

Stock Code: 000020、200020

Public Notice No.: 2022-32

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

# Shenzhen Zhongheng Huafa Co., Ltd.

## Summary of Semi-Annual Report 2022

### I. Important Notice

The summary is abstract from full-text of semi-annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of semi-annual report that published on media appointed by CSRC.

All directors are attended the Board Meeting for report deliberation.

Prompt of non-standard audit opinion

Applicable     Not applicable

Profit distribution pre-plan of common stock or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

Applicable     Not applicable

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

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

Applicable     Not applicable

### II. Basic information of the company

#### 1. Company profile

Short form of the stock	Shen HUAFA -A, Shen HUAFA- B	Stock code	000020
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Niu Zhuo		
Office add.	618, 6/F, East Tower, No.411 Building, Huafa (N) Road, Futian District, Shenzhen		
Tel.	0755-86360201		
E-mail	huafainvestor@126.com.cn		

## 2. Main financial data and index

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

Yes  No

	Current Period	Same period last year	Changes in the current reporting period compared with the same period of the previous year (+,-)
Operating revenue (RMB)	354,146,920.81	391,633,808.55	-9.57%
Net profit attributable to shareholders of the listed Company (RMB)	8,806,785.10	6,989,362.48	26.00%
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	4,150,928.94	7,034,198.78	-40.99%
Net cash flow arising from operating activities (RMB)	49,720,222.38	-21,818,369.59	327.88%
Basic earnings per share (RMB/Share) (note 1)	0.0311	0.0248	25.40%
Diluted earnings per share (RMB/Share)	0.0311	0.0248	25.40%
Weighted average ROE	2.53%	2.07%	0.46%
	End of current period	End of last year	Changes at the end of the reporting period compared with the end of the previous year (+,-)
Total assets (RMB)	638,152,495.34	659,933,225.57	-3.30%
Net assets attributable to shareholder of listed Company (RMB)	352,257,424.41	343,450,639.31	2.56%

## 3. Number of shareholders and share-holding

Unit: share

Total common shareholders at period-end	24,938	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of 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	Frozen	119,289,894

SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0		
GOOD HOPE CORNER INVESTMENTS LTD.	Overseas legal person	2.50%	7,072,000	0		
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0		
Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.37%	3,870,117	0		
Li Zhongqiu	Overseas nature person	1.00%	2,830,000	0		
Jin Guoping	Domestic nature person	0.65%	1,849,300	0		
He Wei	Domestic nature person	0.64%	1,818,319	0		
Yao Ming	Domestic nature person	0.56%	1,577,300	0		
Li Wei	Domestic nature person	0.55%	1,546,800	0		
Explanation on associated relationship among the aforesaid shareholders	Among the top ten shareholders, Li Zhongqiu is the actual controller of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. and is a party acting in concert. The Company neither knew whether there exists associated relationship among the other 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 involving margin business (if applicable)	N/A					

#### 4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

Applicable  Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

Applicable  Not applicable

Changes of actual controller had no change in reporting period.

#### 5. Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

The Company had no shareholders with preferred stock held in the reporting.

#### 6. Bonds in existence as of the approval date of the semi-annual report

Applicable  Not applicable

### III. Important events

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

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

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting 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, the first and second trial judgments reject the Semiconductor’s appeal; Zhongheng Semiconductor sued the Company and the invalid of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” signed by Wuhan Zhongheng Group Company and Vanke, the second trial rejects all claims of Zhongheng Semiconductor. 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 Apr. 2020, 3 Jun, 2021, 22 Jul. 2021 and Mar. 5, 2022 respectively.

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

In March 2021, Wuhan Zhongheng Group received the judgment on case of “pledged securities repurchase dispute” brought by China Merchants Securities Assets Management Co., Ltd from High People’s Court of Guangdong Province. Wuhan Zhongheng Group appealed to the Supreme People’s Court against the decision. Found more in notice released on Juchao Website dated March 19, 2021.

(3) The controlling shareholder Wuhan Zhongheng Group holds 119,289,894 shares of the Company’ stock, accounting for 42.13% of the total share capital of the Company, of which 116,489,894 shares were judicially frozen by Shenzhen Intermediate People’s Court (hereinafter referred to as “Shenzhen Intermediate Court”) on September 27, 2016, which were frozen again by the Shenzhen Intermediate People’s Court on December 14, 2018, with a frozen period of 36 months; the remaining 2,800,000 shares were frozen by the Shenzhen Intermediate People’s Court on May 29, 2019, and were frozen again by the Higher People’s Court of Guangdong Province on July 5, 2019. For details, please refer to the company’s announcements published on Juchao Website dated October 27, 2016, January 11, 2019, May 31, 2019 and August 7, 2019.

(4) On September 29, 2016, the company and its controlling shareholder, Wuhan Zhongheng Group, signed the “Agency Contract” with V&T Law Firm. On October 8, 2016, the three parties also signed the “Supplemental Agreement for Agency Contract”, it was agreed that V&T acted as an agent for the company and Wuhan Zhongheng Group to deal with the arbitration case with Shenzhen Vanke. After losing the lawsuit, due to differences in the payment of attorney fees, V&T sued our company and Wuhan Zhongheng Group to the Shenzhen Court of International Arbitration, and applied to the court to seize a bank account under our company’s name and part of our company dormitories, please refer to “Other Announcements on the Progress Involving Litigation and Arbitration”

(Announcement Numbers: 2018-43, 2019-02) released on Juchao Website dated November 14, 2018 and March 6, 2019. In November 2019, the Shenzhen Court of International Arbitration ruled that the company and Wuhan Zhongheng Group paid the corresponding fees. According to the relevant agreement of the “Entrusted Agency Contract” and “Supplementary Agreement” signed by the three parties, loss of the ruling in the case shall be fully borne by Wuhan Zhongheng Group, therefore, it has no impact on the profit of the Company. Found more on “Other Announcements on the Progress Involving Litigation and Arbitration” (Announcement No.: 2019-34) released on Juchao Website dated November 25, 2019.

(v) Business of the Company - Styrofoam is a traditional manufacturing industry. The industry has stepping into the maturity with severe overcapacity, the oversupply leads to a low gross margin and downward trend of profitability of the Company’s products. The “proposal to shut down the Styrofoam business from wholly-owned subsidiary” was deliberated and approved by the third interim meeting of BOD of 2022. Closure of the plant is progressing steadily.