total current liabilities	312,000,766.08	226,422,832.77
Non-current liabilities:		

Insurance contract reserve		
Long-term loans		61,000,000.00
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability	115,101.00	
Long-term account payable		
Long-term wages payable		
Accrual liability	801,159.18	64,411.00
Deferred income	3,565,560.00	4,043,640.00
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	4,481,820.18	65,108,051.00
Total liabilities	316,482,586.26	291,530,883.77
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	146,577,771.50	146,577,771.50
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	-163,679,952.44	-170,881,854.46
Total owner's equity attributable to parent company	343,450,639.31	336,248,737.29
Minority interests		
Total owner's equity	343,450,639.31	336,248,737.29
Total liabilities and owner's equity	659,933,225.57	627,779,621.06

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Chen Zhigang

Person in charge of accounting institute: Chuai Guoxu

2. Balance Sheet of Parent Company

Unit: RMB/CNY

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	619,099.39	966,379.17
Trading financial assets		
Derivative financial assets		
Note receivable		
Account receivable		
Receivable financing		
Accounts paid in advance	52,129.33	73,685.03
Other account receivable	92,468,697.71	93,922,057.92
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		
Total current assets	93,154,732.93	94,976,928.62
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	186,618,400.00	186,618,400.00
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	23,444,941.60	23,957,898.42

Fixed assets	96,839,357.63	96,674,476.52
Construction in progress	740,000.00	740,000.00
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	4,263,817.80	4,408,763.52
Research and development costs		
Goodwill		
Long-term deferred expenses	969,444.45	
Deferred income tax assets	7,555,266.74	7,443,826.11
Other non-current assets		
Total non-current assets	320,431,228.22	319,843,364.57
Total assets	413,585,961.15	414,820,293.19
Current liabilities:		
Short-term borrowings		
Trading financial liability		
Derivative financial liability		
Notes payable		
Account payable	10,745,840.16	10,745,840.16
Accounts received in advance		
Contractual liability	263,321.38	79,195.32
Wage payable	1,209,937.19	1,476,601.12
Taxes payable	9,236,248.86	7,892,878.33
Other accounts payable	21,695,466.51	21,304,919.43
Including: Interest payable		
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year	61,000,000.00	12,000,000.00
Other current liabilities	13,859.02	3,959.77
Total current liabilities	104,164,673.12	53,503,394.13
Non-current liabilities:		
Long-term loans		61,000,000.00
Bonds payable		

Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long term employee compensation payable		
Accrued liabilities	801,159.18	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	801,159.18	61,064,411.00
Total liabilities	104,965,832.30	114,567,805.13
Owners' equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Special reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-198,519,962.90	-206,887,603.69
Total owner's equity	308,620,128.85	300,252,488.06
Total liabilities and owner's equity	413,585,961.15	414,820,293.19

3. Consolidated Profit Statement

Unit: RMB/CNY

Item	2021	2020
I. Total operating income	765,611,248.70	691,742,269.12
Including: Operating income	765,611,248.70	691,742,269.12
Interest income		
Insurance gained		

Commission charge and commission income		
II. Total operating cost	754,717,751.51	686,630,062.93
Including: Operating cost	682,838,898.18	613,228,694.51
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	3,363,183.87	3,575,851.98
Sales expense	8,440,486.05	15,417,760.60
Administrative expense	41,484,831.93	34,481,219.11
R&D expense	10,794,872.74	7,285,833.84
Financial expense	7,795,478.74	12,640,702.89
Including: Interest expenses	6,477,126.26	778,119.98
Interest income	1,866.93	813,102.51
Add: Other income	1,097,733.35	2,264,506.66
Investment income (Loss is listed with “-”)	290,069.30	165,317.73
Including: Investment income on affiliated company and joint venture		
The termination of income recognition for financial assets measured by amortized cost		
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 “-”)	261,857.68	207,383.73
Losses of devaluation of asset (Loss is listed with “-”)	-1,509,178.57	170,241.33
Income from assets disposal (Loss is listed with “-”)	6,442.36	817,533.49
III. Operating profit (Loss is listed with “-”)	11,040,421.31	8,737,189.13
Add: Non-operating income	1,358,669.18	488,657.30
Less: Non-operating expense	448,454.42	408,809.90
IV. Total profit (Loss is listed with “-”)	11,950,636.07	8,817,036.53
Less: Income tax expense	4,748,734.05	1,986,849.13
V. Net profit (Net loss is listed with “-”)	7,201,902.02	6,830,187.40
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with ‘-’)	7,201,902.02	6,830,187.40
2.termination of net profit (net loss listed with ‘-’)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	7,201,902.02	6,830,187.40
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.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	7,201,902.02	6,830,187.40
Total comprehensive income attributable to owners of parent Company	7,201,902.02	6,830,187.40
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0254	0.0241
(ii) Diluted earnings per share	0.0254	0.0241

As for the enterprise combined under the same control, net profit of -1,250,048.49 Yuan achieved by the merged party before combination while 2,326,929.25 Yuan achieved last period.

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Chen Zhigang

Person in charge of accounting institute: Chuai Guoxu

4. Profit Statement of Parent Company

Unit: RMB/CNY

Item	2021	2020
I. Operating income	47,591,806.18	37,262,114.01
Less: Operating cost	9,388,211.49	6,784,029.31
Taxes and surcharge	1,208,531.80	935,273.64
Sales expenses		
Administration expenses	18,214,671.25	17,981,589.32
R&D expenses		
Financial expenses	6,503,457.33	7,719,720.37
Including: Interest expenses	6,501,766.88	7,717,101.68
Interest income	1,720.03	10,145.09
Add: Other income	3,306.96	5,145.25
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 “-”)	290,985.67	-304,719.05
Losses of devaluation of asset (Loss is listed with “-”)		

Income on disposal of assets (Loss is listed with “-”)	21,059.60	910,907.16
II. Operating profit (Loss is listed with “-”)	12,592,286.54	4,452,834.73
Add: Non-operating income	456,991.35	89,455.80
Less: Non-operating expense	9,745.54	433.38
III. Total Profit (Loss is listed with “-”)	13,039,532.35	4,541,857.15
Less: Income tax	4,671,891.56	2,565,974.30
IV. Net profit (Net loss is listed with “-”)	8,367,640.79	1,975,882.85
(i) continuous operating net profit (net loss listed with “-”)	8,367,640.79	1,975,882.85
(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.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
VI. Total comprehensive income	8,367,640.79	1,975,882.85
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB/CNY

Item	2021	2020
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	530,267,973.64	570,954,717.52
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	5,215,945.03	126,477.24
Other cash received concerning operating activities	3,026,659.89	9,550,590.82
Subtotal of cash inflow arising from operating activities	538,510,578.56	580,631,785.58
Cash paid for purchasing commodities and receiving labor service	419,900,895.46	416,696,575.23
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	73,932,359.24	58,223,463.86
Taxes paid	21,218,237.32	11,877,060.89
Other cash paid concerning operating activities	35,782,846.61	34,115,416.00
Subtotal of cash outflow arising from operating activities	550,834,338.63	520,912,515.98
Net cash flows arising from operating activities	-12,323,760.07	59,719,269.60
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment	126,644.04	147,502.66

income		
Net cash received from disposal of fixed, intangible and other long-term assets	135,950.00	1,803,913.05
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		55,000,000.00
Subtotal of cash inflow from investing activities	262,594.04	56,951,415.71
Cash paid for purchasing fixed, intangible and other long-term assets	6,583,893.47	5,471,921.66
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		55,000,000.00
Subtotal of cash outflow from investing activities	6,583,893.47	60,471,921.66
Net cash flows arising from investing activities	-6,321,299.43	-3,520,505.95
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	101,493,342.00	34,380,634.80
Other cash received concerning financing activities	30,688,367.17	
Subtotal of cash inflow from financing activities	132,181,709.17	34,380,634.80
Cash paid for settling debts	98,974,257.00	56,765,100.20
Cash paid for dividend and profit distributing or interest paying	7,460,406.89	8,639,896.64
Including: Dividend and profit		

of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	1,657,499.43	30,688,367.17
Subtotal of cash outflow from financing activities	108,092,163.32	96,093,364.01
Net cash flows arising from financing activities	24,089,545.85	-61,712,729.21
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-2,692,912.78	-1,080,106.72
V. Net increase of cash and cash equivalents	2,751,573.57	-6,594,072.28
Add: Balance of cash and cash equivalents at the period -begin	30,050,989.33	36,645,061.61
VI. Balance of cash and cash equivalents at the period -end	32,802,562.90	30,050,989.33

6. Cash Flow Statement of Parent Company

Unit: RMB/CNY

Item	2021	2020
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	54,490,441.77	28,455,496.04
Write-back of tax received		4,854.01
Other cash received concerning operating activities	22,811,153.29	12,618,059.59
Subtotal of cash inflow arising from operating activities	77,301,595.06	41,078,409.64
Cash paid for purchasing commodities and receiving labor service	8,332,741.41	1,580,720.38
Cash paid to/for staff and workers	3,430,294.59	1,943,628.52
Taxes paid	7,053,272.79	7,717,101.68
Other cash paid concerning	38,665,568.58	10,145.09

operating activities		
Subtotal of cash outflow arising from operating activities	57,481,877.37	11,251,595.67
Net cash flows arising from operating activities	19,819,717.69	29,826,813.97
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	100,000.00	1,590,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	100,000.00	1,590,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,626,602.15	
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	1,626,602.15	
Net cash flows arising from investing activities	-1,526,602.15	1,590,000.00
III. Cash flows arising from financing activities:		
Cash received from absorbing investment		
Cash received from loans		1,000,000.00
Other cash received concerning financing activities		

Subtotal of cash inflow from financing activities		1,000,000.00
Cash paid for settling debts	12,000,000.00	12,000,000.00
Cash paid for dividend and profit distributing or interest paying	6,503,486.91	7,717,101.68
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	18,503,486.91	19,717,101.68
Net cash flows arising from financing activities	-18,503,486.91	-18,717,101.68
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-779.61	-2,451.00
V. Net increase of cash and cash equivalents	-211,150.98	12,697,261.29
Add: Balance of cash and cash equivalents at the period -begin	14,743,404.73	2,046,143.44
VI. Balance of cash and cash equivalents at the period -end	14,532,253.75	14,743,404.73

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

Current period

Unit: RMB/CNY

Item	2021														
	Owners' equity attributable to the parent Company													Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other	Subtotal		
I. The ending balance of the	283,16				146,577,				77,391,5		-170,881,		336,248,		336,248,

previous year	1,227.00				771.50				93.25		854.46		737.29		737.29
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. The beginning balance of the current year	283,161.27.00				146,577.771.50				77,391.593.25		-170,881,854.46		336,248,737.29		336,248,737.29
III. Increase/Decrease in the period (Decrease is listed with “-”)											7,201,902.02		7,201,902.02		7,201,902.02
(i) Total comprehensive income											7,201,902.02		7,201,902.02		7,201,902.02
(ii) Owners’ devoted and decreased capital															
1. Common shares invested by shareholders															
2. Capital invested by holders of other equity instruments															

3. Amount reckoned into owners equity with share-based payment																			
4. Other																			
(iii) Profit distribution																			
1. Withdrawal of surplus reserves																			
2. Withdrawal of general risk provisions																			
3. Distribution for owners (or shareholders)																			
4. Other																			
(iv) Carrying forward internal owners' equity																			
1. Capital reserves conversed to capital (share capital)																			
2. Surplus reserves conversed to capital (share capital)																			
3. Remedying loss with surplus reserve																			
4. Carry-over																			

retained earnings from the defined benefit plans																
5. Carry-over retained earnings from other comprehensive income																
6. Other																
(v) Reasonable reserve																
1. Withdrawal in the report period																
2. Usage in the report period																
(vi) Others																
IV. Balance at the end of the period	283,161,227.00				146,577,771.50				77,391,593.25			-163,679,952.44			343,450,639.31	343,450,639.31

Last period

Unit: RMB/CNY

Item	2020													Minority interests	Total owners' equity	
	Owners' equity attributable to the parent Company															
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other	Subtotal			
Preferred stock		Perpetual capital	Other													

			uri tie s											
I. The ending balance of the previous year	283,161,227.00			146,587,271.50				77,391,593.25		-177,712,041.86		329,428,049.89		329,428,049.89
Add: Changes of accounting policy														
Error correction of the last period														
Enterprise combine under the same control														
Other														
II. The beginning balance of the current year	283,161,227.00			146,587,271.50				77,391,593.25		-177,712,041.86		329,428,049.89		329,428,049.89
III. Increase/Decrease in the period (Decrease is listed with “-”)				-9,500.00						6,830.18		6,820.68		6,820.68
(i) Total comprehensive income										6,830.18		6,830.18		6,830.18
(ii) Owners’ devoted and decreased capital														
1.Common shares														

invested by shareholders																		
2. Capital invested by holders of other equity instruments																		
3. Amount reckoned into owners equity with share-based payment																		
4. Other																		
(iii) Profit distribution																		
1. Withdrawal of surplus reserves																		
2. Withdrawal of general risk provisions																		
3. Distribution for owners (or shareholders)																		
4. Other																		
(iv) Carrying forward internal owners' equity																		
1. Capital reserves conversed to capital (share capital)																		

2. Surplus reserves 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					-9,500.00								-9,500.00		-9,500.00
IV. Balance at the end of the period	283,161,277.00				146,577,771.50				77,391,593.25				-170,881,854.46		336,248,737.29

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

Current period

Unit: RMB/CNY

Item	2021											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surpluses reserve	Retained profit	Other	Total owners' equity
		Preferred stock	Perpetual capital securities	Other								
I. The ending balance of the previous year	283,161,227.00				146,587,271.50				77,391,593.25	-206,887,603.69		300,252,488.06
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. The beginning balance of the current year	283,161,227.00				146,587,271.50				77,391,593.25	-206,887,603.69		300,252,488.06
III. Increase/Decrease in the period (Decrease is listed with "-")										8,367,640.79		8,367,640.79
(i) Total comprehensive income										8,367,640.79		8,367,640.79
(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 period	283,161,227.00				146,587,271.50				77,391,593.25	-198,519,962.90		308,620,128.85

Last period

Unit: RMB/CNY

Item	2020											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Prefere d stock	Perpetual capital securities	Other								
I. The ending balance of the previous year	283,161,227.				146,587,271.50				77,391,593.25	-208,864	3,486.5	298,276,605.21

	00											
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. The beginning balance of the current year	283, 161, 227. 00			146,5 87,27 1.50				77,39 1,593 .25	-208,86 3,486.5 4			298,276, 605.21
III. Increase/ Decrease in the period (Decrease is listed with “-”)									1,975,8 82.85			1,975,88 2.85
(i) Total comprehensiv e income									1,975,8 82.85			1,975,88 2.85
(ii) Owners’ devoted and decreased capital												
1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based												

payment												
4. Other												
(iii) Profit distribution												
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)												
3. Other												
(iv) Carrying forward internal owners' equity												
1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from												

other comprehensive income												
6. Other												
(v) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(vi) Others												
IV. Balance at the end of the period	283,161,227.00				146,587,271.50				77,391,593.25	-206,887,603.69		300,252,488.06

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.

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

The financial statement has been deliberated and approved by BOD on April 23, 2022. According to Article of Association, the statement shall be submitted for deliberation in shareholders general meeting.

(4) Consolidate scope in the Period:

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., Shenzhen HUAFA Hengtai Co., Ltd and Rusi Co., Ltd. More of subsidiaries found in “Note VI. 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 (hereinafter collectively referred to as Accounting Standards for Business Enterprise), 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 2021 and the operation results as well as cash flow for the year of 2021.

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

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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. Classification of joint venture arrangement and accounting treatment of joint operation

N/A

8. 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.

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

9.1 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.

9.2 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.

10. Financial instrument

10.1 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.

10.2 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.

10.3 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.

10.4 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: ①The book value of the derecognition part on the derecognition date; ②The 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.

11.Note receivable

Method of determining expected credit losses and accounting treatment

11.1 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

① Receivables 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) Methods of measuring loss reserves for other financial assets

For financial assets other than the above, such as debt investment, other debt investment, other receivables, long-term receivables other than lease receivables, etc., the Company uses the general method, that is, the three-stage model to measure loss reserves.

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

The Company divides other receivables into a number of portfolios based on the nature of the money, and calculates the expected credit loss on the basis of the portfolio. The basis for determining the portfolio is as follows:

Other receivables portfolio 1: A portfolio of unrelated parties with provision for impairment in accordance with the expected loss rate

Other receivables portfolio 2: A portfolio of related parties included in the scope of the consolidated statement

For other receivables classified into portfolio 1, the Company refers to historical credit loss experience, combines with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and expected credit loss rate of the entire duration, and calculates the expected credit loss.

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

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

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

11.2 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. Account receivable

Same as 11. Note receivable

13.Receivable financing

Same as 11. Note receivable

14. Other account receivable

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

Same as 11. Note receivable

15. Inventory

15.1 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.

15.2 Accounting method for inventory delivery

When inventories are issued, the actual cost of issuance is determined by the month-end weighted average

method.

15.3 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.

15.4 Inventory system

Inventory system of the Company is perpetual inventory system

15.5 Amortization method for the low-value consumables and wrap page

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

16. Contract assets

The Company lists the right to receive consideration (and this right depends on factors other than the passage of time) that has transferred goods or services to the customer as a contract asset.

Impairment of contract assets is based on expected credit losses. For the determination method and accounting treatment method of the expected credit loss of the contract assets of the Company, please refer to (11) Notes Receivable.

17. Contract costs

The Company's contract cost includes the incremental cost for obtaining contracts and contract performance cost. The incremental cost incurred to obtain a contract (contract acquisition cost) is the cost that would not have been incurred if the contract had not been obtained. If the cost is expected to be recovered, the Company shall recognize it as an asset as the contract acquisition cost.

If the cost incurred by the Company for performing the contract does not fall within the scope of the inventory and other accounting standards and meets the following conditions at the same time, it shall be recognized as an asset as the contract performance cost:

1. The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing overhead (or similar expenses), cost clearly borne by the user, and other cost incurred solely as a result of the contract;
2. The cost increases the Company's future resources for fulfilling its performance obligations;

3. The cost is expected to be recovered.

The Company amortizes the asset (hereinafter referred to as the “asset related to the contract cost”) recognized by the contract acquisition cost and the contract performance cost on the same basis as the revenue from the commodity related to the asset, and includes it in the current profit and loss. If the amortization period of the asset formed by the incremental cost for obtaining the contract does not exceed one year, it shall be included in the current profit and loss when it occurs.

When the book value of the asset related to the contract cost is higher than the difference between the following two items, the Company shall make provision for impairment of the excess and recognize it as an asset impairment loss:

1. The remaining consideration expected to be obtained due to the transfer of commodity related to the asset;
2. The estimated cost to be incurred for the transfer of the relevant commodity.

18. Assets held for sale

N/A

19. Debt investment

N/A

20. Other debt investment

N/A

21. Long-term account receivable

N/A

22. Long-term equity investment

22.1 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”

22.2 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.

22.3 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.

23. Investment real estate

Measurement for investment real estate

Cost method

Depreciation or amortization method

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.

24. 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%	1.8%-4.5%
Machinery equipment	Straight-line depreciation	10	10%	9%
Mold equipment	Straight-line depreciation	3	10%	30%
Transportation equipment	Straight-line depreciation	5	10%	18%
Instrument equipment	Straight-line depreciation	5	10%	18%
Tool equipment	Straight-line depreciation	5	10%	18%
Office equipment	Straight-line depreciation	5	10%	18%
N/A				

(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.

25. 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.

26. Borrowing expenses

26.1 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.

26.2 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.

27. Biological assets

N/A

28. Oil and natural gas assets

N/A

29. Right-of-use assets

For right-of-use assets, if the lessee can reasonably determine that the ownership of the leased asset can be obtained when the lease term expires, it shall accrue depreciation over the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. At the same time, the lessee needs to determine whether the right-of-use asset is impaired, and conducts accounting treatment for the recognized impairment loss.

30. Intangible assets

(1) Accounting method, service life and impairment test

1. Valuation methods of intangible assets

The Company's intangible assets are initially measured at cost. The purchased intangible assets are regarded as actual cost according to the actual price paid and related expenses. For the intangible assets invested by investors, the actual cost is determined according to the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined according to the fair value. The cost of self-developed intangible assets is the total expenditure incurred before reaching the intended use.

The subsequent measurement methods of the Company's intangible assets are as follows: the intangible assets with limited service life are amortized using the straight-line method, and the service life and amortization method of the intangible assets are reviewed at the end of the year. If there is any difference from the original estimate, make corresponding adjustments; the intangible assets with uncertain service life are not amortized, but the service life is reviewed at the end of the year. When there is conclusive evidence that its service life is limited, estimate its service life and amortize it on a straight-line basis.

2. Judgment basis for uncertain service life

The Company determines the intangible assets of which the time limit to bring economic benefits to the company

cannot be foreseen or the service life is uncertain as intangible assets with uncertain service life. The judgment basis for the uncertain service life comes from contractual rights or other legal rights, but there is no clear service life in the contract or legal provisions; it is still impossible to judge when the intangible assets will bring economic benefits to the company based on the situation in the same industry or the demonstration of relevant experts.

At the end of each year, the company reviews the service life of intangible assets with uncertain service life, mainly adopting a bottom-up approach, the relevant departments of intangible assets make the basic review to evaluate whether there is any change in the judgment basis for the uncertainty of service 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.

31. 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.

32. Long-term deferred expenses

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.

33. Contract liabilities

The company presents the obligation to transfer goods or provide services to customers for consideration received or receivable as a contract liability.

34. 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.

35. Lease liability

For the lease liabilities, the lessee shall calculate the interest expenses on the lease liability for each period of the lease term and reckon into current gain/loss.

36. 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.

37. Share-based payment

N/A

38. Other financial instrument as preferred shares and perpetual bonds

N/A

39. Revenue (income)

Accounting policy for recognition and measurement of revenue(income)

The Company recognizes revenue based on the transaction price allocated to the performance obligations at the time when it has fulfilled the performance obligations in the contract, that is, when the customer obtains control rights of the relevant goods or services. Obtaining control rights of related goods means being able to lead the use of the goods and obtain almost all economic benefits from them. Performance obligations refer to the Company's commitment to transfer clearly distinguishable goods to customers in the contract. The transaction price refers to the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods to the customer, not including the amount collected on behalf of a third party and the amount that the Company expects to return to the customer.

Whether the performance obligation is to be performed within a certain period of time or at a certain point of time depends on the terms of the contract and relevant legal provisions. If the performance obligation is performed within a certain period of time, the Company recognizes revenue in accordance with the progress of the performance. Otherwise, the Company recognizes revenue at a certain point when the customer obtains control rights of the relevant assets.

The Company's specific revenue recognition methods:

The sales contract between the Company and the customer usually only contains the performance obligation for the transferred goods. The Company's performance obligation for the transfer of goods does not meet the three conditions for performance within a certain period of time, therefore, the Company usually recognizes revenue at the time-point of completion of the inspection of incoming on the basis of comprehensive consideration of the following factors, i.e. for domestic sales, the revenue is recognized when the product has been sent out and the other party has signed for confirmation. For export sales, the revenue is recognized by the relevant customs declaration documents when the product has been shipped and customs declaration procedures have been completed.

The house lease contract signed by the Company and the customer usually only contains the performance obligation for the provision of lease and property services, the Company recognizes revenue according to the progress of performance when a performance obligation is performed within a certain period of time, i.e. as agreed in the lease contract, revenue is recognized when related payments are received or evidence of collections is obtained.

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

N/A

40. Government subsidy

40.1 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.

40.2 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.

41. Deferred income tax asset / deferred income tax liability

41.1 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.

41.2 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.

41.3 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.

42. 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.

43. Other important accounting policy and estimates

N/A

44. 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
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44.1 Change in accounting policies and basis1.

The first implementation of the new lease standard

According to the Notice on Revising and Issuing Accounting Standards for Business Enterprises No. 21 - Leases (CK [2018] No. 35) issued by the Ministry of Finance on December 7, 2018, the revised Accounting Standards for Business Enterprises No. 21 - Lease takes effect on January 1, 2019 for companies listed both at home and abroad and companies listed overseas and preparing financial statements by using IFRS or ASBE; for other companies that implement Accounting Standards for Business Enterprises, it takes effect on January 1, 2021.

According to the regulations of the Ministry of Finance, the company has implemented the new lease standard from January 1, 2021 (hereinafter referred to as the “first implementation date”).

The main contents of the new lease standard implemented this time are as follows: (1) Under the new lease standard, except for short-term leases and low-value leases, lessees will no longer distinguish between finance leases and operating leases, and all leases are subject to the same accounting treatment, requiring the recognition of right-of-use assets and lease liabilities; (2) For right-of-use assets, where the lessee can reasonably determine that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued within the remaining useful life of the leased asset. Where it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. At the same time, the lessee needs to determine whether the right-of-use asset is impaired, and conduct accounting treatment for the recognized

impairment losses; (3) For lease liabilities, the lessee shall calculate the interest expenses of the lease liabilities in each period of the lease term, and include them in the current profits and losses. (4) For short-term leases and leases of low-value assets, the lessee may choose not to recognize the right-of-use assets and lease liabilities, and include them in the relevant asset costs and liabilities and the current profits and losses in each period of the lease term by using the straight-line method or other systematic and reasonable methods.

The company will start accounting treatment for the impact of the implementation of the new lease standard on the company in accordance with the new lease standard from January 1, 2021, and according to the connection regulations, the information of the comparable period will not be adjusted, and the retained earnings at the beginning of 2021 shall be retrospectively adjusted by the difference between the new lease standard and the current lease standard on the first implementation date. This accounting policy change does not involve retrospective adjustments to previous years and will not have a significant impact on the company's financial statements.

(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 leasing standards since 2021

Applicable Not applicable

Whether needs to adjust the balance sheet at the beginning of the year

Yes No

Explanation of reasons for not requiring the adjustment of beginning balance sheet account

Impact of the implementation of new leasing standard on the Company: accounting of the Company is based on the new leasing standards from January 1, 2021, and according to the articulation provisions, the information for the comparable period will not be adjusted; the retained earnings at beginning of 2021 retrospectively adjusted for differences between the new lease standard and current lease standard at the date of first implementation. The change in accounting policy does not involve the retroactive adjustment to prior years and will not have an important impact on the financial statement of the Company.

(4) Retrospective adjustment of early comparison data description when initially implemented the new leasing standards since 2021

Applicable Not applicable

45. Other

N/A

VI. Taxes

1. Major tax and tax rate

Taxes	Taxation basis	Tax rate
VAT	Domestic sales revenue	13%, 9%, 6%, 5%, 3%
Consumption 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	70% of original value of the property	1.2%

Explain the different taxation entity of the enterprise income tax

Taxation entity	Income tax rate
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 December 1, 2020, the certificate number is GR202042003237, which is valid for 3 years. The applicable corporate income tax rate of the subsidiary Wuhan Hengfa Technology Co., Ltd. for 2021 was 15%.

3. Other

Nil

VII. Notes to main items in consolidated financial statement

1. Monetary fund

Unit: RMB/CNY

Item	Ending balance	Opening balance
Cash on hand	220,467.15	138,673.02
Bank deposit	32,674,664.03	30,141,013.39
Other monetary fund	1,530,911.93	30,688,367.17
Total	34,426,043.11	60,968,053.58

Other explanation

Amount of the restricted monetary funds at end of the period was 1,623,480.21 yuan, including bank deposits of 92,568.28 yuan, which were restricted due to the freezing of litigation; other monetary fund was 1,530,911.93 yuan, which were restricted due to the note deposit. Other than that, the Company has no other amounts that are subject to restriction on use and potential recovery risks due to mortgages, pledges or freezes.

2. Trading financial assets

Unit: RMB/CNY

Item	Ending balance	Opening balance
Including:		
Including:		

Other explanation:

3. Derivative financial assets

Unit: RMB/CNY

Item	Ending balance	Opening balance

Other explanation:

4. Note receivable

(1) Category

Unit: RMB/CNY

Item	Ending balance	Opening balance
Bank acceptance bill	62,186,577.09	
Commercial acceptance bill	43,735,740.51	20,240,464.79
Total	105,922,317.60	20,240,464.79

Unit: RMB/CNY

Category	Ending 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:

Unit: RMB/CNY

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

Accrual of bad debt provision on portfolio:

Unit: RMB/CNY

Name	Ending 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

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

Bad debt provision accrual in the period:

Unit: RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	

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

Applicable Not applicable

(3) Notes receivable that the company has pledged at the end of the period

Unit: RMB/CNY

Item	Amount pledge at period-end
Bank acceptance bill	20,026,713.29
Total	20,026,713.29

(4) Notes endorsement or discount and undue on balance sheet date

Unit: RMB/CNY

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill		25,910,186.91
Commercial acceptance bill		26,472,601.39
Total		52,382,788.30

(5) Notes transfer to account receivable due for failure implementation by drawer at period-end

Unit: RMB/CNY

Item	Amount transfer to account receivable at period-end
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Other explanation

(6) Note receivable actually written-off in the period

Unit: RMB/CNY

Item	Written-off amount
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Written-off situation of important notes receivable:

Unit: RMB/CNY

Name	Nature of notes receivable	Written-off amount	Written-off reason	Written-off procedure performed	Whether the payment is generated by related party transactions

Notes receivable written-off description:

5. Account receivable

(1) Category

Unit: RMB/CNY

Category	Ending 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	9.27%	13,146,290.18	100.00%	0.00	13,146,290.18	9.31%	13,146,290.18	100.00%	
Including:										
Account receivable with bad debt provision accrual by combination	128,714,349.74	90.73%	39,021.77	0.03%	128,675,327.97	128,073,805.57	90.69%	9,893.78	0.01%	128,063,911.79
Including:										
Combination 1: Take account ages of receivables as a combination of	128,714,349.74	90.73%	39,021.77	0.03%	128,675,327.97	128,073,805.57	90.69%	9,893.78	0.01%	128,063,911.79

credit risk characteristics										
Total	141,860,639.92	100.00%	13,185,311.95	9.29%	128,675,327.97	141,220,095.75	1,005.00%	13,156,183.96	9.32%	128,063,911.79

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

Unit: RMB/CNY

Name	Ending balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	100.00%	Uncollectible
Hong Kong Haowei Industrial Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Uncollectible
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Uncollectible
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Uncollectible
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Uncollectible
Shenzhen 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	274,399.80	274,399.80	100.00%	Uncollectible

Electronic Co., Ltd.				
Chuangjing	247,811.87	247,811.87	100.00%	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00%	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00%	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00%	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100.00%	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00%	Uncollectible
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:

Unit: RMB/CNY

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

Accrual of bad debt provision on portfolio: 39,021.77 yuan

Unit: RMB/CNY

Name	Ending balance		
	Book balance	Bad debt provision	Accrual ratio
Within one year	127,969,770.91		
1-2 years	718,833.35	35,941.67	5.00%
2-3 years	23,217.71	2,321.77	10.00%
Over 3 years	2,527.77	758.33	30.00%
Total	128,714,349.74	39,021.77	--

Explanation on portfolio basis:

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

Accrual of bad debt provision on portfolio:

Unit: RMB/CNY

Name	Ending 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

Unit: RMB/CNY

Account ages	Book balance
Within one year (one year included)	127,969,770.91
1-2 years	718,833.35
2-3 years	23,217.71
Over 3 years	13,148,817.95
Over 5 years	13,148,817.95
Total	141,860,639.92

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

Bad debt provision accrual in the period:

Unit: RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Accounts receivable with provision for bad debts based on individual assessments	13,146,290.18					13,146,290.18
Accounts receivable with provision for bad debts by combination	9,893.78	29,127.99				39,021.77
Total	13,156,183.96	29,127.99				13,185,311.95

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

Unit: RMB/CNY

Company	Amount collected or reversal	Way of collection

(3) Actual written-off accounts receivable in the current period

Unit: RMB/CNY

Item	Written-off amount
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Including the important accounts receivable written-off situation:

Unit: RMB/CNY

Name	Nature of accounts receivable	Written-off amount	Written-off reason	Written-off procedure performed	Whether the payment is generated by related party transactions
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Written-off description of accounts receivable:

Nil

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

Unit: RMB/CNY

Company	Ending balance of account receivable	Proportion in total account receivables at period-end	Ending balance of bad debt provision
Qingdao Haidayuan Purchasing Service Co., Ltd.	34,570,445.34	24.37%	
Hefei Hangjia Display Technology Co., Ltd.	30,912,634.00	21.79%	
Hong Kong Yutian International Investment Co., Ltd.	24,428,463.68	17.22%	
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	13,902,449.94	9.80%	
Wuhan AOC Technology Co., Ltd.	5,076,178.19	3.58%	
Total	108,890,171.15	76.76%	

(5) Assets and liabilities resulted by account receivable transfer and continues involvement

Nil

Other explanation:

Nil

(6) Account receivable derecognition due to financial assets transfer

Nil

6. Receivable financing

Unit: RMB/CNY

Item	Ending balance	Opening balance
Notes receivable	500,000.00	10,057,385.11
Total	500,000.00	10,057,385.11

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:

Nil

7. Accounts paid in advance

(1) By account age

Unit: RMB/CNY

Account ages	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within one year	7,996,570.95	100.00%	39,454,164.61	99.52%
1-2 years			106,781.00	0.27%
2-3 years			82,309.50	0.21%
Total	7,996,570.95	--	39,643,255.11	--

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	Ending balance	Proportion in accounts paid in advance (%)
Qingdao Haidayuan Purchasing Service Co., Ltd.	5,045,758.04	63.10
AU Optronics Co., Ltd.	898,941.82	11.24
HONGKONGJUYUEOPTOELECTRONICS	740,601.31	9.26
Guangzhou Shikun Electronic Technology Co., Ltd.	318,493.81	3.98
Wuhan Jufutai Technology Co., Ltd.	288,000.00	3.60
Total	7,291,794.98	91.19

Other explanation:

Nil

8. Other account receivable

Unit: RMB/CNY

Item	Ending balance	Opening balance
Other account receivable	4,520,412.70	4,466,949.96
Total	4,520,412.70	4,466,949.96

1) Category of interest receivable

Unit: RMB/CNY

Item	Ending balance	Opening balance

2) Significant overdue interest

Unit: RMB/CNY

Borrower	Ending balance	Overdue time	Reason for overdue	Whether there is impairment and its judgment basis

Other explanation:

3) Accrual of bad debt provision

Applicable Not applicable

(2) Dividend receivable

1) Category of dividend receivable

Unit: RMB/CNY

Item (or invested unit)	Ending balance	Opening balance

2) Important dividend receivable with account age over one year

Unit: RMB/CNY

Item (or invested unit)	Ending balance	Account age	Reasons for non-recovery	Whether there is impairment and its judgment basis

3) Accrual of bad debt provision

Applicable Not applicable

Other explanation:

(3) Other account receivable

1) Other account receivable by nature

Unit: RMB/CNY

Nature	Ending book balance	Opening book balance
Margin & deposit	1,829,768.00	1,681,688.00
Borrow money	1,481,984.12	2,124,073.12
Intercourse funds	7,844,053.53	8,924,093.42
Rental receivable	6,999,971.21	6,224,167.48
Other	925,152.02	364,429.79
Less: Bad debt provision	-14,560,516.18	-14,851,501.85
Total	4,520,412.70	4,466,949.96

2) Accrual of bad debt provision

Unit: 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. 2021		111.75	14,851,390.10	14,851,501.85
Balance of 1 Jan. 2021 in the period	—	—	—	—
--Transfer to the second stage		111.75	14,851,390.10	14,851,501.85
Reversal in Current Period		111.75	290,873.92	290,985.67
Balance on Dec. 31, 2021			14,560,516.18	14,560,516.18

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

Applicable Not applicable

By account age

Unit: RMB/CNY

Account ages	Book balance
Within one year (one year included)	1,298,683.16
1-2 years	1,725,961.49
2-3 years	265,630.40
Over 3 years	15,790,653.83
3-4 years	15,790,653.83
Total	19,080,928.88

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

Bad debt provision accrual in the period:

Unit: RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Accounts receivable with provision for bad debts based on individual assessments	14,851,390.10		290,873.92			14,560,516.18
Other receivable with provision for bad debts by combination	111.75		111.75			
Total	14,851,501.85		290,985.67			14,560,516.18

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

Unit: RMB/CNY

Company	Amount collected or switches back	Way of collection

4) The actual written-off other receivables in the current period

Unit: RMB/CNY

Item	Written-off amount

Including the important written-off situation of other receivables:

Unit: RMB/CNY

Name	Nature of other	Written-off	Written-off reason	Written-off	Whether the

	receivables	amount		procedure performed	payment is generated by related party transactions
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Description of other receivables written-off:

No significant other receivables actually written off in the current period

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

Unit: RMB/CNY

Company	Nature	Ending balance	Account ages	Proportion in total other receivables at period-end	Ending balance of bad debt provision
Portman	Rental receivable	4,021,734.22	Over 3 years	21.08%	4,021,734.22
Jackfang Investment 1F 1076	Rental receivable	1,380,608.00	Over 3 years	7.24%	1,380,608.00
TPV Electronic Technology (Fujian) Co., Ltd.	Margin	800,000.00	Over 3 years	4.19%	
Jiang Hong	Intercourse funds	600,000.00	Within 1 year	3.14%	
Compensation for traffic accidents	Intercourse funds	555,785.81	Over 3 years	2.91%	555,785.81
Total	--	7,358,128.03	--	38.56%	5,958,128.03

6) Receivables involving government subsidies

Unit: RMB/CNY

Name	Government subsidy item	Ending balance	Ending account age	Estimated time, amount and basis of receipt
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Nil

7) Other receivable for termination of confirmation due to the transfer of financial assets

Nil

8) The amount of assets and liabilities that are transferred other receivable and continued to be involved

Nil

Other explanation:

Nil

9. Inventories

Whether companies need to comply with the disclosure requirements of the real estate industry

No

(1) Category

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Inventories fall provision or contract performance costs impairment provision	Book value	Book balance	Inventories fall provision or contract performance costs impairment provision	Book value
Raw materials	51,401,344.33	2,456,429.93	48,944,914.40	39,735,101.27	1,691,320.92	38,043,780.35
Inventory goods	32,258,568.10	2,210,144.58	30,048,423.52	27,562,913.38	1,673,369.82	25,889,543.56
Homemade semi-finished products	11,797,660.18	325,374.92	11,472,285.26	6,213,029.56	29,363.73	6,183,665.83
Low priced and easily worn articles	141,953.08	21,905.99	120,047.09	159,646.13	110,622.38	49,023.75
Total	95,599,525.69	5,013,855.42	90,585,670.27	73,670,690.34	3,504,676.85	70,166,013.49

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

Unit: RMB/CNY

Item	Opening balance	Current increased		Current decreased		Ending balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	1,691,320.92	1,282,197.94		517,088.93		2,456,429.93
Inventory goods	1,673,369.82	1,567,086.39		1,030,311.63		2,210,144.58
Homemade semi-finished products	29,363.73	322,794.12		26,782.93		325,374.92

Low priced and easily worn articles	110,622.38	5,128.21		93,844.60		21,905.99
Total	3,504,676.85	3,177,206.66		1,668,028.09		5,013,855.42

(3) Explanation on capitalization of borrowing costs at ending balance of inventory

Nil

(4) Assets completed without settlement from construction contract at period-end

Nil

10. Contract assets

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

The amount and reasons for major changes in the book value of contract assets during the current period:

Unit: RMB/CNY

Item	Change amount	Reason for change
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If the provision for bad debts of contract assets 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

Accrual provision for impairment of contract assets in the current period

Unit: RMB/CNY

Item	Current accrual	Current reversal	Current resell/Written-off	Reason
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Other explanation:

11. Assets held for sale

Unit: RMB/CNY

Item	Ending book balance	Provision for impairment	Ending book value	Fair value	Estimated disposal cost	Estimated disposal time
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Other explanation:

12. Non-current assets due within one year

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Important debt investment/other debt investment

Unit: RMB/CNY

Creditor's Rights Item	Ending balance				Opening balance			
	Face value	Coupon rate	Real interest rate	Expiry date	Face value	Coupon rate	Real interest rate	Expiry date

Other explanation:

13. Other current assets

Unit: RMB/CNY

Item	Ending balance	Opening balance
Value-added tax to be deducted	3,732,033.86	4,255,643.19
Total	3,732,033.86	4,255,643.19

Other explanation:

Nil

14. Debt investment

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Important debt investment

Unit: RMB/CNY

Creditor's Rights Item	Ending balance				Opening balance			
	Face value	Coupon rate	Real interest rate	Expiry date	Face value	Coupon rate	Real interest rate	Expiry date

Provision for impairment accrual

Unit: 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 of 1 Jan. 2021 in the period	—	—	—	—

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

Applicable Not applicable

Other explanation:

15. Other debt investment

Unit: RMB/CNY

Item	Opening balance	Accrued interest	Fair value changes in this period	Ending balance	Cost	Cumulative fair value changes	Accumulated loss reserves recognized in other comprehensive income	Note

Important other debt investment

Unit: RMB/CNY

Other Creditor's Rights Item	Ending balance				Opening balance			
	Face value	Coupon rate	Real interest rate	Expiry date	Face value	Coupon rate	Real interest rate	Expiry date

Provision for impairment accrual

Unit: 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 of 1 Jan. 2021 in the period	—	—	—	—

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

Applicable Not applicable

Other explanation:

16. Long-term receivables

(1) Long-term receivables

Unit: RMB/CNY

Item	Ending balance	Opening balance	Discount

	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	rate range
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Bad debt provision impairment

Unit: 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 of 1 Jan. 2021 in the period	—	—	—	—

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

Applicable Not applicable

(2) Long-term receivables derecognized due to the transfer of financial assets

(3) The amount of assets and liabilities formed by the transfer of long-term receivables and continued involvement

Other explanation

17. Long-term equity investment

Unit: RMB/CNY

Enterprise	Opening balance (book value)	Current changes (+, -)								Ending balance (book value)	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/losses recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											

Other explanation

18. Other equity instrument investment

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Itemized disclosure of investment in non-trading equity instruments for the current period

Unit: RMB/CNY

Item	Recognized dividend income	Cumulative gain	Accumulated loss	The amount of comprehensive income transferred to retained earnings	Reasons designated as fair value measurement and its changes included in other comprehensive income	Reason for transferring comprehensive income to retained income

Other explanation:

19. Other non-current financial assets

Unit: RMB/CNY

Item	Ending balance	Opening balance

Other explanation:

20. Investment real estate

(1) Investment real estate measured at cost

Applicable Not applicable

Unit: 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	1,137,207.00			1,137,207.00
(1) Outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in				
(3) Increased by combination				
(3) Increase in transfer of fixed assets	1,137,207.00			1,137,207.00
3. Current decreased				
(1) Disposal				

(2) Other transfer-out				
4. Ending balance	134,798,893.94			134,798,893.94
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	86,437,024.67			86,437,024.67
2. Current increased	2,170,091.47			2,170,091.47
(1) Accrual or amortization	1,728,330.29			1,728,330.29
(2) Increase in transfer of fixed assets	441,761.18			
3. Current decreased				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	88,607,116.14			88,607,116.14
III. Impairment provision				
1. Opening balance				
2. Current increased				
(1) Accrual				
3. Current decreased				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Book value				
1. Ending book value	46,191,777.80			46,191,777.80
2. Opening book value	47,224,662.27			47,224,662.27

(2) Investment real estate measured by fair value

Applicable Not applicable

(3) Investment real estate without property certification held

Unit: RMB/CNY

Item	Book value	Reason without property certification held
Other explanation		

21. Fixed assets

Unit: RMB/CNY

Item	Ending balance	Opening balance
Fixed assets	95,031,789.81	100,747,972.84
Disposal of fixed assets	92,857,471.69	92,857,471.69
Total	187,889,261.50	193,605,444.53

(1) Fixed asset

Unit: RMB/CNY

Item	House building	Machinery equipment	Means of transportation	Office equipment	Instrument equipment	Tool equipment	Mold equipment	Total
I. Original book value								
1. Opening balance	73,200,617.41	95,162,467.54	3,589,808.82	7,286,291.60	3,231,378.03	9,160,548.05	24,950,960.45	216,582,071.90
2. Current increased		985,796.10	1,531,558.08	1,218,413.87	111,632.98	624,666.36	2,538,946.54	7,011,013.93
(1) Purchasing		985,796.10	1,531,558.08	1,218,413.87	111,632.98	624,666.36	2,538,946.54	7,011,013.93
(2) Construction in process transfer-in								
(3) Increased by combination								

3. Current decreased	1,137,207.00	338,261.19	1,567,139.04	34,383.30		19,189.55	50,442.47	3,146,622.55
(1) Disposal or scrapping		338,261.19	1,567,139.04	34,383.30		19,189.55	50,442.47	2,009,415.55
(2) Transfer into investment real estate	1,137,207.00							1,137,207.00
4. Ending balance	72,063,410.41	95,810,002.45	3,473,225.86	8,470,322.17	3,424,013.01	9,766,024.86	27,439,464.52	220,446,463.28
II. Accumulative depreciation								
1. Opening balance	20,835,498.92	62,315,100.16	2,530,234.21	6,270,774.21	2,684,698.25	4,790,714.70	16,407,078.61	115,834,099.06
2. Current increased	2,046,964.00	4,290,819.55	414,050.74	212,387.06	143,031.72	1,216,626.29	3,527,754.72	11,851,634.08
(1) Accrual	2,046,964.00	4,290,819.55	414,050.74	212,387.06	143,031.72	1,216,626.29	3,527,754.72	11,851,634.08
3. Current decreased	441,761.18	299,485.34	1,476,650.79	31,059.91		5,310.42	16,792.03	2,271,059.67
(1) Disposal or scrapping		299,485.34	1,476,650.79	31,059.91		5,310.42	16,792.03	2,271,059.67
(2) Transfer into investment real estate	441,761.18							441,761.18
4. Ending balance	22,443,385.19	66,166,210.12	1,467,827.24	6,590,289.96	2,881,961.79	5,946,957.87	19,918,041.30	125,414,673.47
III. Depreciation reserves								
1. Opening								

balance								
2. Current increased								
(1) Accrual								
3. Current decreased								
(1) Disposal or scrapping								
4. Ending balance								
IV. Book value								
1. Ending book value	49,620,025.22	29,643,792.33	2,005,398.62	1,880,032.21	542,051.22	3,819,066.99	7,521,423.22	95,031,789.81
2. Opening book value	52,365,118.49	32,847,367.38	1,059,574.61	1,015,517.39	546,679.78	4,369,833.35	8,543,881.84	100,747,972.84

(2) Temporarily idle fixed assets

Unit: RMB/CNY

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Note

(3) Fixed assets leasing-out by operational lease

Unit: RMB/CNY

Item	Ending book value
House building	695,445.82
Total	695,445.82

(4) Fixed assets without property certification held

Unit: RMB/CNY

Item	Book value	Reason without property certification held

Other explanation

(5) Disposal of fixed assets

Unit: RMB/CNY

Item	Ending 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

22. Construction in process

Unit: RMB/CNY

Item	Ending balance	Opening balance
Construction in process	740,000.00	740,000.00
Total	740,000.00	740,000.00

(1) Construction in process

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Huafa Building Reconstruction Project	240,000.00		240,000.00	240,000.00		240,000.00
Gongming Electronic City Reconstruction Project	500,000.00		500,000.00	500,000.00		500,000.00
Total	740,000.00		740,000.00	740,000.00		740,000.00

(2) Changes of major projects under construction

Unit: RMB/CNY

Item	Budget	Opening balance	Current increased	Fixed assets transferred in the Period	Other decreased in the Period	Ending balance	Proportion of project investment in	Progress	Accumulated amount of interest	including: interest capitalized	Interest capitalization rate of the	Source of funds
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							budget		capital ization	amoun t of the year	year	
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(3) The provision for impairment of construction projects

Unit: RMB/CNY

Item	Current accrual amount	Accrual reason
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Other explanation

(4) Engineering materials

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Other explanation:

23. Productive biological assets

(1) Productive biological assets measured by cost

Applicable Not applicable

(2) Productive biological assets measured by fair value

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Right to use assets

Unit: RMB/CNY

Item	House building	Total
I. Original book value		
1. Opening balance		
2. Current increased	313,948.08	313,948.08
Revaluation adjustment	313,948.08	313,948.08
3. Current decreased		

4. Ending balance	313,948.08	313,948.08
II. Accumulative depreciation		
1. Opening balance		
2. Current increased	104,649.36	104,649.36
(1) Accrual	104,649.36	104,649.36
3. Current decreased		
(1) Disposal		
4. Ending balance	104,649.36	104,649.36
III. Depreciation reserves		
1. Opening balance		
2. Current increased		
(1) Accrual		
3. Current decreased		
(1) Disposal		
4. Ending balance		
IV. Book value		
1. Ending book value	209,298.72	209,298.72
2. Opening book value		

Other explanation:

26. Intangible assets

(1) Intangible assets

Unit: RMB/CNY

Item	Land use right	Patent right	Non-patented technology	Computer software	Total
I. Original book value					
1. Opening balance	55,415,814.36			3,113,396.41	58,529,210.77

2. Current increased				58,838.51	58,838.51
(1) Purchasing				58,838.51	58,838.51
(2) Internal R&D					
(3) Increased by combination					
3. Current decreased					
(1) Disposal					
4. Ending balance	55,415,814.36			3,172,234.92	58,588,049.28
II. Accumulated amortization					
1. Opening balance	16,651,035.42			948,089.65	17,599,125.07
2. Current increased	1,445,488.89			262,434.33	1,707,923.22
(1) Accrual	1,445,488.89			262,434.33	1,707,923.22
3. Current decreased					
(1) Disposal					
4. Ending balance	18,096,524.31			1,210,523.98	19,307,048.29
III. Depreciation reserves					
1. Opening balance				109,427.90	109,427.90
2. Current increased					
(1) Accrual					
3. Current decreased					
(1) Disposal					

4. Ending balance				109,427.90	109,427.90
IV. Book value					
1. Ending book value	37,319,290.05			1,852,283.04	39,171,573.09
2. Opening book value	38,764,778.94			2,055,878.86	40,820,657.80

The proportion of intangible assets form by internal R&D in total book value of intangible assets at period-end 0.00%

(2) The situation of land use rights that have not completed the ownership certificate

Unit: RMB/CNY

Item	Book value	Reason without property certification held

Other explanation:

27. Development expenditure

Unit: RMB/CNY

Item	Opening balance	Increase in the current period			Decrease in the current period			Ending balance
		Internal development expenditure	Other		Recognized as intangible assets	Transferred into current profit and loss		
Total								

Other explanation

28. Goodwill

(1) Goodwill original book value

Unit: RMB/CNY

Invested name or matters forming goodwill	Opening balance	Increase in the current period		Decrease in the current period		Ending balance
		Formed by business combination		Dispose		
Total						

(2) Goodwill provision for impairment

Unit: RMB/CNY

Invested name or matters forming goodwill	Opening balance	Increase in the current period		Decrease in the current period		Ending balance
		Accrual		Dispose		
Total						

Information about the asset group or combination of asset groups where the goodwill is located

Explain the process of goodwill impairment testing, key parameters (such as the growth rate of the forecast period when the present value of future cash flows are expected, the growth rate of the stable period, the profit rate, the discount rate, the forecast period, etc.) and the confirmation method of the impairment loss of goodwill:

The impact of goodwill impairment testing

Other explanation

29. Long-term deferred expenses

Unit: RMB/CNY

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Ending balance
Lawyer fee		969,444.45			969,444.45
Amortization of cloud service fees	77,445.31	659,552.01	224,104.21		512,893.11
Huafa Building Central Air Conditioning Overhaul Project		150,787.00			150,787.00
China Telecom Corporation Limited Shenzhen Branch		4,800.00			4,800.00
Huafa Building Elevator Overhaul Project		60,000.00	6,666.67		53,333.33
Total	77,445.31	1,844,583.46	230,770.88		1,691,257.89

Other explanation

30. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: RMB/CNY

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	29,705,573.64	6,946,556.32	28,458,252.74	6,761,085.38
Accrual liability	801,159.18	200,289.79	64,411.00	16,102.75
Deferred income	3,565,560.00	534,834.00	4,043,640.00	606,546.00
Total	34,072,292.82	7,681,680.11	32,566,303.74	7,383,734.13

(2) Deferred income tax liabilities that are not offset

Unit: RMB/CNY

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities

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

Unit: 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		7,681,680.11		7,383,734.13

(4) Deferred income tax asset without recognized

Unit: RMB/CNY

Item	Ending balance	Opening balance
Deductible temporary differences	3,163,837.81	3,163,837.81
Deductible loss	5,081,160.28	4,098,904.69
Total	8,244,998.09	7,262,742.50

(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year

Unit: RMB/CNY

Year	Ending amount	Opening amount	Note
2022		742,401.79	
2023		404,207.57	
2024		1,318,067.59	
2025		1,634,227.74	
2026	1,587.57		
2026 and future years (applicable to high-tech enterprises and technology-based SMEs)	5,079,572.71		
Total	5,081,160.28	4,098,904.69	--

Other explanation:

31. Other non-current assets

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid long-term asset acquisitions						
				66,000.00		66,000.00
Total				66,000.00		66,000.00

Other explanation:

32. Short-term borrowings

(1) Category

Unit: RMB/CNY

Item	Ending balance	Opening balance
Secured portfolio loan	19,190,857.00	12,527,808.00
Mortgage loan	7,290,000.00	
Total	26,480,857.00	12,527,808.00

Explanation on category of short-term loans:

(2) Short-term loans that have been overdue and have not been repaid

The total amount of short-term loans that were overdue and not repaid at the end of the period was RMB 0.00, and the important short-term loans that were overdue and not repaid are as follows:

Unit: RMB/CNY

Borrower	Ending balance	Borrowing rate	Overdue time	Overdue interest rate
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Other explanation:

33. Trading financial liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
Including:		
Including:		

Other explanation:

34. Derivative financial liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Other explanation:

35. Notes payable

Unit: RMB/CNY

Category	Ending balance	Opening balance
Bank acceptance draft	21,554,981.30	37,416,381.20
Total	21,554,981.30	37,416,381.20

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

36. Account payable

(1) Account payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
Within 1 year (including 1 year)	76,362,296.93	85,862,573.31
Over one year	12,167,182.03	12,455,666.57
Total	88,529,478.96	98,318,239.88

(2) Major account payable over one year

Unit: RMB/CNY

Item	Ending 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
Tokin Electronics (Nanjing) Plasma Co., Ltd.	617,963.45	Without settlement
Total	5,383,116.92	--

Other explanation:

37. Accounts received in advance

(1) Accounts received in advance

Unit: RMB/CNY

Item	Ending balance	Opening balance

(2) Important accounts received in advance with account age over one year

Unit: RMB/CNY

Item	Ending balance	Reasons for outstanding or carry-over

38. Contract liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
Sales received in advance	473,034.32	207,945.34
Lease received in advance	263,321.38	79,195.32
Total	736,355.70	287,140.66

Amount and reasons for significant changes in book value during the reporting period

Unit: RMB/CNY

Item	Change Amount	Reason for change

39. Wage payable

(1) Wage payable

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending balance
I. Short-term benefits	5,704,816.53	61,921,937.31	63,782,372.77	3,844,381.07
II. Post-employment benefits-defined contribution plans	32,550.06	4,354,757.45	4,387,307.51	
III. Dismiss welfare		587,024.54	587,024.54	
Total	5,737,366.59	66,863,719.30	68,756,704.82	3,844,381.07

(2) Short-term benefits

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending balance
1. Wages, bonuses, allowances and subsidies	4,709,654.92	53,669,173.53	55,565,267.34	2,813,561.11
2. Employee benefits	754.00	5,764,924.60	5,714,287.20	51,391.40
3. Social insurance premium	37,267.03	2,216,829.66	2,231,808.71	22,287.98
Including: Medical insurance	35,408.95	2,010,851.36	2,023,972.33	22,287.98
Work injury insurance	768.30	26,923.62	27,691.92	
Maternity insurance	1,089.78	179,054.68	180,144.46	
4. Housing accumulation fund	24,310.00	271,009.52	271,009.52	24,310.00
5. Labor union expenditure and personnel education expense	932,830.58			932,830.58
Total	5,704,816.53	61,921,937.31	63,782,372.77	3,844,381.07

(3) Defined contribution plans

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending balance
1. Basic endowment	31,361.59	4,183,959.13	4,215,320.72	

insurance				
2. Unemployment insurance	1,188.47	170,798.32	171,986.79	
Total	32,550.06	4,354,757.45	4,387,307.51	

Other explanation:

40. Taxes payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
VAT	4,271,423.08	2,980,929.11
Corporate income tax	7,387,839.94	6,558,810.68
Individual income tax	22,943.65	25,195.14
Urban maintenance and construction tax	658,864.50	1,902,436.52
Property tax	544,525.98	318,681.51
Land use tax	107,577.53	33,280.48
Educational surtax	283,138.75	816,098.15
Local educational surtax	159,099.46	418,611.03
Dike fee	1,665.00	1,665.00
Stamp tax	34,839.80	28,895.00
Disposal fund of waste electrical products	1,185,200.00	1,120,040.00
Total	14,657,117.69	14,204,642.62

Other explanation:

41. Other accounts payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
Interest payable	113,080.26	26,335.66
Other payable	30,335,832.88	27,581,945.35
Total	30,448,913.14	27,608,281.01

(1) Interest payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Interest of short-term loans payable	113,080.26	26,335.66
Total	113,080.26	26,335.66

Significant overdue and unpaid interest:

Unit: RMB/CNY

Loan unit	Overdue amount	Reason for overdue
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Other explanation:

(2) Dividend payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Other explanation, including important dividends payable that have not been paid for more than 1 year, should disclose the reasons for the non-payment:

(3) Other accounts payable

1) Other account payable by nature

Unit: RMB/CNY

Item	Ending balance	Opening balance
Margin & deposit	11,702,750.67	11,523,316.67
Lease management fee	3,647,788.39	3,227,985.19
Intercourse funds	5,411,882.45	5,546,586.51
After sale and repairment	1,920,745.00	1,454,341.68
Energy consumption (Water, electricity and steam)	2,554,906.95	1,443,603.28
Shipping	1,762,758.03	902,242.26
Reserve fund	1,300,000.00	1,346,345.00
Other	2,035,001.39	2,137,524.76
Total	30,335,832.88	27,581,945.35

2) Significant other account payable with over one year age

Unit: RMB/CNY

Item	Ending balance	Reasons for non-payment or carry over
Shenzhen SED Property Development Co., Ltd.	2,158,060.75	Without settlement
Shenzhen Huayongxing Environmental	1,000,000.00	Deposit

Protection Technology Co., Ltd.		
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	Deposit
Total	4,951,635.86	--

Other explanation

42. Liabilities held for sale

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Other explanation:

43. Non-current liabilities due within one year

Unit: RMB/CNY

Item	Ending balance	Opening balance
Long-term loans due within one year	61,000,000.00	12,000,000.00
Lease liabilities due within one year	104,400.61	
Total	61,104,400.61	12,000,000.00

Other explanation:

44. Other current liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
Unterminated confirmation on note receivable	64,546,944.94	18,309,336.77
Pending sales tax	97,335.67	13,636.04
Total	64,644,280.61	18,322,972.81

Changes in short-term bonds payable:

Unit: RMB/CNY

Name of bond	Face value	Issue date	Bond maturity	Issue Amount	Opening balance	Current issue	Interest accrued at face value	Premium and discount amortiz	Repayment in the current period	Ending balance
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Financial instruments issued	Opening of period		Increase in the current period		Decrease in the current period		Ending of period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Explanation of the basis for the classification of other financial instruments into financial liabilities

Other explanation

47. Lease liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
Lease Payments	224,721.00	
Less: Unrecognized financing charges	-5,219.39	
Less: lease liabilities due within one year	-104,400.61	
Total	115,101.00	

Other explanation

48. Long-term payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
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(1) List long-term payable according to the nature of the payment

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Other explanation:

(2) Special accounts payable

Unit: RMB/CNY

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance	Cause of formation
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Other explanation:

49. Long-term Wages payable

(1) Long-term Wages payable

Unit: RMB/CNY

Item	Ending balance	Opening balance
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(2) Changes in defined benefit plans

Present value of defined benefit plan obligations:

Unit: RMB/CNY

Item	The Period	Last Period
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Plan assets:

Unit: RMB/CNY

Item	The Period	Last Period
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Defined benefit plan net liabilities (net assets)

Unit: RMB/CNY

Item	The Period	Last Period
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Description of the content of the defined benefit plan and related risks, the impact on the company's future cash flow, time and uncertainty:

Explanation of major actuarial assumptions and sensitivity analysis results of defined benefit plans:

Other explanation:

50. Accrual liability

Unit: RMB/CNY

Item	Ending balance	Opening balance	Causes
Pending action	801,159.18	64,411.00	Business and Labor Disputes
Total	801,159.18	64,411.00	--

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

51. Deferred income

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending balance	Causes
Government subsidy	4,043,640.00		478,080.00	3,565,560.00	Industrial Transformation Subsidy
Total	4,043,640.00		478,080.00	3,565,560.00	--

Items involving Government subsidy:

Unit: RMB/CNY

Liability	Opening balance	New subsidy increased in the	Amount reckoned in non-operat	Amount included in other income in	Amount of cost and expense offset in	Other change	Ending balance	Assets-related/Income-related
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		period	ing income in the period	the current period	the current period			
Provincial special fund for transformation and upgrading of traditional industry for 2018	1,600,000.00			200,000.00			1,400,000.00	Assets-related
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	472,640.00			59,080.00			413,560.00	Assets-related
Special funds for industrial investment and technological transformation and intelligent transformation in 2020	1,971,000.00			219,000.00			1,752,000.00	Assets-related
Total	4,043,640.00			478,080.00			3,565,560.00	

Other explanation:

52. Other non-current liabilities

Unit: RMB/CNY

Item	Ending balance	Opening balance
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Other explanation:

53. Share capital

Unit: RMB/CNY

	Opening balance	Changes in the Period (+,-)					Ending 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:

54. Other equity instruments

(1) Basic information of other financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

(2) Changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

Unit: RMB/CNY

Financial instruments issued	Opening of period		Increase in the current period		Decrease in the current period		Ending of period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Other equity instruments' changes in the current period, explanations of the reasons for the changes, and the basis for related accounting treatments:

Other explanation:

55. Capital public reserve

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending balance
Capital premium (equity premium)	96,501,903.02			96,501,903.02

Other capital public reserve	50,075,868.48			50,075,868.48
Total	146,577,771.50			146,577,771.50

Other explanation, including changes and reasons of changes:

56. Treasury stocks

Unit: RMB/CNY

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
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Other explanation, including changes in the current period and explanations of the reasons for the changes:

57. Other comprehensive income

Unit: RMB/CNY

Item	Opening balance	The Period						Ending balance
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less: written in other comprehensive income in previous period and carried forward to retained earnings in current period	Less: income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	

Other explanation, including the adjustment on initial recognition for arbitrage items that transfer from the effective part of cash flow hedge profit/loss:

58. Reasonable reserve

Unit: RMB/CNY

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
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Other explanation, including changes and reasons for changes:

59. Surplus public reserve

Unit: RMB/CNY

Item	Opening balance	Increase during the period	Decrease during the period	Ending 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:

60. Retained profit

Unit: RMB/CNY

Item	Current period	Last period
Retained profit at the end of the previous period before adjustment	-170,881,854.46	
Retained profit at period-begin after adjustment	-170,881,854.46	
Add: net profit attributable to owners of the parent company	7,201,902.02	
Retained profit at period-end	-163,679,952.44	

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

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

61. Operating revenue and cost

Unit: RMB/CNY

Item	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Main business	683,791,931.51	651,462,180.48	617,385,012.51	575,728,898.74
Other business	81,819,317.19	31,376,717.70	74,357,256.61	37,499,795.77

Total	765,611,248.70	682,838,898.18	691,742,269.12	613,228,694.51
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Whether the lower of the audited net profit before and after deduction of non-recurring gains and losses is negative

Yes No

Information relating to revenue:

Unit: RMB/CNY

Category	Branch 1	Branch 2	Branch 3	Total
Product Types				
Including:				
Classification by business area				
Including:				
Market or customer type				
Including:				
Contract Types				
Including:				
Classification by time of goods transfer				
Including:				
Classification by contract duration				
Including:				
Classification by sales channel				
Including:				
Total				

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

62. Tax and surcharges

Unit: RMB/CNY

Item	Current Period	Last Period
Urban maintenance and construction tax	287,231.63	1,016,287.94
Educational surtax	130,093.63	435,551.94
Property tax	1,598,772.50	1,037,125.69
Land use tax	714,389.23	434,724.29
Vehicle use tax	1,260.00	360.00
Stamp tax	556,368.80	421,993.80
Local education development fee	75,068.08	229,808.32
Total	3,363,183.87	3,575,851.98

Other explanation:

63. Sales expense

Unit: RMB/CNY

Item	Current Period	Last Period
Employee compensation	3,103,186.57	3,181,384.76
Commodity inspection fee	1,226.42	2,648,430.44
Customs fee		90,913.66
Commodity loss	2,527,135.78	4,869,738.37
After-sales service fee	2,068,337.92	3,815,389.24
Business entertainment expense	409,140.20	198,137.01
Other	331,459.16	613,767.12
Total	8,440,486.05	15,417,760.60

Other explanation:

64. Administrative expense

Unit: RMB/CNY

Item	Current Period	Last Period
Salary	11,728,934.97	9,921,865.34

Depreciation	1,708,723.67	2,208,645.49
Social security fee	2,180,030.41	799,110.40
Business entertainment expense	5,737,388.03	5,592,000.14
Employee benefits	1,929,326.14	790,303.01
Travel expenses	1,462,595.61	1,449,073.69
Depreciation and amortization cost	1,817,485.87	1,605,138.91
Transportation expenses	655,619.85	572,727.46
Intermediary agency service fee	2,411,189.41	1,919,335.23
Security fee	2,335,296.53	2,098,103.57
Repair cost	3,228,502.09	2,991,269.94
Office expenses	1,695,832.67	1,095,896.50
Communication fee	132,707.00	150,322.79
Amortization of low-value consumables	15,873.75	271,997.21
Securities Information Disclosure Fee	177,083.00	283,386.75
Litigation fee	959,929.40	150,400.00
Lease fee	933,873.20	1,048,880.52
Staff education and labor union funds	17,343.14	14,603.40
Water and electricity	682,878.59	152,374.57
Other expenses	1,674,218.60	1,365,784.19
Total	41,484,831.93	34,481,219.11

Other explanation:

65. R& D expenses

Unit: RMB/CNY

Item	Current Period	Last Period
Employee compensation	6,326,069.12	4,791,827.59
Direct material input	2,653,046.85	1,644,898.53
Depreciation and amortization	995,487.86	593,756.40
Power and manufacturing cost	702,049.86	120,699.24
Other	118,219.05	134,652.08
Total	10,794,872.74	7,285,833.84

Other explanation:

66. Financial expense

Unit: RMB/CNY

Item	Current Period	Last Period
Interest costs	7,871,921.48	8,508,919.02
Less: Interest income	249,118.01	838,314.39
Exchange loss	4,056,759.31	8,048,826.28
Less: exchange gains	4,078,992.15	3,248,154.95
Handing expense	193,748.11	167,866.93
Other	1,160.00	1,560.00
Total	7,795,478.74	12,640,702.89

Other explanation:

67. Other income

Unit: RMB/CNY

Sources	Current Period	Last Period
Three-agency handling fee for individual tax	3,553.35	6,113.66
Provincial special fund for transformation and upgrading of traditional industry for 2018	59,080.00	59,080.00
Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	200,000.00	200,000.00
Special funds for industrial investment and technological transformation and intelligent transformation in 2020	219,000.00	219,000.00
Enterprise stabilization subsidy refund		232,313.00
Subsidies for training on behalf of workers		1,016,000.00
2020 Caidian District Patent Award Fund		12,000.00
2020 Municipal Manufacturing and Internet Integration Development Special Fund		520,000.00
2016-2017 Patent Grant Funds	6,000.00	
Wu Ke [2017] No. 17 High-tech Cultivation Subsidy	50,000.00	

2021 High-end Enterprise Cultivation Related Rewards (Re-accreditation)	50,000.00	
2021 Municipal Foreign Trade and Economic Development Special Fund	341,900.00	
Enterprises absorb employment compensation funds for poverty alleviation labor	12,000.00	
2020 Central Foreign Economic and Trade Development Special Fund (Processing Trade)	156,200.00	
Total	1,097,733.35	2,264,506.66

68. Investment income

Unit: RMB/CNY

Item	Current Period	Last Period
Investment income from financial products	290,069.30	165,317.73
Total	290,069.30	165,317.73

Other explanation:

69. Net exposure hedging income

Unit: RMB/CNY

Item	The Period	Last Period

Other explanation:

70. Fair value change income

Unit: RMB/CNY

Sources of income from changes in Fair value	The Period	Last Period

Other explanation:

71. Credit impairment loss

Unit: RMB/CNY

Item	Current Period	Last Period
Bad debt loss of other account receivable	290,985.67	213,089.45
Credit impairment loss of account receivable	-29,127.99	-5,705.72

Total	261,857.68	207,383.73
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Other explanation:

72. Losses on assets impairment

Unit: RMB/CNY

Item	Current Period	Last Period
II. Inventory falling price loss and impairment loss of contract performance cost	-1,509,178.57	170,241.33
Total	-1,509,178.57	170,241.33

Other explanation:

73. Asset disposal income

Unit: 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	6,442.36	817,533.49
Total	6,442.36	817,533.49

74. Non-operating income

Unit: RMB/CNY

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
Government subsidy	200,000.00	465,079.80	200,000.00
Other	1,158,669.18	23,577.50	1,158,669.18
Total	1,358,669.18	488,657.30	1,358,669.18

Government subsidy reckoned into current gains/losses:

Unit: 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
2020 Enterprise-School		Award	The government subsidy	N	N	200,000.00		Income-related

Joint Innovation Center Filing Award			obtained for engaging in the state to encourage and support specific industries and tradings (obtained in accordance with the law by national policy)					
2019 Central Foreign Economic and Trade Development Special Fund Processing Trade Matters		Subsidy	The government subsidy obtained for engaging in the state to encourage and support specific industries and tradings (obtained in accordance with the law by national policy)	N	N		210,900.00	Income-related
Steady growth in foreign trade of the audited foreign economic		Award	The government subsidy to avoid losses of listed	N	N		90,400.00	Income-related

and trade development special funds in 2019			companies					
2020 Provincial Special Funds for Foreign Economic and Trade Development		Award	The government subsidy to avoid losses of listed companies	N	N		36,100.00	Income-related
2020 Municipal Foreign Economic and Trade Development Special Fund		Award	The government subsidy to avoid losses of listed companies	N	N		41,500.00	Income-related
Government subsidies for epidemic prevention		Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	N		10,000.00	Income-related
Sewage fee refund		Subsidy	The government subsidy granted as an incentive listing	N	N		15,778.80	Income-related
Electricity subsidy		Subsidy	The government	N	N		60,401.00	Income-related

			subsidy obtained for engaging in the state to encourage and support specific industries and tradings (obtained in accordance with the law by national policy)					
Total						200,000.00	465,079.80	

Other explanation:

75. Non-operating expenditure

Unit: RMB/CNY

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
External donation	30,000.00		30,000.00
Damage to non-current assets and scrap losses	8,500.00		8,500.00
Penalties and liquidated damages	407,697.26	369,714.13	407,697.26
Other expenses	2,257.16	39,095.77	2,257.16
Total	448,454.42	408,809.90	448,454.42

Other explanation:

76. Income tax expense

(1) Statement of income tax expense

Unit: RMB/CNY

Item	Current Period	Last Period
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Current income tax expense	4,870,856.73	2,550,845.51
Deferred income tax expense	-297,945.99	-580,374.13
Other	175,823.31	16,377.75
Total	4,748,734.05	1,986,849.13

(2) Adjustment on accounting profit and income tax expenses

Unit: RMB/CNY

Item	Current Period
Total profit	11,950,636.07
Income tax based on statutory/applicable rate	2,987,659.02
Impact by different tax rate applied by subsidies	-146,844.90
Effect of adjusting the income tax in previous period	175,823.31
Impact on cost, expenses and losses that unable to deducted	1,326,101.62
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	1,620,418.18
Other	-1,214,423.18
Income tax expense	4,748,734.05

Other explanation

77. Other comprehensive income

See note

78. Annotation of cash flow statement

(1) Cash received with other operating activities concerned

Unit: RMB/CNY

Item	The Period	Last Period
Unit intercourse account	1,345,946.88	3,566,766.97
Collection management fee and utilities etc.		148,431.32
Interest income	85,992.61	129,319.77
Personal loan	22,650.87	296,101.74
Refunds	228,697.08	13,328.40
Claim deduction etc.	2,982.38	8,175.34
Guarantee, deposit	462,005.53	756,526.93

Government subsidy	816,100.00	4,477,329.40
Other income	62,284.54	154,610.95
Total	3,026,659.89	9,550,590.82

Note of cash received with other operating activities concerned:

(2) Cash paid with other operating activities concerned

Unit: RMB/CNY

Item	The Period	Last Period
Unit intercourse account		2,613,872.25
Borrowings paid by employees	2,202,562.48	2,384,958.00
Shipping fee	7,428,787.96	6,995,192.43
Communication fee	4,259,643.78	1,580,667.08
Utility bill	2,235,382.89	2,697,056.69
Transportation expenses	747,458.81	454,078.69
Repair cost	3,171,180.65	3,396,243.22
Financial institution fee	90,302.58	59,840.09
Other	1,850,326.60	1,582,172.00
Courier fee	890,138.90	1,086,119.77
After-sales service fee	409,049.06	700,744.50
Inspection fee	2,192,636.22	693,871.75
Office expenses	537,022.74	1,286,080.79
Margin	3,157,256.00	2,244,276.97
Travel expenses	1,693,408.73	4,424,533.42
Audit consulting fee	3,186,518.77	377,867.92
Rental fees	539,016.00	193,840.43
Securities Information Disclosure Fee	157,083.00	283,386.75
Security fee	1,035,071.44	1,060,613.25
Total	35,782,846.61	34,115,416.00

Note of cash paid with other operating activities concerned:

(3) Cash received with other investment activities concerned

Unit: RMB/CNY

Item	Current Period	Last Period
Redemption of principal of financial		55,000,000.00

products		
Total		55,000,000.00

Note of cash received with other investment activities concerned:

(4) Cash paid related with investment activities

Unit: RMB/CNY

Item	Current Period	Last Period
Purchasing financial products		35,000,000.00
Total		35,000,000.00

Note of cash paid related with investment activities:

(5) Other cash received related to financing activities

Unit: RMB/CNY

Item	The Period	Last Period
Bill margin	30,688,367.17	
Total	30,688,367.17	

Description of other received cash related to financing activities:

(6) Cash paid related with financing activities

Unit: RMB/CNY

Item	Current Period	Last Period
Bill margin	1,530,911.93	30,688,367.17
Bill discount rate	126,587.50	
Total	1,657,499.43	30,688,367.17

Note of cash paid related with financing activities:

79. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

Unit: RMB/CNY

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	7,201,902.02	6,830,187.40
Add: Assets impairment provision	1,247,320.89	-377,625.06

Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	11,851,113.86	14,552,007.52
Depreciation of right-of-use assets	104,649.36	
Amortization of intangible assets	1,707,923.22	1,727,942.64
Amortization of long-term deferred expenses	170,770.88	232,335.84
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with “-”)		-817,533.49
Losses on scrapping of fixed assets (gain is listed with “-”)		
Gain/loss of fair value changes (gain is listed with “-”)		
Financial expenses (gain is listed with “-”)	7,296,333.40	13,309,590.35
Investment loss (gain is listed with “-”)	-253,150.98	-165,317.73
Decrease of deferred income tax asset ((increase is listed with “-”)	319,011.35	-580,374.13
Increase of deferred income tax liability (decrease is listed with “-”)		
Decrease of inventory (increase is listed with “-”)	-21,885,640.30	-3,024,220.20
Decrease of operating receivable accounts (increase is listed with “-”)	-40,382,512.17	4,984,706.25
Increase of operating payable accounts (decrease is listed with “-”)	20,776,598.40	21,335,650.21
Other	-478,080.00	1,711,920.00
Net cash flows arising from operating activities	-12,323,760.07	59,719,269.60
2. Material investment and financing not involved in cash flow	--	--
Conversion of debt into capital		
Switching Company bonds due within one year		
Financing lease of fixed assets		

3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	32,802,562.90	30,050,989.33
Less: Balance of cash equivalent at year-begin	30,050,989.33	36,645,061.61
Add: Balance at year-end of cash equivalents		
Less: Balance at year-begin of cash equivalents		
Net increase of cash and cash equivalents	2,751,573.57	-6,594,072.28

(2) Net cash payment for the acquisition of a subsidiary in the period

Unit: RMB/CNY

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

(3) Net cash received from the disposal of subsidiaries

Unit: RMB/CNY

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

(4) Constitution of cash and cash equivalent

Unit: RMB/CNY

Item	Ending balance	Opening balance
I. Cash	32,802,562.90	30,050,989.33
Including: Cash on hand	220,467.15	138,673.02
Bank deposit available for payment at any time	32,582,095.75	29,912,316.31

III. Balance of cash and cash equivalent at period-end	32,802,562.90	30,050,989.33
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Other explanation:

80. Note of the changes of owners' equity

Explain the items and amount at period-end adjusted for "Other" at end of the last year:

Nil

81. Assets with ownership or use right restricted

Unit: RMB/CNY

Item	Ending book value	Limited reason
Money funds	1,530,911.93	Notes Payable Margin
Fixed assets	12,173,809.88	Collateral for borrowing
Intangible assets	6,575,414.09	Collateral for borrowing
Monetary Funds	92,568.28	Judicial freeze
Investment real estate	11,308,296.62	Collateral for borrowing
Fixed assets liquidation	92,857,471.69	Court seizure
Investment real estate	22,749,495.78	Bank loan mortgage
Note receivable	20,026,713.29	Notes Payable Margin
Total	167,314,681.56	--

Other explanation:

82. Item of foreign currency

(1) Item of foreign currency

Unit: RMB/CNY

Item	Ending balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds	--	--	13,651,223.26
Including: USD	2,141,133.25	6.375700	13,651,223.26
Euro			
HKD			
Account receivable	--	--	28,570,762.68
Including: USD	4,481,196.21	6.375700	28,570,762.68

Euro			
HKD			
Other receivables			1,639,543.13
Including: USD	257,155.00	6.375700	1,639,543.13
Accounts payable			9,994,194.94
Including: USD	1,567,544.73	6.375700	9,994,194.94
Short-term loans			19,190,857.00
Including: USD	3,010,000.00	6.375700	19,190,857.00
Long-term loans	--	--	
Including: USD			
Euro			
HKD			

Other explanation:

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

Applicable Not applicable

83. Hedging

According to the hedge classification, disclose the qualitative and quantitative information of hedging items, related hedging tools, and hedged risks:

84. Government subsidy

(1) Government subsidy

Unit: RMB/CNY

Category	Amount	Item for presentation	Amount reckoned into current gains/losses
Three-agency handling fee for individual tax	3,553.35	Other income	3,553.35
Provincial special fund for transformation and upgrading of traditional industry for 2018	59,080.00	Other income	59,080.00

Incentive fund for Wuhan industrial intelligent transformation demonstration project in 2019	200,000.00	Other income	200,000.00
Special funds for industrial investment and technological transformation and intelligent transformation in 2020	219,000.00	Other income	219,000.00
2016-2017 Patent Grant Funds	6,000.00	Other income	6,000.00
Wu Ke [2017] No. 17 High-tech Cultivation Subsidy	50,000.00	Other income	50,000.00
2021 High-end Enterprise Cultivation Related Rewards (Re-accreditation)	50,000.00	Other income	50,000.00
2021 Municipal Foreign Trade and Economic Development Special Fund	341,900.00	Other income	341,900.00
Enterprises absorb employment compensation funds for poverty alleviation labor	12,000.00	Other income	12,000.00
2020 Central Foreign Economic and Trade Development Special Fund (Processing Trade)	156,200.00	Other income	156,200.00
2020 Enterprise-School Joint Innovation Center Filing Award	200,000.00	Non-operating income	200,000.00
Total	1,297,733.35		1,297,733.35

(2) Government grants rebate

Applicable Not applicable

Other explanation:

85. Other

Nil

VIII. Changes of consolidation scope

1. Enterprise combine not under the same control

(1) Enterprise combination under the same control in Period

Unit: RMB/CNY

Purchaser	Time point for equity obtained	Cost of equity obtained	Ratio of equity obtained	Acquired way Equity obtained way	Purchasing date	Standard to determine the purchasing date	Income of purchaser from purchasing date to period-end	Net profit of purchaser from purchasing date to period-end

Other explanation:

(2) Combination cost and goodwill

Unit: RMB/CNY

Consolidation cost	
--Cash	
--Fair value of non-cash assets	
--Fair value of debts issued or assumed	
--Fair value of equity securities issued	
-- Fair value of contingent consideration	
--Fair value of the equity prior to the purchasing date	
--Other	
Total combination cost	
Less: shares of fair value of identifiable net assets acquired	
Goodwill/merger cost is less than the shares of fair value of identifiable net assets acquired	

The method of determining the fair value of the merger cost, contingent consideration and there changes:

The main reasons for the formation of large amounts of goodwill:

Other explanation:

(3) Identifiable assets and liability on purchasing date under the purchaser

Unit: RMB/CNY

	Fair value on purchasing date	Book value on purchasing date

Assets:		
Monetary funds		
Account receivable		
Inventory		
Fixed assets		
Intangible assets		
Liability:		
Loan		
Account payable		
Deferred tax liabilities		
Net assets		
Less: Minority interests		
Net assets acquired		

Method for determining the fair value of identifiable assets and liabilities:

The contingent liabilities of the acquiree assumed in the business combination:

Other explanation:

(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Yes No

(5) Notes relating to the purchase date or the end of the period in which the merger consideration or the fair value of the purchasee's identifiable assets and liabilities cannot be reasonable determined

(6) Other explanations

2. Enterprise combine under the same control

(1) Enterprise combination under the same control in Period

Unit: RMB/CNY

Combined party	Percentage of equity acquired in enterprise	Constitute the basis for the enterprise	Combining date	Basis for determining the date of	Income of the combined party from	Net profit of the combined party from	Income of the combined party	Net profit of the combined party

	combination	combination under the same control		combination	the Opening of the period of combination to the date of combination	the Opening of the period of combination to the date of combination	during the comparison period	during the comparison period
--	-------------	------------------------------------	--	-------------	---	---	------------------------------	------------------------------

Other explanation:

(2) Consolidation cost

Unit: RMB/CNY

Consolidation cost	
--Cash	
-- Book value of non-cash assets	
- Book value of debts issued or assumed	
-- The face value of the equity securities issued	
--Contingent consideration	

Contingent explanation of the consideration and its changes:

Other explanation:

(3) Book value of the assets/liabilities from combined party at date of combination

Unit: RMB/CNY

	Consolidation date	End of last period
Assets:		
Monetary funds		
Account receivable		
Inventory		
Fixed assets		
Intangible assets		
Liability:		
Loan		
Account payable		

Net assets		
Less: Minority interests		
Net assets acquired		

Contingent liabilities of the combined party assumed in the enterprise combination:

Other explanation:

3. Reverse purchase

Basic information of the transaction, the basis for the reverse purchase of the transaction, whether the assets and liabilities retained by the listed company constitute a business and its basis, the determination of the merger cost, the amount of equity adjusted in accordance with the equity transaction and its calculation:

4. Disposal of subsidiaries

Whether there is a single disposal of an investment in a subsidiary that resulted in a loss of control

Yes No

Whether there is a step-by-step disposal of investment in a subsidiary through multiple transactions and loss of control during the period

Yes No

5. Other reasons for consolidation range changed

Explain the reasons on consolidate scope changes (i.e. subsidiary newly established, subsidiary liquidation etc.) and relevant information:

6. Other

IX. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registration place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Wuhan Hengfa Technology Co., Ltd.	Wuhan	Wuhan	Production & sales	100.00%		Investment establishment
Shenzhen Zhongheng HUAFA	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment

Property Co., Ltd						
Shenzhen HUAFA Hengtian Co., Ltd.	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment
Shenzhen HUAFA Hengtai Co., Ltd.	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment
Shenzhen HUAFA Property Lease Management Co., Ltd	Shenzhen	Shenzhen	Property management	60.00%		Investment establishment
Ruth Co., Ltd.	Hong Kong, China	Hong Kong	--	100.00%		Equity acquisition

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:

Basis of termination of agent or consignor:

Other explanation

(2) Important non-wholly-owned subsidiary

Unit: RMB/CNY

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority

Explanation on holding ratio different from the voting right ratio for minority shareholders:

Other explanation:

(3) Main finance of the important non-wholly-owned subsidiary

Unit: RMB/CNY

Subsidiary	Ending balance						Opening balance					
	Current assets	Non-current	Total assets	Current	Non-current	Total liabilities	Current assets	Non-current	Total assets	Current	Non-current	Total liabilities

		assets		liabilities	liabilities	ies		assets		liabilities	liabilities	es
--	--	--------	--	-------------	-------------	-----	--	--------	--	-------------	-------------	----

Unit: RMB/CNY

Subsidiary	The Period				Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity

Other explanation:

(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range

Other explanation:

2. Transaction that has owners' equity shares changed in subsidiary but still with controlling rights

(1) Owners' equity shares changed in subsidiary

(2) Impact on minority's interest and owners' equity attributable to parent company

Unit: RMB/CNY

Purchase cost/disposal consideration	
--Cash	
--Fair value of non-cash assets	
Total purchase cost/disposal consideration	
Less: Share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed	
Difference	
Including: Adjusted capital reserve	
Adjusted surplus reserve	
Adjusted undistributed profit	

Other explanation

3. Equity in joint venture and associated enterprise

(1) Important joint venture and associated enterprise

Joint venture or associated enterprise	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and associated enterprise
				Directly	Indirectly	

Holding shares ratio different from the voting right ratio:

Has major influence with less 20% voting rights hold, or has minor influence with over 20% (20% included) voting rights hold:

(2) Main financial information of the important joint venture

Unit: RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
Current assets		
Including: cash and cash equivalent		
Non-current assets		
Total assets		
Current liability		
Non-current liability		
Total liabilities		
Minority's interest		
Equity attributable to shareholder of parent company		
Share of net assets measured by shareholding		
Adjustment		
--Goodwill		
--Unrealized profit of internal trading		
-- Other		
Book value of equity investment in joint venture		
Fair value of the equity investment of joint ventures with public offers concerned		
Operating income		
Financial expenses		

Income tax expenses		
Net profit		
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint venture in the year		

Other explanation

(3) Main financial information of the important associated enterprise

Unit: RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
Current assets		
Non-current assets		
Total assets		
Current liability		
Non-current liability		
Total liabilities		
Minority's interest		
Equity attributable to shareholder of parent company		
Share of net assets measured by shareholding		
Adjustment		
--Goodwill		
--Unrealized profit of internal trading		
-- Other		
Book value of equity investment in associated enterprise		
Fair value of the equity investment of associated enterprise with public offers concerned		
Operating income		
Net profit		
Net profit of discontinuing operation		

Other comprehensive income		
Total comprehensive income		
Dividends received from associated enterprise in the year		

Other explanation

(4) Financial summary for non-important Joint venture and associated enterprise

Unit: RMB/CNY

	Ending balance /The Period	Opening balance /Last Period
Joint venture:	--	--
Amount based on share-holding ratio	--	--
Associated enterprise:	--	--
Amount based on share-holding ratio	--	--

Other explanation

(5) Major limitation on capital transfer ability to the Company from joint venture or associated enterprise

(6) Excess loss occurred in joint venture or associated enterprise

Unit: RMB/CNY

Name of joint venture or associated enterprise	Cumulative unrecognized loss accumulated in the previous period	Unrecognized loss in the current period (or net profit shared in the current period)	Accumulated unrecognized loss at the end of the period

Other explanation

(7) Unconfirmed commitment with joint venture investment concerned

(8) Intangible liability with joint venture or associated enterprise investment concerned

4. Major conduct joint operation

Joint business name	Principal place of business	Registration	Business nature	Shareholding ratio/shares enjoyed	
				Direct	Indirect

Explanation of the shareholding ratio or the share enjoyed in the joint operation is different from the voting rights ratio:

If a joint operation is a separate entity, the basis for classification as a joint operation:

Other explanation

5. Structured body excluding in consolidate financial statement

Relevant explanations for structured entities not included in the scope of the consolidated financial statements:

6. Other

X. Risk related with financial instrument

The Group's main financial instruments include loans, receivables, receivables financing, payable, etc., please refer to the details of each financial instrument in Note V. 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.

1. Various risk management objectives and policies

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

(1) Market risk

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

1) 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, 2021, except for the US dollar balance of assets and liabilities in below table, the Group's assets and liabilities are all RMB balance. The exchange rate risk arising from the assets and liabilities of the US dollar balance may have an impact on the Group's operating results.

Item	December 31, 2021 (RMB conversion)	December 31, 2020 (RMB conversion)
Monetary funds -USD	13,651,223.26	9,763,462.08
Monetary funds -HKD		27.49
Account receivable -USD	28,570,762.68	52,507,767.40
Other receivables -USD	1,639,543.13	
Account paid in advance- USD		30,287,750.94
Accounts payable -USD	9,994,194.94	23,508.43
Account received in advance -USD		133,512.50
Short-term borrowings -USD	19,190,857.00	12,527,808.00

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, 2021, the Group's interest-bearing debt was mainly the fixed rate and floating interest rate loan contract denominated in RMB and US dollars, amounting to RMB 87,480,857.00 (December 31, 2020: RMB 85,527,808.00).

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, 2021, 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: 108,890,171.15 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, 2021

Item	Within one year	1-2years	2-3years	Over 3 years	Total
Financial assets					
Monetary funds	34,426,772.60				34,426,772.60
Bill receivable	105,922,317.60				105,922,317.60
Receivable financing	500,000.00				500,000.00
Account receivable	127,969,770.91	718,833.35	23,217.71	13,148,817.95	141,860,639.92
Other account receivable	1,298,683.16	1,725,961.49	265,630.40	15,790,653.83	19,080,928.88
Account paid in advance	7,996,570.95				7,996,570.95
Short-term borrowings	26,480,857.00				26,480,857.00
Notes payable	21,554,981.30				21,554,981.30
Account payable	88,529,478.96				88,529,478.96
Other accounts payable	30,448,913.14				30,448,913.14
Contract liabilities	736,355.70				736,355.70
Wage payable	3,844,381.07				3,844,381.07

2. Sensitivity analysis

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

(1) Sensitivity analysis of foreign exchange risk

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

On the basis of the above assumptions, in case that other variable doesn'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	2021		2020	
		Impact on net profit	Impact on owner's equity	Impact on net profit	Impact on owner's equity
All foreign currency	5% appreciation of the RMB	733,823.85	733,823.85	3,993,707.59	3,993,707.59
All foreign currency	5% devaluation of the RMB	-733,823.85	-733,823.85	-3,993,710.18	-3,993,710.18

XI. Disclosure of fair value

1. Ending fair value of the assets and liabilities measured by fair value

Unit: RMB/CNY

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
II. Non-persistent measure	--	--	--	--

2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

3. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on second-order

4. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on third-order

5. Continuous third-level fair value measurement items, adjustment information between the Opening and Ending book value and sensitivity analysis of unobservable parameters

6. Continuous fair value measurement items, if there is a conversion between various levels in the current period, the reasons for the conversion and the policy for determining the timing of the conversion

7. Changes in valuation technology during the current period and reasons for the changes

8. The fair value of financial assets and financial liabilities not measured by fair value

9. Other

XII. Related party and related party 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 &	Wuhan	Production and sales, real estate	138,000,000.00	42.13%	42.13%

Technology Industrial Group Co., Ltd		development and sales, housing leasing and management			
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Explanation on parent company of the enterprise

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation:

2. Subsidiary of the Enterprise

Found more in the Note

3. Joint venture and associated enterprise

Found more in Note

Other associated enterprise or joint ventures which has related transaction with the Company in the period or occurred previous:

Name of joint venture or associated enterprise	Relationship with the company
--	-------------------------------

Other explanation

4. Other Related party

Other related party	Relationship with the Enterprise
Shenzhen Zhongheng Semiconductor 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 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
Famous Sky Capital Limited	Control by same controlling shareholder and ultimate controller
Hong Kong Zhongheng Yutian 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

5. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

Unit: 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	79,516,891.12	152,863,200.00	N	152,365,734.55
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Purchasing	80,731,745.56	127,386,000.00	N	92,522,296.13
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Purchasing	19,231,711.40	63,693,000.00	N	39,519,517.75

Total		179,480,348.08	343,942,200.00		284,407,548.43
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Goods sold/labor service providing

Unit: RMB/CNY

Related party	Content	Current Period	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Sales	100,111,660.49	115,083,586.10
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales	45,063,405.19	41,056,775.49
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales	446,874.53	2,900,164.83
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales	63,442.78	90,175.49
Total		145,685,382.99	159,130,701.91

Explanation on goods purchasing, labor service providing and receiving

(2) Related trusteeship management/contract & entrust management/ outsourcing

The company's entrusted management/contracting situation table:

Unit: RMB/CNY

The name of the entrusting party / outsourcing party	Name of contractor/contractor	Types of entrusted/contracted assets	Start date of entrusted/contracted start date	End date of entrust/contracting	Pricing basis for custody income/contracting income	Custody income/contracting income confirmed in the current period
Description of related custody/contracting situation						

Description of related custody/contracting situation

The company's entrusted management / outsourcing situation table:

Unit: RMB/CNY

The name of the entrusting party / outsourcing party	Name of contractor/contractor	Entrusted/Outsourced Asset Type	Start date of commission/out of package	End date of entrustment/outsourcing	Custody fee/package fee pricing basis	Custody fee/package fee confirmed in the current period
Explanation on related lease						

Explanation on related lease

(3) Related lease

As a lessor for the Company:

Unit: RMB/CNY

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized at last Period

As a tenant for the Company:

Unit: RMB/CNY

Lessor	Assets type	Rent costs recognized in the Period	Rent costs recognized at last Period

Explanation on related lease

(4) Related guarantee

As the guarantor

Unit: RMB/CNY

Secured party	Amount guarantee	Start	End	Completed or not (Y/N)
Li Zhongqiu, the Company	36,000,000.00	2018-04-20	2022-04-20	Y
Li Zhongqiu	90,000,000.00	2019-07-01	2022-07-01	N

As the secured party

Unit: RMB/CNY

Guarantor	Amount guarantee	Start	End	Completed or not (Y/N)

Explanation on related guarantee

(5) Related party's borrowed/lending funds

Unit: RMB/CNY

Related party	Loan amount	Start date	Maturity	Note
Borrowing				
Lending				

(6) Related party's assets transfer and debt reorganization

Unit: RMB/CNY

Related party	Related transaction content	The Period	Last Period

(3) Remuneration of key manager

Unit: RMB/CNY

Item	The Period	Last Period
Remuneration of key manager	1,403,000.00	1,403,000.40

(8) Other related transactions

6. Receivable/payable items of related parties

(1) Receivable

Unit: RMB/CNY

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Hong Kong Yutian International Investment Co., Ltd.	24,428,463.68		41,513,718.58	
Accounts receivable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	13,902,449.94		12,676.70	
Advance payment	Hong Kong Yutian International Investment Co., Ltd.			27,025,766.19	
Total		38,330,913.62		68,552,161.47	

(2) Payable

Unit: RMB/CNY

Item	Related party	Ending book balance	Opening book balance
Account payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	17,295,609.05	6,795,240.85
Notes payable	Hong Kong Yutian International Investment Co., Ltd.	10,025,769.59	
Total		27,321,378.64	6,795,240.85

7. Undertakings of related party

8. Other

XIII. Share-based payment

1. Overall situation of share-based payment

Applicable Not applicable

2. Share-based payment settled by equity

Applicable Not applicable

3. Share-based payment settled by cash

Applicable Not applicable

4. Modification and termination of share-based payment

5. Other

XIV. Undertakings or contingency

1. Important undertakings

Important undertakings on balance sheet date

As of the date of this report, the company has no important commitments and important contingencies that should be disclosed but not disclosed

2. Contingency

(1) Contingency on balance sheet date

(2) For the important contingency not necessary to disclosed by the Company, explained reasons

The Company has no important contingency that need to disclosed

3. Other

XV. Events after balance sheet date

1. Important non adjustment matters

Unit: RMB/CNY

Item	Content	Number of impacts on financial status and operating results	The reason why the impact number cannot be estimated
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2. Profit distribution

Unit: RMB/CNY

3. Sales return

4. Other events after balance sheet date

XVI. Other important events

1. Previous accounting errors collection

(1) Retrospective restatement method

Unit: RMB/CNY

Correction of accounting errors	Processing program	Names of report items in each comparison period affected	Cumulative influence
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(2) Future applicable law

Correction of accounting errors	Approval procedure	Reasons for adopting future applicable law
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2. Debt restructuring

3. Assets replacement

(1) Exchange of non-monetary assets

(2) Other asset replacement

4. Pension plan

5. Termination of operation

Unit: RMB/CNY

Item	Income	Expense	Total profit	Income tax expense	Net profit	Termination of operation profit attributable to
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						owners of the parent company
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Other explanation

6. Segment

(1) Recognition basis and accounting policy for reportable segment

(2) Financial information for reportable segment

Unit: RMB/CNY

Item		Offset of segment	Total

(3) If the company has no reportable segments or is unable to disclose the total assets and liabilities of each reportable segment, it should state the reasons

(4) Other explanations

7. Major transaction and events makes influence on investor's decision

8. Other

XVII. Principle notes of financial statements of parent company

1. Account receivable

(1) Category of account receivable

Unit: RMB/CNY

Category	Ending 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	10,293,424.29	100.00%	10,293,424.29	100.00%		10,293,424.29	100.00%	10,293,424.29	100.00%	
Including:										
Including:										

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

Unit: RMB/CNY

Name	Ending balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Accounts receivable with provision for bad debts based on individual assessments	10,293,424.29	10,293,424.29	100.00%	Uncollectible
Total	10,293,424.29	10,293,424.29	--	--

Accrual of bad debt provision on single basis:

Unit: RMB/CNY

Name	Ending balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Hong Kong Haowei Industrial Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Uncollectible
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Uncollectible
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Uncollectible
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Uncollectible
Shenzhen 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:

Unit: RMB/CNY

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

Accrual of bad debt provision on portfolio:

Unit: RMB/CNY

Name	Ending 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

Unit: RMB/CNY

Account age	Ending balance
Over 3 years	10,293,424.90
Over 5 years	10,293,424.90

Total	10,293,424.90
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(2) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

Unit: RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	

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

Unit: RMB/CNY

Name	Amount collected or reversal	Way of collection
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(3) Actual written-off accounts receivable in the current period

Unit: RMB/CNY

Item	Written-off amount
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Including the important accounts receivable written-off situation:

Unit: RMB/CNY

Name	Nature of accounts receivable	Written-off amount	Written-off reason	Written-off procedure performed	Whether the payment is generated by related party transactions
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Written-off description of accounts receivable:

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

Unit: RMB/CNY

Company	Ending balance of account receivable	Proportion in total account receivables at year-end	Ending 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.	1,227,646.55	11.93%	1,227,646.55
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	5,384,478.33	52.32%	--

(5) Assets and liabilities resulted by account receivable transfer and continues involvement

Nil

Other explanation:

Nil

(6) Account receivable derecognition due to financial assets transfer

Nil

2. Other account receivable

Unit: RMB/CNY

Item	Ending balance	Opening balance
Other account receivable	92,468,697.71	93,922,057.92
Total	92,468,697.71	93,922,057.92

(1) Interest receivable

1) Category of interest receivable

Unit: RMB/CNY

Item	Ending balance	Opening balance

2) Significant overdue interest

Borrower	Ending balance	Overdue time	Overdue reason	Whether there is impairment and its judgment basis

Other explanation:

3) Accrual of bad debt provision

Applicable Not applicable

(2) Dividend receivable

1) Category of dividend receivable

Unit: RMB/CNY

Item (or invested unit)	Ending balance	Opening balance
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2) Important dividend receivable with account age over one year

Unit: RMB/CNY

Item (or invested unit)	Ending balance	Account age	Reasons for non-recovery	Whether there is impairment and its judgment basis
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3) Accrual of bad debt provision

Applicable Not applicable

Other explanation:

(3) Other account receivable

1) Other account receivable by nature

Unit: RMB/CNY

Nature	Ending book balance	Opening book balance
Intercourse funds	101,523,586.62	103,959,672.35
Borrow money	1,441,111.12	2,089,073.12
Margin & deposit	304,608.00	304,608.00
Rental receivable	6,999,971.21	6,224,167.48
Other	725,904.26	162,006.14
Less: Bad debt provision	-18,526,483.50	-18,817,469.17
Total	92,468,697.71	93,922,057.92

2) Accrual of bad debt provision

Unit: 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	Expected credit losses for the entire duration (with credit impairment	

		impairment occurred)	occurred)	
Balance on 1 Jan. 2021		111.75	18,817,357.42	18,817,469.17
Balance of 1 Jan. 2021 in the period	—	—	—	—
Reversal in Current Period		111.75	290,873.92	290,985.67
Balance on Dec. 31, 2021			18,526,483.50	18,526,483.50

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

Applicable Not applicable

By account age

Unit: RMB/CNY

Account age	Ending balance
Within one year (one year included)	14,192,620.98
1-2 years	4,969,630.70
2-3 years	73,307,622.03
Over 3 years	18,525,307.50
3-4 years	18,525,307.50
Total	110,995,181.21

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

Bad debt provision accrual in the period:

Unit: RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Account receivable for which provision for bad debts is made on basis of individual assessment	18,817,357.42		290,873.92			18,526,483.50
Other account receivable for which bad debt provision is made on a portfolio	111.75		111.75			

basis						
Total	18,817,469.17		290,985.67			18,526,483.50

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

Unit: RMB/CNY

Name	Amount collected or switches back	Way of collection
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4) The actual written-off other receivables in the current period

Unit: RMB/CNY

Item	Written-off amount
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Including the important written-off situation of other receivables:

Unit: RMB/CNY

Name	Nature of other receivables	Written-off amount	Written-off reason	Written-off procedure performed	Whether the payment is generated by related party transactions
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Description of other receivables written-off:

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

Unit: RMB/CNY

Company	Nature	Ending balance	Account ages	Proportion in total other receivables at period-end	Ending balance of bad debt provision
Wuhan Hengfa Technology Co., Ltd.	Intercourse funds	80,222,009.05	Within 1 year/1-2 years/2-3 years	71.97%	
Shenzhen Zhongheng HUAFU Property Co., Ltd	Intercourse funds	11,466,156.64	Within 1 year	10.29%	
Shenzhen HUAFU Property Leasing Co., Ltd.	Rent receivable	4,559,659.15	Over 5 years	4.09%	4,559,659.15
Portman	Rent receivable	4,021,734.22	Over 5 years	3.61%	4,021,734.22
Jackfang Investment 1F 1076	Rent receivable	1,380,608.00	Over 5 years	1.24%	1,380,608.00
Total	--	101,650,167.06	--	91.20%	9,962,001.37

6) Receivables involving government subsidies

Unit: RMB/CNY

Name	Government subsidy item	Ending balance	Ending account age	Estimated time, amount and basis of receipt

7) Other receivable for termination of confirmation due to the transfer of financial assets

8) The amount of assets and liabilities that are transferred other receivable and continued to be involved

Other explanation:

3. Long-term equity investments

Unit: RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment for subsidiary	187,218,400.00	600,000.00	186,618,400.00	187,218,400.00	600,000.00	186,618,400.00
Total	187,218,400.00	600,000.00	186,618,400.00	187,218,400.00	600,000.00	186,618,400.00

(1) Investment for subsidiary

Unit: RMB/CNY

The invested entity	Opening balance (Book value)	Changes in the period				Ending balance (Book value)	Ending balance of impairment provision
		Additional investment	Reduce investment	Accrual of impairment provision	Other		
Wuhan Hengfa Technology Co., Ltd.	183,608,900.00					183,608,900.00	
Shenzhen Zhongheng HUAFA Property Co., Ltd	1,000,000.00					1,000,000.00	
Shenzhen HUAFA Hengtian Co.,	1,000,000.00					1,000,000.00	

Ltd.							
Shenzhen HUAFA Hengtai Co., Ltd.	1,000,000.00					1,000,000.00	
Shenzhen Huafa Property Leasing Co., Ltd.							600,000.00
Ruth Co., Ltd.	9,500.00					9,500.00	
Total	186,618,400.00					186,618,400.00	600,000.00

(2) Investment for associates and joint venture

Unit: RMB/CNY

Enterprise	Opening balance (book value)	Current changes (+, -)								Ending balance (book value)	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/losses recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											

(3) Other explanation

4. Operating revenue and cost

Unit: RMB/CNY

Item	The Period		Last Period	
	Revenue	Cost	Revenue	Cost
Other business	47,591,806.18	9,388,211.49	37,262,114.01	6,784,029.31
Total	47,591,806.18	9,388,211.49	37,262,114.01	6,784,029.31

Information relating to revenue:

Unit: RMB/CNY

Category	Branch 1	Branch 2		Total
Product Types				
Including:				
Classification by business area				
Including:				
Market or customer type				
Including:				
Contract Types				
Including:				
Classification by time of goods transfer				
Including:				
Classification by contract duration				
Including:				
Classification by sales channel				
Including:				
Total				

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:

5. Investment income

Unit: RMB/CNY

Item	The Period	Last Period
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6. Other

XVIII. Supplementary Information

1. Current non-recurring gains/losses

√ Applicable Not applicable

Unit: RMB/CNY

Item	Amount	Note
Gains/losses from the disposal of non-current asset	7,871.56	
Governmental subsidy reckoned into current gains/losses (except for those with normal operation business concerned, and conform to the national policies & regulations and are continuously enjoyed at a fixed or quantitative basis according to certain standards)	1,297,733.35	
Gains/losses arising from contingencies not related to Company's normal operating business	-736,748.18	
Except for the effective hedging operations related to normal business operation of the Company, the gains/losses of fair value changes from holding the trading financial assets and trading financial liabilities, and the investment earnings obtained from disposing the trading financial asset, trading financial liability	163,562.36	
Other non-operating income and expenditure except for the aforementioned items	417,245.81	
Less: Impact on income tax	327,147.84	
Total	822,517.06	--

Details of other gains/losses items that meets the definition of non-recurring gains/losses:

Applicable Not applicable

There are no other gains/losses items that meet the definition of non-recurring gains/losses in the Company.

Explain 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*

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	2.12%	0.0254	0.0254
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	1.85%	0.0221	0.0221

3. 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

(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

(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

4. Other