

Shenzhen Zhongheng Hwafa Co., Ltd.
Semi-annual Report in 2016

August 2016

Section I Important Notice, Contents Interpretation

The board of directors, the board of supervisors, directors, supervisors, and senior executives of the company shall guarantee the truthfulness, accuracy and completeness of the content of the annual report, promise that the content is free from any false records, misleading statements or material omissions, and will assume several and joint legal liabilities.

All directors have attended the board meeting of considering this report.

The company plans not to distribute cash bonus, issue bonus shares, or transfer reserve to common shares.

Li Zhongqiu (the company responsible person), Yang Bin (the responsible person for accountants), and Wu Aijie (responsible person of accounting mechanism, namely, the accountant responsible person) make the following statement: This is to guarantee the semi-annual report in its authenticity and integrity.

Considering that the future plan and other forward-looking statement involved in the annual report are not considered as the substantial commitment for investors, please pay attention to the investment risks.

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Definitions

Definition item	Refers to	Definition Content
Company and SHF	Refers to	Shenzhen Zhongheng Hwafa Co.,Ltd.
Hengfa Technology	Refers to	Wuhan Hengfa Technology Co., Ltd.
Hwafa Property	Refers to	Shenzhen Zhongheng Hwafa Property Co.,Ltd.
Hwafa Lease	Refers to	Shenzhen Hwafa Property Lease Management Co., Ltd.
Wuhan Zhongheng Group	Refers to	Wuhan Zhongheng New Technology Industry Group Co., Ltd.
Hongkong Yutian	Refers to	Hongkong Yutian International investment Co., Ltd.
Hengsheng Photoelectricity	Refers to	Wuhan Hengsheng Photoelectricity Co., Ltd.
Hengsheng Yutian	Refers to	Wuhan Hengsheng Yutian Industry Co., Ltd.
Yutian Henghua	Refers to	Shenzhen Yutian Henghua Co., Ltd.
Hwafa Hengtian	Refers to	Shenzhen Hwafa Hengtian Co., Ltd.
Hwafa Hengtai	Refers to	Shenzhen Hwafa Hengtian Co., Ltd.

Section II Company Introduction

I. Company Profile

Stock abbreviation:	SHF A SHF B	Stock Code	000020 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Chinese name of the company	Shenzhen Zhongheng Hwafa Co.,Ltd		
Chinese abbreviation of the company name (if any)	SHF		
Foreign abbreviation of the company name (if any)	SHENZHEN ZHONGHENG HUAFA CO., LTD.		
Legal Representative of the Company	Li Zhongqiu		

II. Contact and contact way

	Secretary of the Board of Directors	Securities affairs representative
Name	Yang Bin	Niu Yuxiang
Address	Floor 33, No. 2 Building, Dachong Commercial Center, Nanshan District, Shenzhen City	Floor 33, No. 2 Building, Dachong Commercial Center, Nanshan District, Shenzhen City
Tel	0755-86360220	0755-86360201
Fax	0755-86360206	0755-86360206
Electronic mailbox	hwafainvestor@126.com.cn	hwafainvestor@126.com.cn

III. Other conditions

1. Way of Contact:

Whether the company registered address, office address, post code, company website and email address have been changed within the report period.

Applicable Inapplicable

The company registered address	Room 411, North Hwafa Road, Futian District, Shenzhen City
Postal code of registered address	518031
The company office address	Floor 33, No. 2 Building, Dachong Commercial Center, Nanshan District, Shenzhen City
Postal code of business address	518057
Website	http://www.hwafa.com.cn
Company E-mail Address	hwafainvestor@126.com.cn
Appointed website inquiry date disclosed in the temporary announcement (if any)	Jan. 4, 2016
Appointed website inquiry index disclosed in the temporary announcement (if any)	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/tru e/1201882551?announceTime=2016-01-04

2. Information disclosure and designated locations

Whether information disclosure and designated location have been changed within the report period.

Applicable Inapplicable

The information disclosure newspaper name appointed by the company, website appointed by the Chinese Securities Regulatory Commission to publish the half-year report, and the designated location as specified in the half-year report have not been changed within the report period. Please refer to the 2015 Annual Report.

3. Change situation of registration

Whether registration conditions have been changed within the report period.

Applicable Inapplicable

	Registration date	Place of registration	Registration No. of business license for business corporation	Tax Registration No.	Organization code
Initial registration within the report period	Jun. 9, 2013	Room 411, North Hwafa Road, Futian District, Shenzhen City	440301501120670	440301618830372	61883037-2
Final registration within the report period	Jun. 7, 2016	Room 411, North Hwafa Road, Futian District, Shenzhen City	91440300618830372G	91440300618830372G	91440300618830372G
Appointed website inquiry date disclosed in the temporary announcement (if any)	Jun. 13, 2016				
Appointed website inquiry index disclosed in the temporary announcement (if any)	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202365307?announceTime=2016-06-13				

Section III Summary of Accounting Data and Financial Indexes

I. Major accounting data and financial index

Whether the company shall trace, adjust or restate the previous annual accounting data because of accounting policy change and accounting error correction.

yes no

	Current report period	Same period of the previous year	Increase or decrease during this report period over the same period of last year
Operating income (RMB)	309,538,525.56	248,734,629.86	24.45%
Net profit attributed to the shareholders of listed company (RMB)	7,272,956.22	14,177,311.03	-48.70%
Net profits attributed to shareholders of listed company after deducting non-recurring profits and losses (RMB)	6,182,473.52	-8,240,712.21	175.02%
Net amount of cash flow generated from operating activities (RMB)	-25,424,349.57	17,028,593.73	-249.30%
Basic earnings per share (RMB/ share)	0.0257	0.0501	-48.70%
Diluted earnings per share (RMB/ share)	0.0257	0.0501	-48.70%
Weighted average net asset yield rate	2.31%	4.92%	-2.61%
	End of current report period	At the end of last year	Increase or decrease at the end of this report period than that at the end of the previous year
Total assets (RMB)	619,748,378.14	1,155,089,236.67	-46.35%
Net assets attributed to the shareholders of listed company (RMB)	318,679,518.42	311,406,562.20	2.34%

II. Difference in accounting data under domestic and foreign accounting standards

1. Difference between net profits and net assets in the financial report disclosed in accordance with international accounting standards and the Chinese accounting standards.

Applicable Inapplicable

The difference between net profits and net assets in the financial report disclosed in accordance with international accounting standards and the Chinese accounting standards is not existing during the reporting period.

2. Difference between net profits and net assets in the financial report disclosed in accordance with international overseas accounting standards and the Chinese accounting standards.

Applicable Inapplicable

The difference between net profits and net assets in the financial report disclosed in accordance with international accounting standards and the Chinese accounting standards is not existing during the reporting period.

III. Items and Amount of Non-recurring Profits and Losses

√ Applicable □ Inapplicable

Unit: RMB

Item	Amount	Statements
Profit and loss on non-current asset disposal (including the write-off part of preparation for the impairment of the withdrawn assets).	97,083.01	
Governmental subsidies recorded in current profit and loss (be closely related to the enterprise business, with an exception of the governmental subsidies enjoyed based on national unified standard quota or ration)	1,163,469.00	
Other non-business income and expenditure other than above items	194,858.82	
Less: amount affected by income tax	364,928.13	
Total	1,090,482.70	--

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

□ Applicable √ Inapplicable

During the reporting period, the company involves no defining non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public as recurring profit and loss.

Section IV Report of Board of Directors

I. Overview

As the supporting product supply manufacturing enterprise in the household appliance industry, the company adheres to be market-oriented, pays attention to management, increase incomes and reduce expenditures, as a result, keeping favorable performance level regardless of the shocking and bottoming state of household appliance sales in the first half year of 2016. Meanwhile, the self-owned properties which are located in the North Huaqiang and Guangming New Area of Shenzhen under the company have entered renovation implementation phase, the commercial interests brought by renovation will significantly enhance the company funds, in addition. The independent management of moving-back property will develop into the new continuous and stable economic and benefit growth point, given this, the company will actively master the market tenancy, explore transformation and upgrading means, develop and foster the new affiliated industries, and keep the continuous growth of performance in the future. Within the report period, the company has obtained the operating incomes of RMB 309,538,500 with the year-on-year growth of 24.45%.; The operating profits are RMB 8,201,800 with the year-on-year decrement of 36.79%; The net profits are RMB 7,273,000 with the year-on-year decrement of 48.70%.

● As for the injection molding business, the operating incomes are RMB 91,025,800 in the first half year with the year-on-year decrement of 18.50%. In the first half year of 2016, the household appliance industry has different performances, such as, the air conditioner industry suffers from decreasing domestic sales due to destocking in the first half year, the ice washing industry keeps stable growth state, and the kitchen household appliance industry is subject to optimistic growth under the driving of real estate industry. In consideration of the continuously rising labor costs, the injection molding department has adjusted the product structure and selects the product order which will bring relatively higher gross margin according to the household appliance market situation. Meanwhile, the injection molding department will also strengthen the internal management, import competition mechanism, pay attention to the employee training, provide favorable logistic service works to employees, completely mobilize employees' enthusiasm, enhance employee quality and reinforce the belongingness sense of employees; Formulate the effective quality correction and prevention measures, reinforce delicacy management, enhance product quality and overcome the overcritical quality standard of customers. As a result, the produce has won the high praise from customers and made efforts to get more market shares with the higher gross margin.

● As for the Polystyrene business, the operating incomes are RMB 30,816,400 in the first half year with the year-on-year decrement of 11.09%. Faced with the more fierce market competition in the household appliance industry, increasingly rising production costs and sharply compressing profit space, Polystyrene Department adheres to be market-oriented, actively cooperates with customers to perfect product structure, continuously explores and innovates, ceaselessly renews equipment, pays attention to product quality and forms its unique competition advantages. In the future, the company will make efforts to enhance product quality, decrease raw materials' consumption, reduce production costs, and keep its unique advantages and market shares via innovative design and product optimization.

● As for LCD complete machine business, the operating incomes are RMB 164,529,000 in the first half year with the year-on-year growth of 120.85%. In the premise of keeping the basic production, the Video Information Department will pay more attention to the design, research and development of new products, increase multiple dimensions and new cost-offsetting LCD products, as well as realize mass production. As a result, the product will be changed from the traditional structure to the super-thin, ultra-narrow and larger-dimension hook faces. Considering that our cost advantages are reflected from module factory to the overall design of complete machine, we can get a head start and win more orders from customers. In addition, the single dimension of product has developed into multi-series and multi-dimensional product lines, meanwhile, the Video Information Department pays more attention to the product innovation, which has manufactured GIF, G, FIM, C350 hook face series and many kinds of products which are independently designed and opened by the company. In the first half year of 2016, the company has successfully imported

new customers to change the single customer layout, therefore, the popularity and influence are further enhanced with continuously increasing sales order and sharply growing operating incomes than the same period of last year.

● As for the property lease business, the operating incomes are RMB 20,777,000 in the first half year with the year-on-year decrement of 15.23%. The lessees who are located in the Gongming Hwafa Electronic City, the self-owned property of the company, are continuously removed from it in the reconstruction, reformation and relocation phase, the lease incomes are relatively decreased.

(II). Main business analysis

Year-on-year alternation conditions of main financial data

Unit: RMB

	Current report period	Same period of the previous year	Year-on-year increase or decrease	Cause of change
Operating income	309,538,525.56	248,734,629.86	24.45%	
Operating costs	264,288,398.24	207,463,525.37	27.39%	
Sales expenses	5,283,735.71	5,131,770.58	2.96%	
Management expense	27,295,883.47	18,594,919.77	46.79%	The office lease costs and consultation expenses in this period are increased than the same period of last year.
Financial expense	2,312,379.13	30,393,198.67	-92.39%	Most of the long-term loans have been repaid in this period.
Income tax expenses	2,384,214.46	-708,871.91	436.34%	The income taxes in this period are increased than the same period of last year.
Net amount of cash flow generated from operating activities	-25,424,349.57	17,028,593.73	-249.30%	The received unit come-and-go funds have been decreased.
Net amount of cash flows generated from investment activities	-3,790,585.96	10,529,763.03	-136.00%	Financial product incomes in the last period
Net amount of cash flows generated from financial activities	-544,260,367.28	-28,950,224.51	-1,779.99%	Long-term loan repayments in this period
Net increased amount of cash and cash equivalents	-573,490,540.29	-1,362,306.90	-41,997.02%	Long-term loan repayments in this period

The profit structure or profit source within the report period has been significantly changed.

Applicable Inapplicable

The profit structure or profit source within the report period has no change.

Conditions about future development and planning extension which are disclosed in the share prospectus, collection prospectus, capital reorganization report and other publicly disclosing documents within the report period

Applicable Inapplicable

Conditions about future development and planning extension which are disclosed in the share prospectus, collection prospectus,

capital reorganization report and other publicly disclosing documents within the report period.

The operating plan progress conditions are disclosed in the preliminary period of the company within the report period

1. Continuously promote urban renewal project

The renew Unit Project in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen will quicken the relocation and reconstruction progress of the project in the first half year of 2016, strengthen the communication with the cooperation developers (Shenzhen Vanke, Vanke Guangming and Wuhan Zhongheng Group) and quicken the formalitie transaction of the project; The renew Project, Hwafa plaza, North Street, Futian District of Shenzhen will continue to coordinate the small local owners, accomplish relocation compensation and settlement works and make no effort to accomplish the body declaration affairs.

2. Promote strategy cooperation and enhance the influence of private brand

In the first half year of 2016, the company will strengthen and promote the cooperation depth with the existing customers, take full advantage of the internal coordination advantages and optimize the cooperation mode with dealers. Enhance the coordination degree with dealers via the cooperation mechanism and mode optimization, as a result, realize the win-win sales result between company and customers.

III. Main business constitution

Unit: RMB

	Operating income	Operating costs	Gross profit rate	Increase/decrease of operation revenue over the same period of the previous year	Increase/decrease of operation cost over the same period of the previous year	Increase/decrease of gross profit rate over the same period of the previous year
Industry-classified						
Display	164,529,020.71	155,343,029.77	5.58%	120.85%	120.16%	0.29%
Injection molding component	91,025,783.84	80,149,219.86	11.95%	-18.50%	-22.33%	4.34%
Foam component	30,816,378.24	25,722,816.97	16.53%	-11.09%	-13.97%	2.79%
Display	164,529,020.71	155,343,029.77	5.58%	120.85%	120.16%	0.29%
Injection molding component	91,025,783.84	80,149,219.86	11.95%	-18.50%	-22.33%	4.34%
Foam component	30,816,378.24	25,722,816.97	16.53%	-11.09%	-13.97%	2.79%
Region -classified						
Hong Kong	113,572,474.49	106,966,160.55	5.82%	73.00%	68.64%	2.44%
Central China	172,798,708.30	154,248,906.05	10.73%	11.34%	10.00%	1.08%

IV. Core competitiveness analysis

1. When all industrial lands of the company in Shenzhen are included in the first batch plan formulated in the 2010 Shenzhen Urban Renewal Unit Plan, the state-owned resource development and operation in the future will develop into the incremental, long-term and stable income sources and new profit growth point for the company.

2. Due to the three large-scale factories, nearly 90,000 square meters lands and the domestic and foreign well-famous large-scale production enterprises which are concentrated in Wuhan Economic & Technological Development Zone, the customer resources are

high-quality and stable to form the favorable long-term cooperation relationship on the basis of radiation radius requirements of supporting processing service industry, especially, after many years' operation, the injection molding business and Polystyrene business have established stable management team and abundant production experience, as a result, the annual production capacity and scale are among the best in the Central China, which is enjoying the high popularity in the industry.

V. Investment condition analysis

1. Conditions of foreign equity investment.

(1) Conditions of foreign investment

Applicable Inapplicable

There is no foreign investment within the report period.

(2) Stock rights of financial enterprise

Applicable Inapplicable

The company holds no stock rights of financial enterprise at the end of the period.

(3) Conditions of the securities investment

Applicable Inapplicable

The company involves no security investment in the reporting period.

(4) Descriptions of the stock rights of other listing companies held by the company

Applicable Inapplicable

The company holds no stock rights of other listing companies in the reporting period.

2. Entrusted financial management, derivative investment and entrusted loans

(1) Entrusted financial management conditions

Applicable Inapplicable

The company involves no entrusted manage money matters in the reporting period.

(2) Derivative investment conditions

Applicable Inapplicable

The company involves no derivative investment in the reporting period.

(3) Conditions of entrust loan conditions

Applicable Inapplicable

The company involves no entrusted loans in the reporting period.

3. Conditions of the use of the raised funds

Applicable Inapplicable

No situation of using raised capital of the company during the report period

4. Main subsidiary company and joint stock company analysis

√Applicable □Inapplicable

Situations of main subsidiaries and joint stock companies

Unit: RMB

Company name	Type of the company	Industry belonged	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profits	Net profit
Hengfa Technology Company	Subsidiaries	Production sales	Research & development, production, sales, import and export business of the product.	181,643,111.00	458,612,404.31	213,436,001.91	287,355,034.26	10,957,263.57	9,291,819.13
Hwafa Property Company	Subsidiaries	Property Management Department	Self-owned property lease and management	1,000,000.00	811,809.20	41,183.05	1,133,177.65	126,072.32	125,722.32
Hwafa Lease Company	Subsidiaries	Property Management Department	Self-owned property lease and management	1,000,000.00	1,900,692.20	-5,026,990.71			
Hwafa Hengtian Company	Subsidiaries	Property Management Department	Self-owned property lease and management	1,000,000.00	998,374.25	998,374.25	0.00	-729.55	-729.55
Hwafa Hengtai Company	Subsidiaries	Property Management Department	Self-owned property lease and management	1,000,000.00	999,101.29	999,101.29	0.00	-728.26	-728.26

5. Major projects with non-placement investment

□Applicable √Inapplicable

The company involves no major projects with non-placement investment.

VI. Estimation of operational performance in Jan to Sep, 2016

The warning that the accumulated net profit from the beginning of the year to the end of the next period is negative or there is material change compared with the same period of the previous year and the relevant reasons

□Applicable √Inapplicable

VII. Explanation of the board of directors and the board of supervisors on the "Non-Standard Audit Report" provided by the accountant firm for the current report period

Applicable Inapplicable

VIII. "Non-standard Auditing Report" Instructions of Board of Directors in the First Half Year

Applicable Inapplicable

Board of Directors' Special Instructions about Affairs Involved in 2015 Non-standard Opinion Auditing Report:

1. The daily affiliated correlation between the company with Wuhan Hengsheng Photoelectricity Industry Co., Ltd. (hereinafter referred to as "Hengsheng Photoelectricity") is the authorized business range of the annual shareholders' meeting. Due to the extremely nervous supply of LCD from 2013 to 2015, it is acceptable habit to make payment in advance in the industry. However, since the second half year of 2015, the company cancels the corresponding orders to avoid operation losses as a result of the sharp declining price of LCD, such as, the company withdrawn all funds and interests in time according to the purchase contract with Hengsheng Photoelectricity at the end of 2015.

2. On Jan. 18, 2016, the company received the Notice of Inquiry (SZDCTZi No. 16026) from China Securities Regulatory Commission. Due to the suspected illegal information disclosure, the foregoing Commission decided to register and investigate the company according to Securities Law of People's Republic of China. However, the foregoing investigation is under process until now and the company has not received any conclusive opinion about the foregoing investigation.

IX. Profit Distribution Implementation Conditions of Company within the Report Period

A profit distribution scheme which is implemented within the report period, especially, cash bonus scheme, increasing capital reserve by transferring equity scheme implementation or adjustment conditions

Applicable Inapplicable

The profit distribution scheme in the first half year lies in not distributing cash bonus, bonus shares and increasing equity by transferring accumulation funds.

X. Profit distribution or accumulation fund-to-capital stock plan during reporting period

Applicable Inapplicable

The company plans the half a year not to distribute cash bonus, issue bonus shares, or transfer reserve to common shares.

XVI. Registration form for reception, research, communication and interview in reporting period

Applicable Inapplicable

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main content talked about and materials provided
Jan. to June 2016	Company headquarters	Telephone communication	Personal	Individual investor	Communicate the company's production operation conditions,

					capital situation, urban renews project progress conditions, etc.
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Section V Important Events

I. Corporate governance condition

There is no difference between the corporate governance and the requirements of Company Law and relevant provisions of CSRC about the Management actual situation.

II. Lawsuit affairs

Major litigation and arbitration events

Applicable Inapplicable

The company has no major lawsuit or arbitration matters during the reporting period.

Other lawsuit affairs

Applicable Inapplicable

III. Media questioning conditions

Applicable Inapplicable

The company involves no matters questioned by the media in the reporting period.

IV. Bankruptcy reorganization

Applicable Inapplicable

The company involves no bankruptcy reorganization in the reporting period.

V. Transaction in assets

1. Conditions of acquisition of assets

Applicable Inapplicable

The company involves no asset acquisition in the reporting period.

2. Assets held for sale

Applicable Inapplicable

The company sells no asset acquisition in the reporting period.

3. Conditions of business combination

Applicable Inapplicable

The company involves no business combination in the reporting period.

VI. Implementation and effect of equity incentive

Applicable Inapplicable

The company involves no equity incentive plan and implementations in the reporting period.

VII. Significant related transactions

1. Related trade related to daily operation

Applicable Inapplicable

Related Dealers	Incidence relation	Type of related transaction	Contents of related transaction	Pricing principle of the related transaction	Related transaction price	Related transaction amount (ten thousand yuan)	Proportion accounting for the similar transaction amount	Approved transaction amount (RMB ten thousand)	Whether it has exceeded the approved amount.	Settlement method of related transaction	Similar transaction on market price possibly obtained	Disclosure date	Disclosure index
Hongkong Yutian	The same holding shareholder	Purchase	Purchase LCD	Keep the same pace with market quotation	8,571.06	8,571.06	54.99%	32,468	No	Telegraphic transfer	—	Apr.30, 2016	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202284604?announceTime=2016-04-30
Hengsheng Photoelectricity	The same holding shareholder	Purchase	Purchase LCD	In principle, the transaction price shall be determined after lowering the average market price for 1%, what's more, it is also necessary to refer to the bargaining power of every	2,479.48	2,479.48	15.91%	9,740.4	No	Telegraphic transfer	The average market price refers to the product price with the same specification which is inquired from http://www.displaysearch.com (the world famous professional market	Apr.30, 2016	Ditto

				party.							investigation company website) and http://www.witsview.com (LCD professional market investigation company).		
Hengsheng Photoelectricity	The same holding shareholder	Purchase	Purchase LCD	Based on the price as specified in the customer purchasing order, the operation expense shall be obtained by lowering the machine price for RMB 1.	253.64	253.64	1.63%	7,142.96	No	Telegraphic transfer	—	Apr.30, 2016	Ditto
Hongkong Yutian	The same holding shareholder	Sales	Sell the complete LCD machine	It shall be determined on the basis of the sales order price of customers.	10,818.25	10,818.25	65.54%	48,702	No	Telegraphic transfer	—	Apr.30, 2016	Ditto
Total				--	22,122.43	--	98,053.36	--	--	--	--	--	--
The details of huge-amount sales return				None.									
Anticipate the total amount of the daily related transactions to be made in this period in categories, and the actual performance within the reporting period (if any)				Within the report period, Hengfa Technology has spent 13,168,700 dollars to purchase the LCD from Hongkong Yutian, accounting for 26.34% of the annual amounts which are estimated in the beginning of the year. In addition, Hengfa Technology spends 3,739,100 dollars to purchase LCD from Hengsheng Photoelectricity, accounting for 24.93% in the annual amount which are estimated in the beginning of the year; In addition, Hengfa Technology spends 382,500 dollars to purchase LCD from Hengsheng Photoelectricity, accounting for 3.48% in the annual amount which are estimated in the beginning of the year; Hengfa Technology obtains 16,623,800 dollars from sailing complete LCD machines to Hongkong Yutian, accounting for 22.17% in the annual amount which are estimated in the beginning of the year.									
The reason for big difference between the transaction price and				Inapplicable.									

market reference price (if applicable)	
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2. Related trade occurred by asset acquisition and sale

Applicable Inapplicable

The company involves no related transaction to asset acquisition and sale in the reporting period.

3. Related transaction to joint foreign investment

Applicable Inapplicable

The company involves no related transaction to joint foreign investment in the reporting period.

4. Affiliated credit and debt transaction

Applicable Inapplicable

Whether non-operating affiliated credit and debt transaction exists

yes no

The company involves no affiliated credit and debt transaction in the reporting period.

5. Other Related Party Transactions

Applicable Inapplicable

The company involves no other related transactions in the reporting period.

VIII. Conditions of occupying non-operating capital of listed companies from controlling shareholder and related parties

Applicable Inapplicable

The controlling shareholder and related parties do not occupy the non-operating capital of listed company in the reporting period.

IX. Major contracts and their performance situation

1. Trusteeship, contracting and lease conditions

(1) Trusteeship conditions

Applicable Inapplicable

The company involves no trusteeship in the reporting period.

(2) Contracting conditions

Applicable Inapplicable

The company involves no contract in the reporting period.

(3) Lease condition

Applicable Inapplicable

The company involves no lease in the reporting period.

2. Guarantee condition

Applicable Inapplicable

Unit: Ten thousand Yuan

Foreign Guaranty Condition of the Company (Excluding the Guaranty towards Subsidiaries)								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Guaranteed amount	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guaranty type	Guaranteed period	Fulfilled or not	Whether it is guaranteed by related parties
Guarantee situation between the company and subsidiaries								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Guaranteed amount	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guaranty type	Guaranteed period	Fulfilled or not	Whether it is guaranteed by related parties
Hengfa Technology	Apr.30, 2016	30,000		4,711.24	Joint liability guarantee	One year	No	No
Approved total guaranteed amount towards the subsidiaries in the reporting period (B1)		30,000		Total guaranteed actual accrual towards subsidiaries during the reporting period (B2)		2,261.24		
Approved total guaranteed amount towards the subsidiaries at the end of the reporting period (B3)		30,000		Total balance of guarantee towards subsidiaries at the end of the reporting period (B4)		4,711.24		
The Company's Guaranty towards Subsidiaries								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Guaranteed amount	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guaranty type	Guaranteed period	Fulfilled or not	Whether it is guaranteed by related parties
Total guarantee amount of company (namely, the sum of previous three items)								
Approved total guaranteed amount in reporting period (A1+B1)		30,000		Actual total guaranteed amount occurred in reporting period (A2+B2)		2,261.24		
Approved total guaranteed amount at the end of reporting period (A1+B1)		30,000		Actual total guaranteed balance at the end of reporting period (A4+B4)		4,711.24		

Proportion (%) of the actual total guaranteed amount (that is A4+B4) in the company's net assets	14.78%
Among them:	
Total guaranteed amount towards shareholders, actual controllers and related parties (C)	0
Guaranteed amount provided for guaranteed objects with a liability rate of assets of over 70% directly or indirectly (D)	0
Excess of total guaranteed amount over 50% of net assets (E)	0
The aforementioned total guaranteed amount of three items (C + D + E)	0
Descriptions of joint and several liabilities for satisfaction of pre-maturity guarantee (if any)	None
Descriptions for foreign guarantee provided against the established procedures (if any)	None

Specific description for using the composite guarantee situation

(1) Conditions of foreign guarantee breaking the regulations

Applicable Inapplicable

The company involves no foreign guarantee breaking the regulations during the reporting period.

3. Other important contacts

Applicable Inapplicable

The company involves no other major contract in the reporting period.

4. Other major transactions

Applicable Inapplicable

The company involves no other major transactions in the reporting period.

X. Commitment issues made by the company or the shareholders sharing 5% (or above) made during the reporting period or before the report period while lasting for the report period

Applicable Inapplicable

Commitment reason	Commitment party	Commitment content	Commitment time	Commitment term	Performance conditions
Share changed commitments					
Commitments made in purchase report or rights and interests change report	Wuhan Zhongheng Group	The company and subsidiaries will not directly or indirectly participate in any business which competes with Shenzhen Hwafa and its holding	Mar. 29, 2007	It will be fulfilled throughout the year	During the performance

		subsidies, nor utilize the potential holding relations in Shenzhen Hwafa to conduct any behavior which is likely to injure the interests of Shenzhen Hwafa and its holding subsidiaries.		since Apr. 12, 2007.	
	Wuhan Zhongheng Group	The company and its subordinate subsidiaries will avoid making affiliated transaction with Shenzhen Hwafa and its holding subsidiaries as far as possible. Supposing that the affiliated transaction fails to be avoided or generates due to cogent reasons, the company will sign agreement according to laws, fulfill legitimate procedures according to the market equity, fairness and opening principles, disclose information and deal with the related approval submitting procedures in accordance with related laws, regulations and Listing Rules issued by Shenzhen Stock Exchange, as a result, ensure that the affiliated transaction will not damage the legal rights and interests of Shenzhen Hwafa and other shareholders.	Mar. 29, 2007	It will be fulfilled throughout the year since Apr. 12, 2007.	During the performance
	Wuhan Zhongheng Group	After purchasing and capital reorganization, it will ensure that it has independent personnel, capital, business, finance and authority from Shenzhen Hwafa.	Mar. 29, 2007	It will be fulfilled throughout the year since Apr. 12, 2007.	During the performance
Commitments made when asset reorganization					
Commitments made at first offering or refinancing					
Other commitments made to small and medium shareholders of the company					
Whether the commitments are performed in time	Yes				

Specific reasons for not completing performance and plan for the next step (if applicable)	None
--	------

XI. The condition of appointment and dismissal of the accounting firm

Whether the half-year financial report has been audited

yes no

The company's semi-annual report has not been audited.

XII. Punishment and rectification

Applicable Inapplicable

The company involves no punishment and rectification in the reporting period.

XIII. Illegal Delisting Risk Disclosure

Applicable Inapplicable

On Jan. 18, 2016, the company received the Notice of Inquiry (SZDCTZi No. 16026) from China Securities Regulatory Commission. Due to the suspected illegal information disclosure, the foregoing Commission decided to register and investigate the company according to Securities Law of People's Republic of China. However, the foregoing investigation is under process until the date when the report is published, and the company has not received any conclusive opinion about the foregoing investigation. Supposing that the company is finally recognized to have significant illegal information disclosure behaviors by China Securities Regulatory Commission due to the investigation affairs, the company's stocks are likely to be given delisting risk warning and suspended to be listed. Given this, the company will disclose the related information in time, and reveals the risk warning announcement every month at least according to Stock Listing Rules.

XIV. Description for Other Important Matters

Applicable Inapplicable

(I) The company has signed Capital Replacement Contract (please refer to the company announcement on Apr. 30, 2009) with Wuhan Zhongheng Group on Apr. 29, 2009, therein, partial setting-out property---which is located in the two industrial lands on Hwafa Road, Gongming Town, Guangming New Area of Shenzhen City (real estate certificate number is "SFDZi No. 7226760" and "SFDZi No. 7226763) with the land plot number of "A627-005" and "A627-007", in total, the area can reach up to 48,200 square meters) is the land which is reckoned in First Batch Plan of 2010 Shenzhen Urban Renew Unit Plan. In order to facilitate to promote, combine and jointly develop the urban renew project, the foregoing setting-out land plot has not been transferred.

The company held the 2015 first temporary directors conference and 2015 first temporary shareholders conference on Feb. 16, 2015 and Mar. 4, 2015 respectively, on the conference, Urban Renew Project Promotion and Implementation Proposal about "Renew Unit in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen City" was approved, as a result, it was clearly indicated that the company and Wuhan Zhongheng Group can obtain the corresponding relocation compensations for their project plots and invested overground constructions. After estimation, it was estimated that the relocation compensations obtained by the company and Wuhan Zhongheng Group will account for 50.5% and 49.5% in the total compensations respectively.

On the 2015 fifth temporary directors conference and 2015 second temporary shareholders conference which were held on Jun. 15, 2015 and Jul. 2, 2015 respectively, the following documents were audited and approved, namely, Urban Renew Project

Promotion, Implementation and Affiliated Transaction Proposal about "Renew Unit in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen City", and Proposal about Submitting Board of Shareholders to Authorize Board of Directors to Deal with Urban Renew Project Promotion and Implementation Affairs related to "Renew Unit in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen City". The company signed Urban Renewal Project Cooperation Framework Agreement about "Renewal Unit in Hwafa Area, Gongming Street, Guangming New District, Shenzhen City", Gongming Hwafa Renovation Cooperation Framework Agreement, House Purchase and Relocation Compensation and Settlement Agreement, and Removal Compensation Agreement of Renovation Project for Hwafa Area, Gongming Street, Guangming New District, Cooperation Agreement of Renovation Project for Goming Hwafa with Qianhai Zhongzheng Urban Development Management Co., Ltd. (hereinafter referred to as Qianhai Zhongheng), Shenzhen Zhongzheng Yutian Real Estate Co., Ltd. and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as "Zhongheng Yutian") and Wuhan Zhongheng Group. On the Seventh Conference of the Eighth Session of Board of Directors, the following document was approved, namely, Urban Renew Project Contract Termination Proposal about "Renew Unit in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen City" between the Company and Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd. On Aug. 25, 2015, the company signed Cooperation Stoppage Agreement about Gongming Hwafa Urban Renew Project with Qianhai Zhongzheng, Zhongzheng Yutian and Wuhan Zhongheng Group, given this, the related agreement signed previously will not exert legal binding force for any party.

On the 2015 Sixth Temporary Conference and 2015 Third Temporary General Meeting of Shareholders which was held on Sep. 11, 2015, the following document was signed, namely, Urban Renew Project Promotion, Implementation and Affiliated Transaction Progress Proposal about "Renew Unit in Hwafa Section, Gongming Street, Guangming New Area of Shenzhen City". After that, the company signed Urban Renew Project Cooperation Agreement about "Renew Unit in Hwafa Area, Gongming Street, Guangming New Area of Shenzhen City", Renovation Project Cooperation and Business Contract about Hwafa Area, Gongming Street of Guangming New Area, and House Purchase and Relocation Compensation Settlement Agreement with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Wuhan Zhongheng Group"), Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as "Shenzhen Vanke") and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as "Vanke Guangming") on Aug. 26, 2015.

After the foregoing agreements are effective and implemented, the company will obtain demolition compensations (RMB 0.5 billion) in cash and moving-back commercial property (not less than 100,000 square meters), given this, it is estimated that the foregoing compensations are equivalent to the four-year incomes, as a result, the company incomes and capital scale will be optimized to make for its long-term and stable development.

(II) In order to optimize the company capital structure, improve financial conditions as well as provide the necessary capital supports and liquidity supports for the industrial business transformation & upgrading, the professionalization and large-scale development of property operation business, the company is going to issue the non-public A shares, at this moment, the holding shareholder (Wuhan Zhongheng New Technology Industry Group Co., Ltd.) shall make subscription for not more than 87,600,000 shares in cash, as a result, the total raising funds will not exceed RMB 599,184,000 (including issuing expenses), what's more, the foregoing funds shall be used for repaying loans and supplementing liquidity funds and laying solid foundation for the sustainable development of company. The related matters about non-public A share issuing have been approved on the 2015 Third Temporary Directors Conference of the Company and 2014 Annual General Meeting of Stockholders. Please refer to the company announcement published on the www.cninfo.com.cn on Mar. 20 and May 20, 2015. <http://www.cninfo.com.cn> In order to guarantee the continuous, effective and successful implementation of non-public A share issuing affairs, the resolution effectiveness period of non-public share issuing shareholders conference is approved to be prolonged for 12 months on the 2016 first temporary shareholders conference. Please refer to the announcement issued by the company on www.cninfo.com.cn on May 18, 2016. <http://www.cninfo.com.cn/>

(III) On Dec. 29, 2015, Wuhan Zhongheng Group pledged the non-restricted circulation stocks (116,489,894) to Wuhan Subsidiary of China CITTC Bank, accounting for 100% and 41.14% in the company shares and the total share capital of the

company respectively, then, which dealt with pledge cancellation registration formalities in Shenzhen Branch of China Securities Registration Settlement Co., Ltd. and transacted pledge registration formalities in China Merchants Securities Capital Management Co., Ltd. by right of 116,100,000 shares (accounting for 41% in the total share capital) on Dec. 31, 2015 and Feb. 1, 2016. As for details, please refer to the company announcement issued on www.cninfo.com.cn on Jan. 13 and Feb. 19, 2016. <http://www.cninfo.com.cn/>

(IV) The company received the accreditation investigation notice from China Securities Regulatory Commission on Jan. 18, 2016. According to it, the company was accredited and investigated due to the illegal information disclosure. As for details, please refer to the Feb. 25, 2016, Mar. 26, 2016, Apr. 30, 2016, May 28, 2016, Jun. 25, 2016, Jul. 21, 2016 and Aug. 25, 2016 Accreditation Investigation Progress and Risk Disclosure Announcement issued by the company on Jan. 19, 2016 on www.cninfo.com.cn. <http://www.cninfo.com.cn/>

XV. Related conditions of company's liabilities

Whether the company has corporate bonds publicly issued and listed in share exchange and being immature or mature but failing to be cashed in full on the report date approved by the annual report

No

Section VI Change of Share and Conditions of Shareholders

I. Share changes

Unit: Share

	Before this change		Increase/decrease in this change (+, -)					After this change	
	Quantity	Proportion	New issue of shares	Shares donation	Shares transfer from provident fund	Others	Subtotal	Quantity	Proportion
I. Shares with restricted sales conditions	0	0.00%						0	0.00%
II. Shares without restricted sales conditions	283,161,227	100.00%						283,161,227	100.00%
1. RMB common share	181,165,391	63.98%						181,165,391	63.98%
2. Foreign shares of domestic listing	101,995,836	36.02%						101,995,836	36.02%
III. Total shares	283,161,227	100.00%						283,161,227	100.00%

Reasons for the change of shares

 Applicable Inapplicable

Approval situation of shares changes

 Applicable Inapplicable

Transfer situation of shares changes

 Applicable Inapplicable

Impact of the change of shares on such financial indexes as basic earnings per share and diluted earnings per share in the most recent year and period, and net assets per share for shareholders of ordinary shares of the company

 Applicable Inapplicable

Other contents that the company deems necessary to disclose or required to be disclosed by the securities regulatory agency

 Applicable Inapplicable

Descriptions for changes in the total shares, shareholders structure, company assets and liabilities structure

 Applicable Inapplicable

II. Quantity of company shareholders and shareholding

Unit: Share

The total number of common share shareholders at the end of the report period		34,788		Total preferred shareholders recovering voting rights at the end of reporting period (if any) (see Note 8)		0		
Shareholding of Shareholders Holding over 5% of Common Shares or the Top-10 Shareholders								
Name of shareholders	Nature of shareholders	Shareholding proportion (%) Share holding	Common share quantity at the end of reporting period	Increase and decrease situation within reporting period	Quantity of holding common-shares with restricted sales conditions	Infinite quantity of holding common-shares with restricted sales conditions	Pledge or frozen conditions	
							Share status	Quantity
Wuhan Zhongheng Group	Domestic non-state legal person	41.14%	116,489,894	0	0	116,489,894	Pledge	116,100,000
							Frozen	0
Seg (Hongkong) Co., Ltd.	Foreign legal person	5.85%	16,569,560	0	0	16,569,560	Pledge	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Foreign legal person	4.91%	13,900,000	0	0	13,900,000	Pledge	0
							Frozen	0
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	Foreign legal person	1.89%	5,355,249	0	0	5,355,249	Pledge	0
							Frozen	0
Xu Dongdong	Domestic natural person	0.60%	1,690,307	0	0	1,690,307	Pledge	0
							Frozen	0
BINGHUA LIU	Domestic natural person	0.30%	839,013	0	0	839,013	Pledge	0
							Frozen	0
Zhu Xionghui	Domestic natural person	0.22%	627,114	0	0	627,114	Pledge	0
							Frozen	0
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	Foreign legal person	0.22%	626,888	0	0	626,888	Pledge	0
							Frozen	0

Zhu Ming	Domestic natural person	0.22%	611,348	0	0	611,348	Pledge	0
							Frozen	0
Tan Dongshan	Domestic natural person	0.20%	564,700	0	0	564,700	Pledge	0
							Frozen	0
Strategic investors or general legal persons become top-10 shareholders due to rights issue (if any) (see Note 3)		None						
Description for associated relationships or concerted action of the above shareholders		In the former ten shareholders, Wuhan Zhongheng Group has no affiliated relationship with other shareholders, nor serve as the person acting in concert as specified in Listed Company's Shareholders Holding Alternation Information Disclosure Management Method. The company doesn't know whether other circulation share shareholders have established affiliated relationship, nor whether they are the persons acting in concert as specified in Listed Company's Shareholders Holding Alternation Information Disclosure Management Method.						
Shareholding of Top-10 Common Share Shareholders without Restricted Sales Conditions								
Name of shareholders	Quantity of held shares without restricted sales conditions at the end of the reporting period					Classes of shares		
						Classes of shares	Quantity	
Wuhan Zhongheng Group	116,489,894					RMB common share	116,489,894	
Seg (Hongkong) Co., Ltd.	16,569,560					Foreign shares of domestic listing	16,569,560	
GOOD HOPE CORNER INVESTMENTS LTD	13,900,000					Foreign shares of domestic listing	13,900,000	
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	5,355,249					Foreign shares of domestic listing	5,355,249	
Xu Dongdong	1,690,307					RMB common share	1,690,307	
BINGHUA LIU	839,013					Foreign shares of domestic listing	839,013	
Zhu Xionghui	627,114					Foreign shares of domestic listing	627,114	
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	626,888					Foreign shares of domestic listing	626,888	
Zhu Ming	611,348					Foreign shares of domestic listing	611,348	
Tan Dongshan	564,700					Foreign shares of domestic listing	564,700	

The description of incidence relation and concerted action among top-10 common share shareholders without restricted sales conditions, top-10 common share shareholders without restricted sales conditions and top-10 common share shareholders.	In the former ten shareholders, Wuhan Zhongheng New Science and Technology Industry Group has no affiliated relationship with other shareholders, nor serve as the person acting in concert as specified in Listed Company's Shareholders Holding Alternation Information Disclosure Management Method. The company doesn't know whether other circulation share shareholders have established affiliated relationship, nor whether they are the persons acting in concert as specified in Listed Company's Shareholders Holding Alternation Information Disclosure Management Method.
Situation description of shareholders participating in securities margin trading business among top-10 common share shareholders (if have) (see Note 4)	None

Whether top-10 common share shareholders and top-10 common share shareholders without restricted sales conditions conduct agreed reacquisition transaction in the reporting period

yes no

The top-10 common share shareholders and top-10 common share shareholders without restricted sales conditions fail to conduct agreed reacquisition transaction in the reporting period.

III. Holding shareholders or actual controller alternation

Changes of controlling shareholders in reporting period

Applicable Inapplicable

The company involves no changes in controlling shareholders in the reporting period.

Change of actual controller in reporting period

Applicable Inapplicable

The company involves no changes in actual controllers in the reporting period.

IV. Conditions of company shareholder and person acting on concert presenting or implementing overweight plan in the reporting period

Applicable Inapplicable

As far as the company knows, no company shareholder and person acting on concert presents or implements overweight plan in the reporting period.

Section VII Related Conditions of Preferred Shares

Applicable Inapplicable

The company involves no preferred shares in the reporting period.

Section VIII Conditions of Directors, Supervisors and Senior Manager

I. Change of shares held by the directors, supervisors and senior manager

Applicable Inapplicable

The company directors, supervisors and senior manager have not been changed with regard to shareholding within the report period. As for details, please see 2015 Annual Report.

II. Change situation of company directors, supervisors and senior manager

Applicable Inapplicable

Name:	Position	Type	Date	Cause
Wang Feng	Director	Dimission	Feb. 15, 2016	Personal reasons

Section IX Financial Statements

I. Audit Report

Whether the half-year report has been audited.

yes no

The company's semi-annual financial report has not been audited.

II. Financial Statement

The unit of the statement in the financial notes is: RMB (Yuan)

1. Consolidated Balance Sheet

Prepared by: Shenzhen Zhongheng Hwafa Co., Ltd

Jun. 30, 2016

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary capital	65,403,374.30	662,115,464.19
Deposit reservation for balance		
Lending funds		
Financial assets measured at fair value and whose value variations are included in current profits and losses		
Derivative financial assets		
Notes receivable	27,112,052.59	54,346,509.74
Accounts receivable	182,542,130.75	109,965,992.14
Advance payment	2,952,333.36	3,092,021.10
Premiums receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Interest receivable		1,838,752.40
Dividends receivable		
Other accounts receivable	20,273,143.19	9,411,791.40
Recoursable financial assets acquired		
Inventory	37,519,314.34	27,132,125.91
Classified as assets held for sale	92,857,471.69	92,857,471.69
Non-current assets due in one year		

Other current assets	31,502.46	
Total current assets	428,691,322.68	960,760,128.57
Non-current assets:		
Issuing of loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment properties	29,404,574.44	30,019,906.66
Fixed assets	108,018,926.67	110,607,425.50
Construction in process	654,356.00	654,356.00
Engineering materials		
Disposal of fixed assets		
Productive biological asset		
Oil and gas assets		
Intangible assets	45,625,243.13	46,372,390.49
Development expenditure		
Goodwill		
Long-term unamortized expenses	239,308.12	274,758.16
Deferred income tax assets	7,114,647.10	6,400,271.29
Other non-current assets		
Total non-current assets	191,057,055.46	194,329,108.10
Total assets	619,748,378.14	1,155,089,236.67
Current liabilities:		
Short-term loans	85,012,392.00	119,479,107.41
Borrowing from Central Bank		
Deposits from customers and interbank		
Borrowing fund		
Financial liabilities measured at fair value and whose value variations are included in current profits and losses		
Derivative financial liabilities		
Notes payable	16,352,307.37	53,614,420.20
Notes payable	101,410,511.69	54,241,655.86
Advance receipt	1,834,052.83	1,147,469.52

Assets sold under agreements to repurchase		
Service charges and commissions payable		
Employee remuneration payable	3,459,053.06	4,731,615.47
Expenses of taxation payable	15,980,165.45	20,498,295.88
Interest payable		
Dividends payable		
Other accounts payable	23,565,965.51	32,665,698.32
Reinsurance accounts payable		
Insurance contract reserves		
Acting trading securities		
Acting underwriting securities		
Classified as liabilities held for sale		
Non-current liabilities due in one year		
Other current liabilities		
Total current liabilities	247,614,447.91	286,378,262.66
Non-current liabilities:		
Long-term loans	50,850,000.00	554,700,000.00
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Long-term receivables		
Long-term employee remuneration payable		
Special payables		
Estimated liabilities	2,604,411.81	2,604,411.81
Deferred incomes		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	53,454,411.81	557,304,411.81
Total liabilities	301,068,859.72	843,682,674.47
Owners' equities:		
Share capital	283,161,227.00	283,161,227.00
Other equity instruments		

Including: Preferred shares		
Perpetual capital securities		
Capital reserve	146,283,642.90	146,283,642.90
Minus: Treasury share		
Other comprehensive incomes		
Appropriative reserve		
Surplus reserves	77,391,593.25	77,391,593.25
General risk reserve		
Undistributed profits	-188,156,944.73	-195,429,900.95
Total owners' equity attributable to parent company	318,679,518.42	311,406,562.20
Minority shareholder's equities		
Total owners' equity	318,679,518.42	311,406,562.20
Total liabilities and owner's equities	619,748,378.14	1,155,089,236.67

Legal representative: Li Zhongqiu

Leader in charge of accounting: Yang Bin

Leader of accounting department: Wu Aijie

2. Balance Sheet of Parent Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary capital	5,287,205.88	524,937,734.32
Financial assets measured at fair value and whose value variations are included in current profits and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable	322,194.43	322,194.43
Advance payment	5,588.32	1,005,472.83
Interest receivable		
Dividends receivable		
Other accounts receivable	73,288,596.09	76,212,908.56
Inventory	14,806.50	14,806.50
Classified as assets held for sale	92,857,471.69	92,857,471.69
Non-current assets due in one year		
Other current assets		

Total current assets	171,775,862.91	695,350,588.33
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	186,608,900.00	186,608,900.00
Investment properties	29,404,574.44	30,019,906.66
Fixed assets	5,273,431.99	4,726,034.98
Construction in process	654,356.00	654,356.00
Engineering materials		
Disposal of fixed assets		
Productive biological asset		
Oil and gas assets		
Intangible assets	5,061,019.26	5,133,492.12
Development expenditure		
Goodwill		
Long-term unamortized expenses	216,666.61	241,666.63
Deferred income tax assets	7,919,271.35	7,204,895.54
Other non-current assets		
Total non-current assets	235,138,219.65	234,589,251.93
Total assets	406,914,082.56	929,939,840.26
Current liabilities:		
Short-term loans	19,900,000.00	19,600,000.00
Financial liabilities measured at fair value and whose value variations are included in current profits and losses		
Derivative financial liabilities		
Notes payable		
Notes payable	9,740,367.33	10,745,840.16
Advance receipt	1,578,237.80	735,382.00
Employee remuneration payable	823,155.24	788,575.28
Expenses of taxation payable	8,868,036.87	16,934,546.28
Interest payable		
Dividends payable		
Other accounts payable	17,277,270.06	26,415,353.86

Classified as liabilities held for sale		
Non-current liabilities due in one year		
Other current liabilities		
Total current liabilities	58,187,067.30	75,219,697.58
Non-current liabilities:		
Long-term loans	50,850,000.00	554,700,000.00
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Long-term receivables		
Long-term employee remuneration payable		
Special payables		
Estimated liabilities	2,604,411.81	2,604,411.81
Deferred incomes		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	53,454,411.81	557,304,411.81
Total liabilities	111,641,479.11	632,524,109.39
Owners' equities:		
Share capital	283,161,227.00	283,161,227.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	146,283,642.90	146,283,642.90
Minus: Treasury share		
Other comprehensive incomes		
Appropriative reserve		
Surplus reserves	77,391,593.25	77,391,593.25
Undistributed profits	-211,563,859.70	-209,420,732.28
Total owners' equity	295,272,603.45	297,415,730.87
Total liabilities and owner's equities	406,914,082.56	929,939,840.26

3. Consolidated Income Statement

Unit: RMB

Item	Amount incurred of current period	Amount incurred of prior period
I. Total operating incomes	309,538,525.56	248,734,629.86
Including: Operating income	309,538,525.56	248,734,629.86
Interest incomes		
Earned premiums		
Commission charges and commission incomes		
II. Total operating costs	301,336,765.71	265,260,708.90
Including: Operating cost	264,288,398.24	207,463,525.37
Interest expenditures		
Commission charges and commission expenditures		
Surrender value		
Net payment for insurance claims		
Net allotted insurance contract reserves		
Bond insurance expense		
Reinsurance expenses		
Business tax and surcharges	2,156,369.16	3,677,294.51
Sales expenses	5,283,735.71	5,131,770.58
Management expenses	27,295,883.47	18,594,919.77
Financial expenses	2,312,379.13	30,393,198.67
Assets impairment loss		
Plus: Income from changes in fair value (loss is expressed with "-" to fill in the column)		
Investment incomes (losses are expressed with "-" to fill in the column)		29,500,643.47
Including: Income from investment in joint-venture and partnership enterprises		
Exchange gains (losses are expressed with "-" to fill in the column)		
III. Operating profits (losses are expressed with "-" to fill in the column)	8,201,759.85	12,974,564.43
Plus: Non-operating income	1,518,636.51	807,053.65
Including: Gains from disposal of non-current assets	116,007.01	
Minus: Non-operating expenditure	63,225.68	313,178.96
Including: Losses from disposal of	18,924.00	

non-current assets		
IV. Total profits (total losses are expressed with "-" to fill in the column)	9,657,170.68	13,468,439.12
Minus: Income tax expenses	2,384,214.46	-708,871.91
V. Net profits (net losses are expressed with "-" to fill in the column)	7,272,956.22	14,177,311.03
Net profits attributable to owner of the parent company	7,272,956.22	14,177,311.03
Minority shareholder's profit and loss		
VI. After-tax net amount of other comprehensive incomes		
Net of tax from other comprehensive income attributed to the parent company owner		
(I) Other comprehensive income that will not be reclassified into profit and loss afterwards		
1. Recalculate the change of net liability and net asset of defined benefit plan		
2. Share from other comprehensive incomes of invested units which will not be reclassified in profit and loss under the equity method		
(II) Other comprehensive income that will be reclassified into profit and loss afterwards		
1. Share from other comprehensive incomes of invested units which will be reclassified in profit and loss under the equity method		
2. Variable loss and profit of available-for-sale financial asset fair value		
3. Held-to-maturity investment is reclassified into the profit and loss of available-for-sale financial assets		
4. Effective part of profit and loss of cash-flow hedging		
5. Translation balance of foreign currency financial statements		
6. Others		
Net of tax from other comprehensive incomes attributable to minority		

shareholders		
VII. Total comprehensive incomes	7,272,956.22	14,177,311.03
Total comprehensive incomes attributable to owners of parent company	7,272,956.22	14,177,311.03
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(I) Basic earnings per share	0.0257	0.0501
(II) Diluted earnings per share	0.0257	0.0501

If business merger under the same control occurs in the current period, the realized net profit of the combined party before the merger is: RMB 0.00, the net profit achieved by the combined party for the prior period is: RMB 0.00.

Legal representative: Li Zhongqiu Leader in charge of accounting: Yang Bin Leader of accounting department: Wu Aijie

4. Profit Statement of the Parent Company

Unit: RMB

Item	Amount incurred of current period	Amount incurred of prior period
I. Operating incomes	21,050,313.65	26,161,173.96
Minus: Operating costs	2,177,884.29	3,256,287.14
Business tax and surcharges	1,097,952.84	1,655,383.66
Sales expenses		
Management expenses	15,433,330.85	9,218,109.84
Financial expenses	5,221,263.90	25,557,934.72
Assets impairment losses		
Plus: Income from changes in fair value (loss is expressed with "-" to fill in the column)		
Investment income (losses are expressed with "-" to fill in the column)		29,499,999.98
Including: Income from investment in joint-venture and partnership enterprises		
II. Operating profits (losses are expressed with "-" to fill in the column)	-2,880,118.23	15,973,458.58
Plus: Non-operating income	41,539.00	157,306.00
Including: Gains from disposal of non-current assets		
Minus: Non-operating expenditure	18,924.00	1,717.45
Including: Losses from disposal of non-current assets	18,924.00	

III. Total profits (total losses are expressed with "-" to fill in the column)	-2,857,503.23	16,129,047.13
Minus: Income tax expenses	-714,375.81	
IV. Net profits (net losses are expressed with "-" to fill in the column)	-2,143,127.42	16,129,047.13
V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive income that will not be reclassified into profit and loss afterwards		
1. Recalculate the change of net liability and net asset of defined benefit plan		
2. Share from other comprehensive incomes of invested units which will not be reclassified in profit and loss under the equity method Share from other comprehensive incomes of invested units which will be reclassified in profit and loss under the equity method		
(II) Other comprehensive income that will be reclassified into profit and loss afterwards		
1. Share from other comprehensive incomes of invested units which will be reclassified in profit and loss under the equity method		
2. Variable loss and profit of available-for-sale financial asset fair value		
3. Held-to-maturity investment is reclassified into the profit and loss of available-for-sale financial assets		
4. Effective part of profit and loss of cash-flow hedging		
5. Translation balance of foreign currency financial statements		
6. Others		
VI. Total comprehensive incomes	-2,143,127.42	16,129,047.13
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Statement of Consolidated Cash Flow Statement

Unit: RMB

Item	Amount incurred of current period	Amount incurred of prior period
I. Cash flows generated from operating activities:		
Cash received from selling goods and providing labor services	178,719,535.63	183,618,610.88
Net increased amount of deposits from customers and interbank		
Net increased amount of borrowings from Central Bank		
Net increased amount of borrowing funds from other financial institutions		
Cashes obtained from receiving premiums of the original insurance contract		
Net cash received from reinsurance business		
Net increased amount of policy holder deposits and investments		
Net increased amount of disposing financial assets measured at fair value and whose value variations are included in current profits and losses		
Cash received from interests, commission charges and commissions		
Net increased amount of borrowing funds		
Net increased amount of repurchasing business funds		
Return of received expenses of taxation		
Other cash received related to operating activities	6,735,237.88	109,260,397.00
Subtotal of cash inflow of operating activities	185,454,773.51	292,879,007.88
Cash paid from purchasing goods and accepting labor services	130,584,597.67	221,324,808.05
Net increased amount of customer loans and advances		
Net increased amount of deposits in Central Bank and interbank deposits		
Cashes paid for compensation payments under the original insurance contract		

Cash paid for interests, commission charges and commissions		
Cashes paid for policy dividends		
Cashes paid to employees and for employees	30,682,437.45	31,468,469.13
Various expenses of taxation paid	14,888,534.34	11,053,191.84
Other cash paid related to operating activities	34,723,553.62	12,003,945.13
Subtotal of cash outflow of operating activities	210,879,123.08	275,850,414.15
Net amount of cash flow generated from operating activities	-25,424,349.57	17,028,593.73
II. Cash flows generated from investment activities:		
Cash received from returning the investment		
Cash received from obtaining investment income		14,166,666.65
Net cashes returned from disposal of fixed assets, intangible assets and other long-term assets	158,656.34	
Net cashes received from disposal of subsidiaries and other business units		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	158,656.34	14,166,666.65
Net cashes returned from acquisition or construction of fixed assets, intangible assets and other long-term assets	3,949,242.30	3,537,547.11
Cashes paid for investments		
Net increased amount of pledge loans		
Net cashes paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		99,356.51
Subtotal of cash outflow of investment activities	3,949,242.30	3,636,903.62
Net amount of cash flows generated from investment activities	-3,790,585.96	10,529,763.03
III. Cash flows generated from financial activities:		

Cash received from absorbing the investment		
Including: Cash received from a subsidiary's absorbing investment of minority shareholders		
Cashes received from obtaining loan	57,020,825.00	172,101,597.40
Cashes received from bond issuing		
Other cash received related to financial activities		
Subtotal of cash inflow from financial activities	57,020,825.00	172,101,597.40
Cash paid for repaying debts	595,950,388.73	174,100,580.11
Cashes paid for dividend distribution, profits and interest payments	5,330,803.55	26,951,241.80
Including: Dividends and profits paid to minority shareholders by the subsidiaries		
Other cash paid related to financial activities		
Subtotal of cash outflow of financial activities	601,281,192.28	201,051,821.91
Net amount of cash flows generated from financial activities	-544,260,367.28	-28,950,224.51
IV. Impacts of exchange rate variations on cashes and cash equivalents	-15,237.48	29,560.85
V. Net increase amount of cash and cash equivalents	-573,490,540.29	-1,362,306.90
Plus: Balance of cash and cash equivalents at beginning of period	632,846,956.16	22,392,147.12
VI. Balance of cash and cash equivalents at end of period	59,356,415.87	21,029,840.22

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	Amount incurred of current period	Amount incurred of prior period
I. Cash flows generated from operating activities:		
Cash received from selling goods and providing labor services	11,823,161.27	28,713,390.03
Return of received expenses of taxation		
Other cash received related to operating	31,580,866.37	22,742,334.43

activities		
Subtotal of cash inflow of operating activities	43,404,027.64	51,455,724.46
Cash paid from purchasing goods and accepting labor services		
Cashes paid to employees and for employees	2,433,244.76	2,961,727.35
Various expenses of taxation paid	10,242,618.35	2,995,386.87
Other cash paid related to operating activities	39,784,929.43	25,812,424.01
Subtotal of cash outflow of operating activities	52,460,792.54	31,769,538.23
Net amount of cash flow generated from operating activities	-9,056,764.90	19,686,186.23
II. Cash flows generated from investment activities:		
Cash received from returning the investment		
Cash received from obtaining investment income		14,166,666.65
Net cashes returned from disposal of fixed assets, intangible assets and other long-term assets	576.00	
Net cashes received from disposal of subsidiaries and other business units		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	576.00	14,166,666.65
Net cashes returned from acquisition or construction of fixed assets, intangible assets and other long-term assets	2,765,792.00	21,011.00
Cashes paid for investments		
Net cashes paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of cash outflow of investment activities	2,765,792.00	21,011.00

Net amount of cash flows generated from investment activities	-2,765,216.00	14,145,655.65
III. Cash flows generated from financial activities:		
Cash received from absorbing the investment		
Cashes received from obtaining loan	15,000,000.00	14,700,000.00
Cashes received from debenture issues		
Other cash received related to financial activities		
Subtotal of cash inflow from financial activities	15,000,000.00	14,700,000.00
Cash paid for repaying debts	518,550,000.00	29,999,965.00
Cashes paid for dividend distribution, profits and interest payments	4,278,638.49	24,604,032.66
Other cash paid related to financial activities		
Subtotal of cash outflow of financial activities	522,828,638.49	54,603,997.66
Net amount of cash flows generated from financial activities	-507,828,638.49	-39,903,997.66
IV. Impacts of exchange rate variations on cashes and cash equivalents	90.95	9,682.19
V. Net increase amount of cash and cash equivalents	-519,650,528.44	-6,062,473.59
Plus: Balance of cash and cash equivalents at beginning of period	524,937,734.32	14,802,258.59
VI. Balance of cash and cash equivalents at end of period	5,287,205.88	8,739,785.00

7. Consolidated Statement of Changes in Owner's Equity

Amount of current period

Unit: RMB

Item	Current period											Minority shareholder's equities	Total owners' equity
	Owners' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Minus : Treasury	Other comprehensive	Appropriative reserves	Surplus reserves	General risk reserve	Undistributed profits		
Prefer		Perpe	Others										

		red shares	tual capit al secur ities			share	incomes			s			
I. Closing balance of last year	283,161, 227.00				146,283,6 42.90				77,391,5 93.25		-195,429, 900.95		311,406, 562.20
Plus: Changes in accounting policies													
Preliminary error correction													
Enterprise combination under the common control													
Others													
II. Opening balance of current year	283,161, 227.00				146,283,6 42.90				77,391,5 93.25		-195,429, 900.95		311,406, 562.20
III. Increase/decreas e amount in current period (decrease is expressed with "-" to fill in the column)											7,272,956 .22		7,272,95 6.22
(I) Total comprehensive income amount											7,272,956 .22		7,272,95 6.22
(II) Capital invested and reduced OF owners													
1. Common shares invested by shareholders													
2. Capital invested by													

holders of other equity instruments													
3. Share-based payment amount included in owner's equity													
4. Others													
(III) Profit distribution													
1. Withdraw surplus reserves													
2. Withdraw general risk reserves													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Inner carry-over of ownership equity													
1. Transferred and increased capital of capital reserves (or share capital)													
2. Transferred and increased capital of surplus reserves (or share capital)													
3. Surplus reserves offsetting loss													
4. Others													
(V) Appropriative reserve													

1. Withdrawal in current period													
2. Use in current period													
(VI) Others													
IV. Balance at the end of current period	283,161,227.00				146,283,642.90				77,391,593.25		-188,156,944.73		318,679,518.42

Amount of last year

Unit: RMB

Item	Prior period												
	Owners' equity attributable to parent company											Minority shareholder's equities	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury share	Other comprehensive incomes	Appropriative reserves	Surplus reserves	General risk reserves	Undistributed profits		
		Preferred shares	Perpetual capital securities	Others									
I. Closing balance of last year	283,161,227.00				109,496,837.33				77,391,593.25		-188,698,387.84		281,351,269.74
Plus: Changes in accounting policies													
Preliminary error correction													
Enterprise combination under the common control													
Others													
II. Opening balance of current year	283,161,227.00				109,496,837.33				77,391,593.25		-188,698,387.84		281,351,269.74
III. Increase/decrease amount in current period					36,786.805.57						-6,731,513.11		30,055,292.46

(decrease is expressed with "-" to fill in the column)													
(I) Total comprehensive income amount											-6,731,513.11		-6,731,513.11
(II) Capital invested and reduced OF owners					36,786,805.57								36,786,805.57
1. Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Share-based payment amount included in owner's equity													
4. Others					36,786,805.57								36,786,805.57
(III) Profit distribution													
1. Withdraw surplus reserves													
2. Withdraw general risk reserves													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Inner carry-over of ownership equity													
1. Transferred													

and increased capital of capital reserves (or share capital)													
2. Transferred and increased capital of surplus reserves (or share capital)													
3. Surplus reserves offsetting loss													
4. Others													
(V) Appropriative reserve													
1. Withdrawal in current period													
2. Use in current period													
(VI) Others													
IV. Balance at the end of current period	283,161,227.00				146,283,642.90				77,391,593.25		-195,429,900.95		311,406,562.20

8. Statement of Changes in Owner's Equity of Parent Company

Amount of current period

Unit: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury share	Other comprehensive incomes	Appropriative reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual capital securities	Others							
I. Closing balance of last year	283,161,227.00				146,283,642.90				77,391,593.25	-209,420,732.28	297,415,730.87
Plus: Changes in accounting policies											
Preliminary error											

correction											
Others											
II. Opening balance of current year	283,161,227.00				146,283,642.90				77,391,593.25	-209,420,732.28	297,415,730.87
III . Increase/decrease amount in current period (decrease is expressed with "-" to fill in the column)										-2,143,127.42	-2,143,127.42
(I) Total comprehensive income amount										-2,143,127.42	-2,143,127.42
(II) Capital invested and reduced OF owners											
1. Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Share-based payment amount included in owner's equity											
4. Others											
(III) Profit distribution											
1. Withdraw surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Inner carry-over of ownership equity											
1. Transferred and increased capital of capital reserves (or share capital)											
2. Transferred and increased capital of surplus reserves (or share capital)											
3. Surplus reserves											

offsetting loss											
4. Others											
(V) Appropriative reserve											
1. Withdrawal in current period											
2. Use in current period											
(VI) Others											
IV. Balance at the end of current period	283,161,227.00				146,283,642.90				77,391,593.25	-211,563,859.70	295,272,603.45

Amount of last year

Unit: RMB

Item	Prior period										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury share	Other comprehensive incomes	Appropriative reserve	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual capital securities	Others							
I. Closing balance of last year	283,161,227.00				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79
Plus: Changes in accounting policies											
Preliminary error correction											
Others											
II. Opening balance of current year	283,161,227.00				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79
III Increase/decrease amount in current period (decrease is expressed with "-" to fill in the column)					36,786,805.57					-9,542,058.49	27,244,747.08
(I) Total comprehensive income amount										-9,542,058.49	-9,542,058.49
(II) Capital invested and					36,786,805.57						36,786,805.57

reduced OF owners											
1. Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Share-based payment amount included in owner's equity											
4. Others					36,786,805.57						36,786,805.57
(III) Profit distribution											
1. Withdraw surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Inner carry-over of ownership equity											
1. Transferred and increased capital of capital reserves (or share capital)											
2. Transferred and increased capital of surplus reserves (or share capital)											
3. Surplus reserves offsetting loss											
4. Others											
(V) Appropriative reserve											
1. Withdrawal in current period											

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

III. Basic information of the Company

Shenzhen Zhongheng Hwafa Co, Ltd. (hereinafter referred to as “the Company” or referred to as “the Group” when it includes the subsidiary) was founded on Dec. 8, 1981, with the Uniform Social Credit Code of the company is 91440300618830372G. The legal representative of the Company is Mr. Li Zhongqiu and the Company’s registered address is at No. 411 Building, Huafa North Road, Futian District, Shenzhen.

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

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

The approved release date of the financial report: August 29, 2016.

Comparing with the beginning of the period, the consolidated range of this period remains unchanged. Please refer to the Annotation "VIII. Equity in Other Entities".

IV. Preparation Basis of Financial Statements

1. Preparation Basis

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

2. Going Concern

In consideration of the earnings’ management history and financial resource support recently, the group thinks that it is rational to compile the financial statement on the basis of continuous operation. .

V. Significant Accounting Policy and Accounting Estimate

Specific accounting policy and accounting estimate tips:

The specific accounting policy and accounting estimate prepared by the Group according to actual production and operation characteristics include operating cycle, recognition and measurement of bad debt provisions over account receivable, measurement of delivered inventories, fixed asset classification and depreciation method, intangible assets amortization, income recognition and measurement.

1. Statement regarding Following Business Accounting Standards

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

2. Accounting Period

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

3. Operating Cycle

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

4. Standard Currency

RMB is adopted as standard currency by the Group.

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

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

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

6. Preparation of Consolidated Financial Statement

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

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

All significant internal transactions, balance of current accounts and unrealized profit within the scope of merger shall be offset

when preparing the consolidated financial statements. The shares in the ownership interest of the subsidiary that don't belong to the parent company and the shares in the current net profits and losses, other comprehensive incomes and total comprehensive incomes that belong to the minority stockholder's interest shall be listed respectively in the item of "minority stockholder's interest, minority interest income, other comprehensive incomes belonging to the minority shareholder and total comprehensive incomes belonging to the minority shareholder" in the consolidated financial statement.

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

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

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

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

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

the retained earnings shall be adjusted.

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

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

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

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

8. Determination criteria of cash and cash equivalents

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

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

(1) Foreign currency transaction

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

(2) Conversion of foreign-currency financial statement

Assets and debt items in foreign-currency balance shall be converted with spot rate on the date of balance sheet; ownership items

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

10. Financial Instruments

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

(1) Financial asset

1) Financial asset classification, recognition basis and measurement method

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

The financial assets that are measured based on the fair value and which change is recorded in current profit and loss shall include the trading financial assets and the financial assets which are designated at the initial recognition as assets which are measured based on the fair value and which change is recorded in current profit and loss. The Group divides the financial assets meeting one of the following conditions into the trading financial assets: the purpose for obtaining the financial asset is for sales within a short term period; which belong to a part of the identifiable financial instrument portfolio under centralized management and there is an objective evidence showing that the company adopts short-term profit method in recent period to manage the portfolio; which also belong to the derivative instrument, but the derivative instrument that are designated and that belong to effective arbitrage instrument, the derivative instrument within the scope of financial guarantee contract, the equity instrument that is not quoted in the active market and which fair value cannot be reliably measured and the derivative instrument that is settled via delivery of equity instrument are not included. The Group requires designating the financial instrument meeting one of the following conditions as the financial asset which is measured based on fair value and which change is recorded in the current profit and loss at the time of initial recognition: such designation can eliminate or obviously reduce the discrepancy in the recognition or measurement of relevant profit or loss caused by different measurement basis of financial instrument; the official written document of company’s risk management or investment strategy has specified that the financial instrument portfolio shall be managed, evaluated and reported to the key management personnel based on the fair value; include the mixed instruments with one or several embedded derivative instruments, unless that the embedded derivative instrument doesn’t significantly change the cash flow of the mixed instruments, or the embedded derivative instrument shall not be separated from relevant mixed instruments obviously; include the mixed instruments of embedded derivative instruments to be separated but that cannot be separately measured on the date of acquisition date or on the subsequent balance sheet date. The financial assets designated by the Group mainly include the trading financial assets. Such financial assets shall be measured subsequently based on fair value. The change in the fair value shall be recognized in profit or loss; the interest or cash dividends obtained during the period when the assets are held shall be recognized as income from investment; at the time of disposal, the difference between the fair value and the initial recorded amount shall be recognized as the profit and loss on investment. Meanwhile, the profit and loss on the change in fair value shall be adjusted.

Held-to-maturity investment refers to non-derivative financial asset with fixed maturity, fixed or confirmable returnable amount and that can be held to maturity according to the Group’s clear intention and ability. The held-to-maturity investment shall be

subsequently measured based on the amortized cost according to the effective interest method. And the amortized or reduced amount and the profit or loss generated at the time of final recognition shall be recorded in current profit and loss.

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

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

2) Recognition basis and measurement method of financial asset transfer

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

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

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

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

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

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

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

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

(2) Financial liabilities

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

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

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

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

2) Condition for derecognition of the financial liabilities

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

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

The Group measures the fair value of financial assets and financial liabilities according to the price of the main market. If there

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

11. Accounts Receivables

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

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

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

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

Bad debt reserve accrued by aging analysis method in the combination

Applicable Inapplicable

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

Bad debt reserve accrued by balance percentage method in the combination

Applicable Inapplicable

Bad debt reserve accrued by other method in the combination

Applicable Inapplicable

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

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

12. Inventories

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

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

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

13. Assets classified as held for sale

The held assets on sales which are divided by the group include fixed assets and construction in progress. Therein, the division is conducted on the basis of: Considering that the fixed assets and engineering in progress can be sold immediately only according to the common and general asset articles under the current state, the group's Board of Shareholders has made a decision about the asset disposal and signed the irrevocable transferring agreement to transferee, therefore, the transferring will be finished within one year.

14. Long-term Equity Investment

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

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

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

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

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

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

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

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

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

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

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

For the long-term equity investment measured and accounted subsequently based on the equity method, the book value of long-term equity investment shall be added or reduced accordingly based on the change in the ownership interest of the invested unit. When recognizing the shares of the net profit and loss of invested unit, the net profit of invested unit shall be adjusted before recognition based on the fair value of the identifiable assets of the invested unit when obtaining the investment and based on the

accounting policies of the Group during accounting period and the internal transaction profit or loss between the joint venture and cooperative enterprises shall be offset and the part that belongs to the investment enterprise shall be calculated based on the shareholding ratio.

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

In case of loss of common control or significant influence on the invested unit due to reasons such as disposal of partial equity investment, the remaining equity after disposal can be accounted based on the available-for-sale financial asset and difference between the fair value and book value of the remaining equity on the date of loss of the common control or significant influence shall be recorded in the current profit and loss. Accounting treatment shall be carried out on other comprehensive income of original equity investment recognized due to the accounting based on equity method according to the same basis based on which the invested unit directly disposes relevant assets or liabilities when terminating adoption of equity method for accounting.

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

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

15. Property of Investment

Measurement mode for investment real estate

Measurement based on cost method

Depreciation method or amortization method

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

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

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

16. Fixed Assets

(1) Recognition Condition

Fixed assets of the Group refer to the tangible assets that simultaneously possess the following features. They are held for the sake of producing commodities, rendering labor service, renting or business management; their useful life is in excess of one fiscal year; and unit value has exceeded 2,000 Yuan. The fixed assets shall be recognized when its relevant economic benefit may be flowed into the Group and its cost can be reliably measured. The Group's fixed assets include Houses & buildings, Machinery equipment, Mould equipment, Transport equipment, Apparatus equipment, Tooling equipment and Office equipment.

(2) Depreciation method

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

17. Project in Process

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

18. Borrowing Costs

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

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

19. Intangible Assets

(1) Valuation Method, Service Life and Impairment Test

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

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

20. Long-term Asset Impairment

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

21. Long-term Deferred Expenses

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

22. Employees' Remuneration

(1) Accounting Treatment Method of Short-term Remuneration

Short-term remuneration mainly includes the wage, bonus, allowance, subsidy, employee's welfare expense, medical insurance premium, birth insurance premium, industrial injury insurance premium, legal reserves of housing acquisition, labor union expenditure, personnel education fund and non-currency welfare. During the accounting period when the employees provide the service for the Company, the Company shall recognize the actual short-term employees' remuneration as the liability and shall record it in current profit and loss or relevant asset cost. The non-currency welfare shall be measured based on the fair value.

(2) Accounting Treatment Method of Welfare after Departure

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

loss at the time of occurrence.

(3) Accounting Treatment Method of Dismissal Welfare

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

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

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

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

23. Predictable Liabilities

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

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

24. Stock Payment

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

Share-based payment adopting cash settlement, The measurement accords with the fair value of liabilities borne by the enterprise and determined through the calculation based on share or other equity instruments. Where the right can be exercised immediately upon grant, the fair value of assumed liabilities shall be recorded in relevant costs or expenses on the date of grant to increase the liabilities accordingly; where it needs to complete the service within waiting period or meet the specified performance

condition before exercise of right, the best estimate of exercisable right can be taken as the basis on each balance sheet date during the waiting period to record the obtained service on current period in the cost or expense in accordance with the fair value amount of liabilities assumed by the Group to adjust the liabilities accordingly.

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

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

25. Income

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

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

(2) Income from provision of labor service: When total revenue and total cost from labor service can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be confirmed in a reliable way; it may recognize the realization of revenue from labor service. On the date of Balance Sheet, where the result of a transaction concerning the providing of labor service can be measured in a reliably way, it shall recognize relevant revenue according to the schedule of completion; Percentage of completion is the percentage of incurred costs in the total costs; where the result of a transaction concerning the providing of labor service cannot be measured in a reliably way and the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; where the result of a transaction concerning the providing of labor service cannot be measured in a reliably way and the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

(3) Income from transfer of assets: The revenue from abalienating of right to use assets may be recognized on the condition that the relevant economic benefits are likely to flow into the Company and the amount of revenues can be measured in a reliable way.

26. Government Grants

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

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

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

The income related governmental subsidies refer to the governmental subsidies other than the asset-related governmental

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

27. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

28. Lease

(1) Accounting treatment method of operating lease

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

(2) Accounting treatment method of finance lease

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

29. Significant accounting policy and accounting estimate change

(1) Change in significant accounting policy

Applicable Inapplicable

(2) Change in significant accounting estimate

Applicable Inapplicable

VI. Taxes

1. Main tax types and rates

Tax type	Tax basis	Tax rate
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VAT	Taxable income	17%、6%、3%
Business Tax	Taxable income	5%
Urban Maintenance & Construction Tax	Circulating tax payable	7%
Enterprise Income Tax	Taxable income amount	25%
Extra charges of education funds	Circulating tax payable	3%
Real estate tax	70% of the original value of real estate	1.2%

VII. Notes to the Items of Consolidated Financial Statements

1. Monetary Fund

Unit: RMB

Items	Ending balance	Beginning balance
Ready money	254,667.37	382,669.21
Bank Deposit	59,101,748.50	632,464,286.95
Other Monetary Fund	6,046,958.43	29,268,508.03
Total	65,403,374.30	662,115,464.19

Other explanations

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

(2) In the monetary capitals of the Group at the end of the period, the limited monetary capital is RMB 6,046,958.43. The monetary capital limited at the beginning of the period is RMB 29,268,508.03.

2. Notes Receivable

(1) Classified Presentation of Notes Receivable

Unit: RMB

Items	Ending balance	Beginning balance
Bank acceptance bill	26,392,052.59	54,346,509.74
Trade acceptance bill	720,000.00	
Total	27,112,052.59	54,346,509.74

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

Unit: RMB

Items	Amount Ceased to Recognized at Year End	Amount Ceased to Recognized at Year End
Bank acceptance bill	10,308,326.47	
Total	10,308,326.47	

3. Notes Receivable

(1) Classified Disclosure of Accounts Receivable

Unit: RMB

Items	Amount at the end of period					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	7,649,789.11	3.91%	7,649,789.11	100.00%		7,649,789.11	6.22%	7,649,789.11	100.00%	
Accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	182,681,586.49	93.45%	139,455.74	0.08%	182,542,130.75	110,105,447.88	89.58%	139,455.74	0.13%	109,965,992.14
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,160,953.41	2.64%	5,160,953.41	100.00%		5,160,953.41	4.20%	5,160,953.41	100.00%	
Total	195,492,329.01	100.00%	12,950,198.26		182,542,130.75	122,916,190.40	100.00%	12,950,198.26		109,965,992.14

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

√ Applicable □ Inapplicable

Unit: RMB

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

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

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

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Notes Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	182,193,860.53		
1-2year (s)	27,448.20	1,372.41	5.00%
Over 3years	460,277.76	138,083.33	30.00%
Total	182,681,586.49	139,455.74	

Instructions for determining the combination basis:

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

Applicable Inapplicable

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

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

Unit: RMB

Unit name	Balance at the end of the year			
	Notes Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Huixin Video Science and Technology Co.,Ltd.	381,168.96	381,168.96	100.00	Can not be taken back
Shenzhen Wandial Number Science and Technology Co.,Ltd.	351,813.70	351,813.70	100.00	Can not be taken back
Shenzhen Dalong Electric Co.,Ltd.	344,700.00	344,700.00	100.00	Can not be taken back
Shenzhen Qunpin Electric Co.,Ltd.	304,542.95	304,542.95	100.00	Can not be taken back
China Galaxy Electric(Hong Kong) Co.,Ltd.	288,261.17	288,261.17	100.00	Can not be taken back
Dongguan Weite Electric Co.,Ltd.	274,399.80	274,399.80	100.00	Can not be taken back

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

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

The total amount of accounts receivable with top five ending balances collected by the Debtor this period reaches RMB 163,559,131.62, which accounts for 83.67% of the total ending balance of the accounts receivable. The total amount of ending balances of withdrawn bad debt provision is RMB1,225,326.15.

4. Advance payment

(1) List of advance payments according to aging

Unit: RMB

Account ageing	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	2,726,963.39	92.37%	1,201,255.38	38.85%
1-2year (s)	6,000.00	0.20%	515,157.07	16.66%
2-3 year (s)	219,369.97	7.43%	1,252,009.66	40.49%
Over 3 years			123,598.99	4.00%
Total	2,952,333.36	--	3,092,021.10	--

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

None

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

The total amount of advance payment with top five ending balances collected based on the prepayment object this period reaches RMB 2,541,518.80, which accounts for 86.09% of the total ending balances of the advance payment.

Other explanations:

None

5. Interests receivable

(1) Classification of interests receivable

Unit: RMB

Items	Ending balance	Beginning balance
Wuhan Hengsheng Opto-electric Industry Co., Ltd.	0.00	1,838,752.40
Total		1,838,752.40

6. Other Accounts Receivable

(1) Classified Disclosure of Other Accounts Receivable

Unit: RMB

Items	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	21,835,107.43	69.15%	5,662,187.38	25.93%	16,172,920.05	6,403,097.35	30.91%	5,662,187.38	88.43%	740,909.97
Other accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	4,273,561.18	13.53%	173,338.04	4.06%	4,100,223.14	8,844,219.47	42.69%	173,338.04	1.96%	8,670,881.43
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,469,385.44	17.32%	5,469,385.44	100.00%	0.00	5,469,385.44	26.40%	5,469,385.44	100.00%	
Total	31,578,054.05	100.00%	11,304,910.86		20,273,143.19	20,716,702.26	100.00%	11,304,910.86		9,411,791.40

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

√ Applicable □ Inapplicable

Unit: RMB

Other accounts receivable (based on unit)	Ending balance			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
Shenzhen Jifang Investment Co., Ltd.	15,432,010.08			No risk of bad debts
Boteman	4,021,734.22	4,021,734.22	100.00%	Can not be taken back
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	740,909.97			No risk of bad debts
Zhao Baomin	564,646.35	564,646.35	100.00%	Can not be taken back
Traffic incident indemnity	555,785.81	555,785.81	100.00%	Can not be taken back
Hebei Botou Court	520,021.00	520,021.00	100.00%	Can not be taken back
Total	21,835,107.43	5,662,187.38	--	--

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

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	3,202,575.45		
1-2 year (s)	572,918.40	28,645.92	5.00%
2-3 year (s)	23,640.40	2,364.04	10.00%
Over 3years	474,426.93	142,328.08	30.00%
Total	4,273,561.18	173,338.04	

Instructions for determining the combination basis:

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

Applicable Inapplicable

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

Applicable Inapplicable

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

Unit name	Balance at the end of the year			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Personal borrowings	991,841.17	991,841.17	100.00	Can not be taken back
Employee canteen ect.	796,041.46	796,041.46	100.00	Can not be taken back
Trade Union	297,402.55	297,402.55	100.00	Can not be taken back
Shenzhen Lotus Island Restaurant Co.,Ltd	236,293.80	236,293.80	100.00	Can not be taken back

Chuangjing workshop	192,794.00	192,794.00	100.00	Can not be taken back
Weili Electric Corporation Co.,Ltd, Zhangzhou City, Fujian Province	112,335.62	112,335.62	100.00	Can not be taken back
Others	2,842,676.84	2,842,676.84	100.00	Can not be taken back
Total	5,469,385.44	5,469,385.44		

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

Unit: RMB

Payment nature	Book balance at the end of period	Book balance at the beginning of period
Security deposit	499,620.00	1,071,309.97
Borrowing	2,182,945.73	2,230,773.98
Current accounts	7,179,633.99	7,427,894.35
Rent receivable	21,684,964.35	8,780,596.09
Others	30,889.98	1,206,127.87
Total	31,578,054.05	20,716,702.26

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

Unit: RMB

Unit name	Payment nature	Ending balance	Account ageing	Proportion in the total ending balances of other accounts receivable	Ending balance of bad debt provision
Shenzhen Jifang Investment Co., Ltd.	Rent income	15,432,010.08	Within 1 year	48.87%	
Boteman	Rent income	4,021,734.22	Over 3years	12.74%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Security deposit	740,909.97	Within 1 year	2.35%	
Zhao Baomin	Rent income	564,646.35	Over 3years	1.79%	564,646.35
Traffic incident indemnity	Lease fees receivable	555,785.81	Over 3years	1.76%	555,785.81
Total	--	21,315,086.43	--	67.51%	5,142,166.38

7. Inventories**(1) Type of Inventories**

Unit: RMB

Items	Ending balance			Beginning balance		
	Book balance	Depreciation	Book Value	Book balance	Depreciation	Book Value

		Provisions			Provisions	
Raw Materials	22,805,063.20	1,260,134.51	21,544,928.69	17,440,555.09	1,260,134.51	16,180,420.58
Finishing Product	186,209.80		186,209.80	307,753.41		307,753.41
Stocked Goods	13,412,782.27	549,643.94	12,863,138.33	9,231,179.62	549,643.94	8,681,535.68
Turnover materials	707,674.15	51,587.59	656,086.56	297,390.39	51,587.59	245,802.80
Self-made semi-finished product	2,302,021.66	33,070.70	2,268,950.96	1,749,684.14	33,070.70	1,716,613.44
Total	39,413,751.08	1,894,436.74	37,519,314.34	29,026,562.65	1,894,436.74	27,132,125.91

(2) Provision for Depreciation of Inventories

Unit: RMB

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

8. Assets classified as held for sale

Unit: RMB

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

Other explanations:

The company signed Urban Renewal Project Cooperation Agreement about "Renewal Unit in Huafa Area, Gongming Street, Guangming New District, Shenzhen City", House Purchase and Relocation Compensation and Settlement Agreement, and House Renovation Project Cooperation and Operation Contract in Huafa Industrial Zone, Gongming Street, Guan Hwafa Industrial Zoning New Area with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as Wuhan Zhongheng New Technology Industry Group), Shenzhen Vanke Real Estate Co., Ltd. and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. on Aug. 26, 2015. According to the agreement between our company and Wuhan Zhongheng New Technology Industry Group, the company authorizes Wuhan Zhongheng New Technology Industry Group Co., Ltd. to make the

project cooperation on behalf of our company, as a result, our company can obtain the relocation compensations of RMB 0.5 billion and supplementary commercial area of 100,000 square meters; After the target project is liquidated and settled, the third intermediary agent appointed by Wuhan Zhongheng Huafa Industry Group will distribute the surplus benefits. If the mutual benefits have a surplus, the company will make sharing, according to the 50.50% of the occupied land rights and interests. In case of deficits, the company will not take responsibility.

9. Other Current Assets

Unit: RMB

Items	Ending balance	Beginning balance
Wait deal intangible assets loss or income	31,502.46	
Total	31,502.46	

Other instructions:

10. Property of Investment

(1) Investment Real Estate Measured Based on Cost

Applicable Inapplicable

Unit: RMB

Items	Houses & Buildings	Land-use Right	Project in Progress	Total
I. Original value of book value				
1.Beginning balance	107,661,686.94			107,661,686.94
2. Additional amount of current period				
(1) Outsourcing				
(2) Transferred from inventory/fixed assets/construction in progress				
(3) Increase in business merger				
3.Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance	107,661,686.94			107,661,686.94
II. Accumulated depreciation and accumulated amortization				
1.Beginning balance	77,641,780.28			77,641,780.28
2. Additional amount of current period	615,332.22			615,332.22
(1) Withdrawal or amortization	615,332.22			615,332.22

3.Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance	78,257,112.50			78,257,112.50
III. Impairment Provision				
1.Beginning balance				
2. Additional amount of current period				
(1) Withdrawing				
3、 Decreased amount of current period				
(1) Disposal				
(2) Other transfer-out				
4.Ending balance				
IV. Book Value				
1.End-of-period book value	29,404,574.44			29,404,574.44
2.Opening book value	30,019,906.66			30,019,906.66

(2) Investment Real Estate Measured Based on Fair Value

Applicable Inapplicable

11. Fixed Assets

(1) Condition of Fixed Assets

Unit: RMB

Items	Houses & Buildings	Machinery Equipment	Transport Equipment	Tool Equipment	Office Equipment	Molding Equipment	Instrument Equipment	Total
I. Original value of book value:								
1.Beginning balance	91,554,098.85	75,669,452.20	4,056,422.87	9,577,989.70	5,594,918.62	6,100,169.07	2,754,225.58	195,307,276.89
2. Additional amount of current period	32,200.00	536,126.90	1,323,760.68	395,156.01	1,249,792.00	830,453.91		4,367,489.50
(1) Procurement		536,126.90	1,323,760.68	395,156.01	1,249,792.00	830,453.91		4,335,289.50
(2) Transferred	32,200.00							32,200.00

from construction in progress								
(3) Increase in business merger								
3.Decreased amount of current period			195,000.00			669,603.44		864,603.44
(1) Disposal or scrap			195,000.00			669,603.44		864,603.44
4.Ending balance	91,586,298.85	76,205,579.10	5,185,183.55	9,973,145.71	6,844,710.62	6,261,019.54	2,754,225.58	198,810,162.95
II. Accumulated depreciation								
1.Beginning balance	10,974,795.70	52,671,164.37	2,948,087.90	6,827,648.38	5,007,167.40	3,906,423.93	2,364,563.71	84,699,851.39
2. Additional amount of current period	2,964,437.38	2,597,077.61	194,227.14	181,348.46	61,246.83	596,359.12	61,548.12	6,656,244.66
(1) Withdrawing	2,964,437.38	2,597,077.61	194,227.14	181,348.46	61,246.83	596,359.12	61,548.12	6,656,244.66
3.Decreased amount of current period			175,500.00			389,359.77		564,859.77
(1) Disposal or scrap			175,500.00			389,359.77		564,859.77
4.Ending balance	13,939,233.08	55,268,241.98	2,966,815.04	7,008,996.84	5,068,414.23	4,113,423.28	2,426,111.83	90,791,236.28
III. Impairment Provision								
1.Beginning balance								
2. Additional amount of current period								
(1) Withdrawing								

3. Decreased amount of current period								
(1) Disposal or scrap								
4. Ending balance								
IV. Book Value								
1. End-of-period book value	77,647,065.77	20,937,337.12	2,218,368.51	2,964,148.87	1,776,296.39	2,147,596.26	328,113.75	108,018,926.67
2. Opening book value	80,579,303.15	22,998,287.83	1,108,334.97	2,750,341.32	587,751.22	2,193,745.14	389,661.87	110,607,425.50

(2) Condition of temporarily idle fixed asset

Unit: RMB

Items	Original value of book value	Accumulated Depreciation	Impairment Provision	Net book value	Remark
Houses & Buildings	26,000,000.00	390,780.24		25,609,219.76	Hengfa Technology Co., Ltd. purchased Room 1-11, Floor 1, Building 1, and Room 1-4, Floor 1, Building 2, Zhongheng · Huju Tianxia, Taershan Village, Daji Street, Caidian District of Wuhan City in Jun. 2015, in addition, which also purchased Room 1-11, Floor 1, Building 6, and Room 1-4, Floor 1, Building 7 of Zhongheng · Huju Tianxia, Taershan Village, Daji Street, Caidian District of Wuhan City in Dec. 2015 with the construction areas of 1,971.22 square meters. According to the plan, the foregoing real estates will be used for commercial service. Wuhan Hengfa Technology will pay the house purchasing funds of RMB 25 million and deed taxes of RMB 1 million, according to the appraisal price and contract requirements.

(3) Fixed assets leased by operating lease

Unit: RMB

Items	End-of-period book value
Houses & buildings	984,121.55

12. Project in Progress

(1) Condition of construction in process

Unit: RMB

Items	Ending balance			Beginning balance		
	Book balance	Impairment Provision	Book Value	Book balance	Impairment Provision	Book Value
Huafa building renovation project	654,356.00		654,356.00	654,356.00		654,356.00
Total	654,356.00		654,356.00	2,853,356.00		2,853,356.00

(2) Changes in Major Construction-in-Process

Unit: RMB

Project name	Budget amounts	Beginning balance	Additional amount of current period	Transfer-in fixed asset amount of current period	Other reduced amount of current period	Ending balance	Proportion of project investment in the budget	Job schedule	Accumulated capitalization of interest	Including: accumulated capitalization of interest in the current period	Proportion of capitalization of interest in the current period	Source of capital
Huafa building renovation project		654,356.00				654,356.00						Others
Total		654,356.00				654,356.00	--	--				--

13. Intangible Assets

(1) Condition of intangible assets

Unit: RMB

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

3.Decreased amount of current period					
(1) Disposal					
4.Ending balance	55,187,826.36			661,878.97	55,849,705.33
II. Accumulated amortization					
1.Beginning balance	9,125,026.65			352,288.19	9,477,314.84
2. Additional amount of current period	722,204.40			24,942.96	747,147.36
(1) Withdrawing	722,204.40			24,942.96	747,147.36
3.Decreased amount of current period					
(1) Disposal					
4.Ending balance	9,847,231.05			377,231.15	10,224,462.20
III. Impairment Provision					
1.Beginning balance					
2. Additional amount of current period					
(1) Withdrawing					
3.Decreased amount of current period					
(1) Disposal					
4.Ending balance					
IV. Book Value					
1.End-of-period book value	45,340,595.31			284,647.82	45,625,243.13
2.Opening book value	46,062,799.71			309,590.78	46,372,390.49

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

14. Long-term deferred charges

Unit: RMB

Items	Beginning balance	Current increment	The amortization amount of the	Other reduction	Ending balance
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			current period	amounts	
Golf membership fee	241,666.63		25,000.02		216,666.61
Renovation expenditures	33,091.53		10,450.02		22,641.51
Total	274,758.16		35,450.04		239,308.12

Other instructions:

15. Deferred Income Tax Assets & Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that are Not Offset

Unit: RMB

Items	Ending balance		Beginning balance	
	To deduct temporary difference	Deferred Income Tax Assets	To deduct temporary difference	Deferred Income Tax Assets
Provision drawn for assets impairment	22,996,373.35	5,749,168.34	22,996,373.35	5,749,168.34
Deductible loss	2,857,503.23	714,375.81		
Estimated liabilities	2,604,411.81	651,102.95	2,604,411.81	651,102.95
Total	28,458,288.39	7,114,647.10	25,600,785.16	6,400,271.29

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

Unit: RMB

Items	Deductible amount of deferred income tax assets and liabilities at the end of the period	Ending balance of deferred income tax assets or liabilities after offsetting	Deductible amount of deferred income tax assets and liabilities at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred Income Tax Assets		7,114,647.10		6,400,271.29

(3) Deferred tax assets that have not been confirmed

Unit: RMB

Items	Ending balance	Beginning balance
Deductible loss	880,511.90	1,006,234.22
Provision drawn for assets impairment	3,153,172.51	3,153,172.51
Total	4,033,684.41	4,159,406.73

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

Unit: RMB

Year	Ending amount	Initial amount	Remark
2017	355,163.57	480,885.89	
2018	525,348.33	525,348.33	
Total	880,511.90	1,006,234.22	--

Other instructions:

16. Short-term Borrowings

(1) Classification of Short-term Borrowings

Unit: RMB

Items	Ending balance	Beginning balance
Pledged loan	3,000,000.00	21,000,000.00
Mortgage Loan	62,112,392.00	78,879,107.41
Guaranteed loan	19,900,000.00	19,600,000.00
Total	85,012,392.00	119,479,107.41

Description of short-term loans classification

17. Notes Payable

Unit: RMB

Type	Ending balance	Beginning balance
Bank acceptance bill	16,352,307.37	53,614,420.20
Total	16,352,307.37	53,614,420.20

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

18. Accounts Payable

(1) Presentation of Accounts Payable

Unit: RMB

Items	Ending balance	Beginning balance
Material cost	101,410,511.69	54,241,655.86
Total	101,410,511.69	54,241,655.86

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

Unit: RMB

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

Other instructions:

None

19. Advance Collections**(1) Presentation of Advance Collections**

Unit: RMB

Items	Ending balance	Beginning balance
Payment for goods	1,834,052.83	1,147,469.52
Total	1,834,052.83	1,147,469.52

20. Employees' Remuneration Payable**(1) Presentation of Employees' Remuneration Payable**

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
I. Short-term remuneration	4,736,709.29	27,604,229.21	28,872,824.48	3,468,114.02
II. Welfare after departure-defined contribution plan	-5,093.82	2,390,217.66	2,394,184.80	-9,060.96
Total	4,731,615.47	29,994,446.87	31,267,009.28	3,459,053.06

(2) Presentation of Short-term Remuneration

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
1. Salary, bonus, allowance & subsidies	3,822,231.19	23,781,242.81	25,093,845.71	2,509,628.29
2. Staff Welfare Treatment Fund		2,571,917.82	2,571,917.82	
3. Social Insurance Premium	23,041.98	805,323.28	807,013.09	21,352.17
Among it: Medical insurance premium	23,041.98	696,836.93	698,526.74	21,352.17
Industrial Injury Insurance Premium		47,048.59	47,048.59	
Birth Insurance Premium		61,437.76	61,437.76	
4. Public Housing Fund	24,310.00	400,047.86	400,047.86	24,310.00
5. Labor union expense and personnel education fund	867,126.12	45,697.44	0.00	912,823.56
Total	4,736,709.29	27,604,229.21	28,872,824.48	3,468,114.02

(3) Presentation of Defined Contribution Plan

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
1. Basic retirement insurance premium	-5,093.82	2,260,737.32	2,264,704.46	-9,060.96
2. Unemployment Insurance Premium	0.00	129,480.34	129,480.34	
3. Payment of enterprise annuity	0.00			
Total	-5,093.82	2,390,217.66	2,394,184.80	-9,060.96

Other instructions:

21. Taxes Payable

Unit: RMB

Items	Ending balance	Beginning balance
VAT	3,857,391.56	3,113,697.74
Business Tax	4,233,742.33	4,353,926.65
Enterprise Income Tax	5,750,491.38	11,702,968.21
Personal Income Tax	72,902.37	35,377.25
Urban Maintenance & Construction Tax	241,000.45	256,676.38
Property Tax	727,079.72	526,275.00
Land use tax	323,945.13	323,677.55
Educational Surcharge	104,054.11	178,390.78
Others	669,558.40	7,306.32
Total	15,980,165.45	20,498,295.88

Other instructions:

None

22. Other accounts Payables

(1) Other Accounts Payable Listed Based on Payment Nature

Unit: RMB

Items	Ending balance	Beginning balance
Security deposit and cash pledge	11,939,502.02	10,061,229.53
Lease management fee	612,359.41	1,698,564.47
Equipment cost payable	251,672.49	332,322.49
Current accounts	8,860,234.60	18,190,118.93
After-sales and repair	1,285,474.20	837,903.65
Others	616,722.79	1,545,559.25

Total	23,565,965.51	32,665,698.32
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(2) Ather significant payables aging more than one year

Unit: RMB

Items	Ending balance	Reasons for failure to pay or carry down
Shenzhen Jifang Investment Co., Ltd.	4,208,840.00	Unsettled
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Unsettled
Shenzhen Sed Property Development Co. Ltd.	634,723.75	Unsettled
Linghang Technology (Shenzhen) Co., Ltd.	656,345.28	Unsettled
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Unsettled
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Unsettled
Total	7,637,138.86	--

Other instructions:

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

Unit: RMB

Items	Ending balance	Beginning balance
Mortgage Loan	50,850,000.00	554,700,000.00
Total	50,850,000.00	554,700,000.00

Description of classification of long-term borrowings:

Other instructions: interest rate interval:

The lending rate involves the upward fluctuation of benchmark interest rate of bank loan at the same period and level, which is subject to 6.125% this year.

24. Estimated liabilities

Unit: RMB

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

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

None

25. Capital Stock

Unit: RMB

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

Other instructions:

Equity pledge conditions of holding shareholders: Until Jun. 30, 2016, the holding shareholders have held 116,100,000.00 shares which are under the pledge state of the company, therein, the pledge period of 88,750,047.00 shares and 27,349,953.00 shares will last from Dec. 31, 2015 until Dec. 31, 2016, and from Feb. 1, 2016 until Dec. 31, 2016 respectively, and China Merchants Securities Capital Management Co., Ltd. served as the pledgee.

26. Capital Reserves

Unit: RMB

Items	Beginning balance	Current increment	Current decrement	Ending balance
Capital premium (Shares Premium)	96,501,903.02			96,501,903.02
Other Capital Reserves	49,781,739.88			49,781,739.88
Total	146,283,642.90			146,283,642.90

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

None

27. Surplus Reserves

Unit: RMB

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

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

None.

28. Undistributed profits

Unit: RMB

Items	Current period	Previous period
Undistributed profits at the end of previous period before adjustment	-195,429,900.95	-188,698,387.84

Beginning-of-year undistributed profits after adjustment	-195,429,900.95	-188,698,387.84
Add: net profit belonging to the owner of the parent company of the current period	7,272,956.22	-6,731,513.11
End-of-period undistributed profits	-188,156,944.73	-195,429,900.95

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

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

29. Business Revenues & Business Cost

Unit: RMB

Items	Accruals of the current period		Accruals of the previous period	
	Income	Cost	Income	Cost
Main Businesses	286,371,182.79	261,215,066.60	220,850,548.84	203,649,886.02
Other Business	23,167,342.77	3,073,331.64	27,884,081.02	3,813,639.35
Total	309,538,525.56	264,288,398.24	248,734,629.86	207,463,525.37

30. Business Tax & Surcharges

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Business Tax	741,511.13	1,229,313.48
Urban Maintenance & Construction Tax	648,491.13	1,174,351.04
Educational Surcharge	279,899.79	503,299.14
Property Tax	184,274.40	221,129.34
Land use tax	119,997.05	119,997.06
Local education development fees	181,617.29	334,429.41
Others	578.37	94,775.04
Total	2,156,369.16	3,677,294.51

Other instructions:

None.

31. Sales costs

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Employees' Remuneration	1,895,241.77	2,561,706.55
Transportation expenses	1,626,969.69	1,360,594.47
Commodity inspection expenses	417,538.75	198,425.89
Customs affairs fee	50,422.80	82,077.60
Commodity wastage	184,429.08	135,667.65
Others	1,109,133.62	793,298.42
Total	5,283,735.71	5,131,770.58

Other instructions:

Others are reflected in the after-sales service expenses, low-value and easily-consuming amortization, office costs, etc.

32. Management costs

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Payroll	4,515,773.03	2,529,243.66
Depreciation costs	2,634,069.61	2,565,709.55
Social Insurance Premium	3,582,840.30	3,374,203.85
Social contact fees	1,402,388.24	858,681.46
Tax and surcharges	1,587,116.48	2,272,979.33
Staff Welfare Treatment Fund	1,178,133.14	855,496.44
Business trip costs	2,012,899.56	902,790.08
Amortization of intangible assets	747,147.36	747,147.36
Transportation fees	836,651.41	597,837.91
Consulting fees	1,507,497.56	403,726.00
Safety protection fee	545,366.05	455,580.56
Repair costs	571,994.61	543,829.14
Auditing costs	734,235.85	797,169.81
Office costs	1,550,706.35	435,606.13
Communication fees	189,732.98	195,132.09
Amortization of low-value, perishable goods	210,497.70	95,480.48
Securities information disclosure fees	36,071.80	277,639.60
Legal action costs	264,923.00	15,849.00
Others	3,187,838.44	670,817.32
Total	27,295,883.47	18,594,919.77

Other instructions:

Other expenses are mainly leasing expenses (RMB 2,245,877.49), commercial insurance costs, and water and electricity fees.

33. Financial Expenses

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Interest Expenditures	5,330,803.55	28,796,081.34
Less: interest return	613,209.75	66,409.22
Add: exchange loss	-3,716,468.30	427,093.90
Add: other expenditures	1,311,253.63	1,236,432.65
Total	2,312,379.13	30,393,198.67

Other instructions:

None.

34. Investment income

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Investment income generated from disposal of long-term equity investment		643.49
Investment income of financial products		29,499,999.98
Total		29,500,643.47

Other instructions:

None.

35. Non-business Revenues

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period	Amount recorded in current nonrecurring profit and loss
Gains of Disposal of non-current assets	116,007.01		116,007.01
Among it: income from fixed assets disposition	116,007.01		116,007.01
Donation accepted		3,500.00	
Government Grants	1,163,469.00		1,163,469.00
Payment that can not be paid	175,522.50	623,987.65	175,522.50
Penalty fine income	41,539.00	156,906.00	41,539.00
Penalty Incomes	22,099.00	22,240.00	22,099.00

Others		420.00	
Total	1,518,636.51	807,053.65	1,518,636.51

Governmental subsidies recorded in current profit and loss:

Unit: RMB

Subsidizing program	Subject to be granted	Granting reason	Type	Whether the subsidy affects the profit and loss of the current year	Whether a special subsidy or not	Amount incurred in the current period	Amount incurred in the prior period	Asset related/income related
Enterprise development subsidies	Bureau of Economy and Informatization, Caidian District, Wuhan City	Subsidy	Subsidy obtained due to meeting the requirement of investment promotion and other local supportive policies of local government	No	Yes	100,000.00	0.00	Income related
Enterprise development subsidies	Bureau of Economy and Informatization, Caidian District, Wuhan City	Reward	Subsidy obtained due to meeting the requirement of investment promotion and other local supportive policies of local government	No	Yes	200,000.00	0.00	Income related
Export subsidy and bonus		Reward	Subsidy obtained due to meeting the requirement of investment promotion and other local supportive policies of local government	No	Yes	863,469.00	0.00	Income related
Total	--	--	--	--	--	1,163,469.00		--

Other instructions:

None.

36. Non-business Expenditures

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period	Amount recorded in current nonrecurring profit and loss
Loss of Disposal of Non-current Assets	18,924.00		18,924.00
Among it: Loss from fixed-assets disposition	18,924.00		18,924.00
Foreign donations		50,000.00	
Others	44,301.68	263,178.96	44,301.68
Total	63,225.68	313,178.96	63,225.68

Other instructions:

None.

37. Expenses of Income Tax**(1) Expense Statement of Income Tax**

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Income tax expenses of current period	3,098,590.27	50.00
Expense of deferred income tax	-714,375.81	-708,921.91
Total	2,384,214.46	-708,871.91

(2) Accounting Profit and Income Tax Adjustment

Unit: RMB

Items	Accruals of the current period
Total profit	9,657,170.68
Income tax calculated based on legal/applicable tax rate	2,414,292.67
Influence of non-deductible cost, expense and loss	987.92
Influence of deductible loss of deferred income tax assets unrecognized at the early stage of use	-31,430.58
Influence of deductible temporary difference or deductible loss of deferred income tax assets that are not recognized at current period	364.45
Income tax expense	2,384,214.46

Other instructions:

None.

38. Items in Cash Flow Statement**(1) Other Cash Received Related to Operation Activities**

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Business Transaction Payment	2,902,221.40	100,949,004.51
Administration fee and water and electricity charges collection	2,932,023.33	5,401,204.38
Employees' repayment for their borrowings	23,221.40	791,229.19
Security deposit	264,562.00	2,052,549.70
Interest income	613,209.75	66,409.22
Total	6,735,237.88	109,260,397.00

Description of other received cash related to the business activity

The received cashes which are related to the operation activities mainly include Administration fee and water and electricity charges collection, management expenses, personal contacts, security deposit and other intercourse funds.

(2) Other Paid Related to Operation Activities

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
The unit's current money	8,763,196.37	2,097,872.27
Advances to employees	1,390,022.62	943,718.19
Legal action costs	264,923.00	15,849.00
Deposit, Security deposit	6,601,906.95	424,257.00
Social contact fees	1,477,186.54	858,681.46
water & electricity fees	2,001,355.59	1,944,134.86
Business trip costs	2,034,807.36	902,790.08
Transportation expenses	1,896,893.96	1,860,594.47
Transportation fees	967,138.76	597,837.91
Repair costs	571,994.61	543,829.14
Auditing and consulting fee	1,507,497.56	403,726.00
Security fee	545,366.05	135,580.56
Procedure fee of financial organization	1,311,253.63	124,046.01
Office costs	1,553,388.35	435,606.13
Communication fees	200,451.18	195,132.09
Rental fee	2,245,877.49	

Others	1,390,293.60	520,289.96
Total	34,723,553.62	12,003,945.13

Description of other paid cash related to the business activity

The paid cashes which are related to the operation activities mainly include management expenses, sales costs, personal contacts, Security deposit, water and electricity expense which are collected by another agency, as well as management costs which are paid in cash.

(3) Other paid cash related to the investment activity

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
The condition that the share transfer amount received by the handling branch company is less than the balance amount of holding currency funds per day handled by the branch company	0.00	99,356.51
Total		99,356.51

Description of other paid cash related to the investment activity

39. Supplementary information of cash flow statement**(1) Supplementary information of cash flow statement**

Unit: RMB

Supplementary information	Current amount	Previous amount
1. Convert net profit to cash flow from operating activities:	--	--
Net Profit	7,272,956.22	14,177,311.03
Depreciation of fixed assets, depletion of oil and gas, depreciation of production materials or equipment	7,271,576.88	6,979,667.72
Amortization of Intangible Assets	747,147.36	747,147.36
Amortization of Long-term Expenses to be Apportioned	35,450.04	35,450.04
Loss from Disposal of Fixed Assets, Intangible Assets & Other Long-term Assets (Proceeds indicated by “-”)	-97,083.01	
Financial Expenses (Proceeds indicated by “-”)	5,330,803.55	28,796,081.34
Investment loss(Proceeds indicated by “-”)		-29,500,643.47
Decrement of Deferred Income Tax Assets (Addition indicated by “-”)	-714,375.81	-708,921.91
Decrement of Inventories (Addition indicated by “-”)	-10,387,188.43	-3,009,147.99
Decrement of Operative Receivables (Addition indicated by “-”)	-78,574,397.07	10,817,171.40
Increment of Operative Payables (Decrease indicated by “-”)	43,690,760.70	-11,305,521.79

Net Cash Flow Provided by Operating Activities	-25,424,349.57	17,028,593.73
2. Important investment and fund raising activities involving no cash:	--	--
3. Net Variation of Cash and Cash Equivalent:	--	--
Year-end balance of cash	59,356,415.87	21,029,840.22
Less: year-beginning balance of cash	632,846,956.16	22,392,147.12
Net increase of cash and cash equivalent	-573,490,540.29	-1,362,306.90

(2) Composition of cash and cash equivalents

Unit: RMB

Items	Ending balance	Beginning balance
I. Cash	59,356,415.87	632,846,956.16
Among it: Ready money	254,667.37	382,669.21
Bank deposit available for payment anytime	59,101,748.50	632,464,286.95
III. Balance of Cash & Cash Equivalents at Term End	59,356,415.87	632,846,956.16

Other instructions:

The balance amount after subtracting other currency funds from currency funds at the end of period is not considered as the cash and cash equivalent, instead the security deposit for bank acceptance bill (RMB 6,046,958.43).

40. Assets whose ownership or right to use is restricted

Unit: RMB

Items	End-of-period book value	Cause of limitation
Monetary Fund	6,046,958.43	Used for issuing the bank's acceptance bill
Fixed Assets	43,928,278.14	Used to secure the bank loans
Intangible Assets	45,340,595.31	Used to secure the bank loans
Investment property	29,404,574.44	Used to secure the bank loans
Accounts receivable	3,225,816.76	Used for pledge to obtain loans from Haier Finance Co., Ltd.
Total	127,946,223.08	--

Other instructions:

None.

41. Foreign Currency Monetary Item

(1) Foreign Currency Monetary Item

Unit: RMB

Items	Ending balance of foreign currency	Exchange rate of conversion	Converted ending RMB balance
Money funds	--	--	323,975.47
Wherein: USD	48,852.07	6.6312	323,947.85
Euro			
HKD	32.32	0.85467	27.62
Accounts receivable	--	--	76,289,308.56
Wherein: USD	11,504,600.76	6.6312	76,289,308.56
Euro			
HKD			
Long-term borrowing	--	--	
Wherein: USD			
Euro			
HKD			
Short-term borrowing			22,612,392.00
Wherein: USD	3,410,000.00	6.6312	22,612,392.00
Accounts payable			19,365,746.40
Wherein: USD	2,920,398.48	6.6312	19,365,746.40

Other instructions:

VIII. Equity in Other Entities

1. Equity in subsidiaries

(1) Composition of Enterprise Group

Name of subsidiary	Main business place	Registered address	Business nature	Shareholding ratio		Obtaining method
				Direct	Indirect	
Huafa Lease Company	Shenzhen	Shenzhen	Property management	60.00%		Income obtained from investment and newly establishment
Huafa Property Company	Shenzhen	Shenzhen	Property management	100.00%		Income obtained from investment and newly establishment

Hengfa Technology Company	Wuhan	Wuhan	Production and sale	100.00%		Income obtained from investment and newly establishment
Huafa Hengtian Company	Shenzhen	Shenzhen	Property management	100.00%		Income obtained from investment and newly establishment
Huafa Hengtai Company	Shenzhen	Shenzhen	Property management	100.00%		Income obtained from investment and newly establishment

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

None.

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

None.

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

None.

Basis for determining whether the Company is an agent or a client:

None.

Other instructions:

None.

IX. Financial Instruments Related Risks

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

1. Various risk management objectives and policies

The Group's risk management aims to achieve proper balance between risk and benefit; minimize the negative influence of risk on the Group's operation performance and maximize the benefits of shareholders and other equity investors. Based on this risk management objective, the basic strategy of risk management of the Group is determining and analyzing the risks faced by the Group; establishing proper risk tolerance and carrying out risk management and supervising various risks in a timely and reliable manner in order to control the risks within a limited scope.

(1) Market risk

The market risk of financial instruments refers to the risk of fluctuation of fair value or future cash flow of financial

instruments caused by market price change, including foreign exchange risk, interest rate risk and other price risk.

1. Exchange rate risk

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

Item	Dec. 31, 2015 (converted into RMB)	Dec. 31, 2014 (converted into RMB)
Monetary capital-USD	323,947.85	78,163.93
Monetary capital-HKD	27.62	858.74
Accounts receivable-USD	76,289,308.56	49,546,374.57
Advance payment-USD	-	464,330.52
Accounts receivable-USD	19,365,746.40	
Short-term borrowing-USD	22,612,392.00	28,879,107.41

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

2) Interest rate risk

The Group's interest rate risk is generated from the bank loan. The financial liabilities of floating interest rate cause the cash flow interest rate risk faced by the Group and the financial liabilities of fixed interest rate cause the fair value interest rate risk faced by the Group. The Group shall determine the relative ratio of fixed interest rate and floating interest rate contract according to the market environment. On June 30, 2016, the interest-bearing debts of the Group mainly include the floating interest rate loan contract valued at RMB and USD, with the total amount being RMB135,862,392.00 (on Dec. 31, 2015: RMB674,179,107.41).

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

3) Price risk

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

(2) Credit risk

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

In order to reduce the credit risk, the Group establishes a special department to determine the credit line and carry out credit approval and implement other monitoring procedures to ensure that necessary measures are taken to recover the overdue creditor's right. In addition, the Group reviews the recovery situation of each single account receivable on each balance sheet date to ensure full

withdrawal of bad debt provision for the accounts that cannot be recovered. Therefore, the Group's management layer believes that the credit risk assumed by the Group has been reduced significantly.

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

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

Total amount of top five accounts receivable: RMB163, 559,131.62.

(3) Liquidity risk

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

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

Amount as of June 30, 2016

Items	Within 1 year	1-2 years	2-3 years	More than 3 years	Total
Financial assets					
Monetary capital	65,403,374.30				65,403,374.30
Notes receivable	27,112,052.59				27,112,052.59
Notes Receivable	182,542,130.75				182,542,130.75
Other Accounts Receivable	20,273,143.19				20,273,143.19
Advance payment	2,952,333.36				2,952,333.36
Financial liabilities					
Short-term borrowing	85,012,392.00				85,012,392.00
Notes payable	16,352,307.37				16,352,307.37
Accounts payable	101,410,511.69				101,410,511.69
Other payables	19,357,125.51	4,208,840.00			23,565,965.51
Deposit received	1,834,052.83				1,834,052.83
Employees' remuneration payable	3,459,053.06				3,459,053.06
Long-term borrowing				50,850,000.00	50,850,000.00

2. Sensitivity analysis

The Group adopts sensitivity analysis technology to analyze the influence of reasonable and potential change in the risk

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

(1) Sensitivity analysis of foreign exchange risk

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

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

Item	Exchange rate change	January-June 2016		January-June 2015	
		Influence on net profit	Influence on ownership interest	Influence on net profit	Influence on ownership interest
All foreign currencies	Appreciation of 5% against RMB	1,298,817.96	1,298,817.96	1,058,696.79	1,058,696.79
All foreign currencies	Depreciation of 5% against RMB	-1,298,817.96	-1,298,817.96	-1,058,696.79	-1,058,696.79

X. Connected parties and connected transactions

1. Condition of parent company of the Enterprise

Name of parent company	Registered place	Business scope	Registered capital	Shareholding proportion of the parent company over the Enterprise	Percentage of voting rights held by the parent company over the Enterprise
Wuhan Zhongheng Group	Wuhan	Production and sale	34,500,000.00	41.14%	41.14%

Description of condition of the other affiliates of the Enterprise

Registered capital and its change

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

Held share or equity and its change

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

The final controlling party of the enterprise is Li Zhongqiu.

Other instructions:

None.

2. Condition of subsidiaries of the Enterprise

See Note “Composition of Enterprise Group” for information of the enterprise’s subsidiaries.

3. Information of Other Related Parties

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

Other instructions:

None.

4. Connected Transaction

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

List of procured commodities/accepted labor

Unit: RMB

Related parties	Content of connected transaction	Accruals of the current period	Approved transaction amount	Whether it exceeds the approved transaction amount	Accruals of the previous period
Hongkong Yutian International Co., Ltd.	Commodities purchased	85,710,600.86	324,680,000.00	No	51,872,144.42
Wuhan Hengsheng Yutian Industry Co., Ltd.	Commodities purchased	27,331,191.04	168,833,600.00	No	2,991,900.00

Fact statement of sales of goods or provisions of labor

Unit: RMB

Affiliated party	Affiliated transaction	Accruals of the current period	Accruals of the previous period
Hongkong Yutian International Co., Ltd.	Sales of commodities	108,182,506.77	60,145,369.93
Wuhan Hengsheng Opto-electric Industry Co., Ltd.	Sales of commodities	1,325,408.25	

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

(2) Associated lease situation

The Company is the Lessor:

Unit: RMB

Name of Lessee	Category of leased assets	Recognized lease income of current period	Recognized lease income of previous period
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd	House building	0.00	1,472,769.00

(3) Associated guarantee situation

The Company is the Guarantor:

Unit: RMB

Guaranteed person	Amount of guarantee	Starting date of guarantee	Expiry date of guarantee	Whether guarantee has been fully performed or not
Hengfa Technology Company	65,000,000.00	Sep. 10, 2015	Jun.17, 2016	Yes
Hengfa Technology Company	48,000,000.00	Sep. 29, 2014	Sep.29, 2016	None

The Company acts as the secured party

Unit: RMB

Guarantor	Amount of guarantee	Starting date of guarantee	Expiry date of guarantee	Whether guarantee has been fully performed or
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				not
Li Zhongqiu	600,000,000.00	May 28, 2014	May 28, 2026	None
Li Zhongqiu	20,000,000.00	May 19, 2016	May 19, 2017	None

Description of related-party guarantee

(4) Remuneration of Key Management Personnel

单位：元

Items	Accruals of the current period	Accruals of the previous period
Total remuneration	640,060.60	733,423.26

5. Receivables and payable of related party

(1) Receivables

Unit: RMB

Project name	Associated party	Ending balance		Beginning balance	
		Book balance	Provision for Bad Debts	Book balance	Provision for Bad Debts
Notes Receivable	Hong Kong Tianyu International Investment Co.,Ltd.	74,330,908.97		47,219,865.22	
Advance payment	Hong Kong Tianyu International Investment Co.,Ltd.			520,885.50	
Interests receivable	Wuhan Hengsheng Opto-electric Industry Co., Ltd.			1,838,752.40	

(2) Payables

Unit: RMB

Project name	Associated party	Ending book balance	Opening book balance
Other payables	Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.		8,663,196.37
Accounts payables	Wuhan Hengsheng Opto-electric Industry Co., Ltd.	5,230,391.30	924,354.64
Accounts payables	Hong Kong Tianyu International Investment Co.,Ltd.	19,214,270.84	

XI. Commitment and Contingent Matters

1. Contingent Affairs

(1) Important contingent matters on the balance sheet date

Except for the guarantee affairs as specified in the Annotation "Affiliated Guarantee Conditions", other significant affairs or contingencies which need to be disclosed are shown as follows:

1. Contingent liability caused by pending action or pending arbitration:

(1) Contract disputes between the Company and Shaanxi Linghua Electronic Co., Ltd.

The contract dispute case filed by Shaanxi Linghua Electronic Co., Ltd. (2007SDDMC 2441): Shaanxi Linghua made a claim for damages to the printed circuit board with potential quality problems that were sold to it during the period May 30, 2006 to May 9, 2007. The amount at issue is RMB 3,100,773.20. The company received summons from Futian District People's Court on Jan. 14, 2008. The first hearing was opened for cross examination of evidence on March 6, 2008. The case was not completed by the balance sheet date.

The company lodged a counter claim for the overdue freight fee and the interest accrued to Shaanxi Linghua on November 12, 2007. The amount at issue is RMB 1,054,290.19. The first court session is on March 6, 2008 and the cross examination of evidence was completed.

On Jul. 25, 2009, Shenzhen Futian People's Law Court settled the above cases (No. 2007 SHEN FU FA MIN ER CHU ZI NO. 2441), ruling that, the Company pay 1,797,975.48 Yuan of compensation to Shaanxi Linghua within 10 days of the settlement, and that Shaanxi Linghua pay to the Company the balance of payment for goods (1,797,975.48 Yuan) within 10 days of the settlement as well as interests associated thereto.

For that legal settlement, the Company brought an appeal to the Shenzhen intermediate People's Court on Aug. 31, 2009. The Shenzhen Intermediate People's Court settlement appeal on Mar. 22, 2010 (rule No. (2009) SHEN ZHONG FA MIN ER ZHONG ZI NO. 2227), ruling that the original settlement has no convincing evidences and that case shall be re-settled by the Shenzhen Futian People's Law Court. Canceling the civil judgment No. Shen Fu Zi Min Er Chu 2441 (2007) made by the People's Court of Futian District Shenzhen City, and remand to the People's Court of Futian District Shenzhen City for retrial.

On May 5, 2013, Futian District People's Court of Shenzhen City has made judgment regarding abovementioned case (S.F.F.M.E.C.Z.No.9 in 2010): the company shall, within 10 days after the judgment becomes effective, pay RMB2,386,995.81 to Shaanxi Linghua as damages and Shaanxi Linghua shall, within 10 days after the judgment becomes effective, pay RMB869,458.96 as the residual payment for the goods to the company and compensate the interest loss.

On Nov. 24, 2015, Shenzhen Intermediate People's Court judged the foregoing case ((2013) SZFSZ Zi No. 1491): The company shall pay default compensations of RMB 1,778,081.05 to Shaanxi Linghua and Shaanxi Linghua shall pay the remaining goods payments of RMB 869,458.96 and interest losses to the company within 10 days after the judgment takes effect.

Until Jun. 30, 2016, the company had calculated and withdrawn RMB 2,360,203.26 to the case to serve as the lawsuit expenses and accrued liabilities.

Until the date when the financial report is approved and issued, the company had made preparation to lodge the repeat complaint aiming at the judgment.

(2) The labor dispute which has not been implemented until now in the confirmed anticipated liabilities in the previous year.

According to the Execution Notice issued by Guangzhou Province Shenzhen People's Court ((2008) SFFZ Zi No. 522-529), the

SLZC [2007] No. 1069-1077, 1079, 1081 and 1085-1087 Arbitration Judgment related to the labor dispute case about Cai Yaoqiang and the other fifteen persons have been legally effective. As shown in the Enterprise Basic Information Credit Report, the total labor dispute object which has not been implemented is RMB 38,386.00, which is confirmed as anticipated liabilities.

2. Except for the foregoing affairs or contingencies, the group has no other significant affair or contingency until Jun. 30, 2016.

XII. Events after Balance Sheet Date

1. Instruction of other events after balance sheet date

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

XIII. Other Significant Events

1. Others

As of June 30, 2016, the Group has no other significant events to be disclosed.

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

1. Accounts Receivable

(1) Classified Disclosure of Accounts Receivable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	5,094,414.36	49.05%	5,094,414.36	100.00%		5,094,414.36	49.05%	5,094,414.36	100.00%	
Accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	460,277.76	4.43%	138,083.33	30.00%	322,194.43	460,277.76	4.43%	138,083.33	30.00%	322,194.43
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	4,832,157.56	46.52%	4,832,157.56	100.00%		4,832,157.56	46.52%	4,832,157.56	100.00%	
Total	10,386,849.68	100.00%	10,064,655.25		322,194.43	10,386,849.68	100.00%	10,064,655.25		322,194.43

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

√ Applicable □ Inapplicable

Unit: RMB

Accounts Receivable (based on unit)	Ending balance			
	Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
TCL Wangpai Electric Appliance (Huizhou)Co., Ltd.	1,325,431.75	1,325,431.75	100.00%	Can not be taken back
Skyworth Multimedia(Shenzhen) Co.,Ltd.	672,769.28	672,769.28	100.00%	Can not be taken back
H. K. Haowei Industry Co., Ltd.	1,870,887.18	1,870,887.18	100.00%	Can not be taken back
Qingdao Hai'er Spare Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Can not be taken back
Total	5,094,414.36	5,094,414.36	--	--

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

√ Applicable □ Inapplicable

Unit: RMB

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

Instructions for determining the combination basis:

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

□ Applicable √ Inapplicable

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

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

Unit name	Balance at the end of the year			
	Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Huixin Video Science and Technology Co.,Ltd.	381,168.96	381,168.96	100.00	Can not be taken back
Shenzhen Wandial Number Science and Technology Co.,Ltd.	351,813.70	351,813.70	100.00	Can not be taken back
Shenzhen Dalong Electric Co.,Ltd.	344,700.00	344,700.00	100.00	Can not be taken back
Shenzhen Qunpin Electric Co.,Ltd.	304,542.95	304,542.95	100.00	Can not be taken back
China Galaxy Electric(Hong Kong) Co.,Ltd.	288,261.17	288,261.17	100.00	Can not be taken back
Dongguan Weite Electric Co.,Ltd.	274,399.80	274,399.80	100.00	Can not be taken back
Hong Kong New Century Electric Co.,Ltd.	207,409.40	207,409.40	100.00	Can not be taken back
Shenyang Beitai Electric Co.,Ltd.	203,304.02	203,304.02	100.00	Can not be taken back

Beijing Xinfanweiye Science and Technology Co.,Ltd.	193,000.00	193,000.00	100.00	Can not be taken back
TCL Electric(Hong kong) Co.,Ltd.	145,087.14	145,087.14	100.00	Can not be taken back
Huizhou TCL New and Special Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Can not be taken back
Shenzhen Skyworth-RGB Electric Co.,Ltd.	133,485.83	133,485.83	100.00	Can not be taken back
Others	1,862,277.45	1,862,277.45	100.00	Can not be taken back
Total	4,832,157.56	4,832,157.56		

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

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

2. Other Accounts Receivable

(1) Classified Disclosure of Other Accounts Receivable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for Bad Debts		Book Value	Book balance		Provision for Bad Debts		Book Value
	Amount	Proportion	Amount	Percent Drawn		Amount	Proportion	Amount	Percent Drawn	
Accounts receivable with significant specific amount that were provisioned bad debt preparation separately	80,847,621.36	91.00%	10,221,046.53	12.64%	70,626,574.83	79,933,722.28	87.11%	10,221,046.53	12.79%	69,712,675.75
Other accounts receivable which bad debt provision shall be withdrawn based on credit risk characteristics	2,830,636.58	3.19%	168,615.32	5.96%	2,662,021.26	6,668,848.13	7.27%	168,615.32	2.53%	6,500,232.81
Accounts receivable that were not significant but have been provisioned bad debt preparation separately	5,160,853.27	5.81%	5,160,853.27	100.00%	0.00	5,160,853.27	5.62%	5,160,853.27	100.00%	
Total	88,839,111.21	100.00%	15,550,515.12		73,288,596.09	91,763,423.68	100.00%	15,550,515.12		76,212,908.56

Other accounts receivable of which individual amount at the end of period are significant, but subject to individual withdrawing bad-debt provision:

√ Applicable □ Inapplicable

Unit: RMB

Other Accounts Receivable (based on unit)	Ending balance			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn	Reason of provision
Hengfa Technology Company	54,453,654.78			No risk of bad debts
Shenzhen Jifang Investment Co., Ltd.	15,432,010.08			No risk of bad debts
Huafa Lease Company	4,558,859.15	4,558,859.15	100.00%	Can not be taken back
Boteman	4,021,734.22	4,021,734.22	100.00%	Can not be taken back
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	740,909.97			No risk of bad debts
Zhao Baomin	564,646.35	564,646.35	100.00%	Can not be taken back
Traffic incident indemnity	555,785.81	555,785.81	100.00%	Can not be taken back
Hebei Botou Court	520,021.00	520,021.00	100.00%	Can not be taken back
Total	80,847,621.36	10,221,046.53	--	--

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

Applicable Inapplicable

Unit: RMB

Account ageing	Ending balance		
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn
Subitem within one year			
Subtotal within 1 year	1,854,105.25		
1-2 year (s)	478,464.00	23,923.20	5.00%
2-3 years	23,640.40	2,364.04	10.00%
Over 3years	474,426.93	142,328.08	30.00%
Total	2,830,636.58	168,615.32	

Instructions for determining the combination basis:

None.

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

Applicable Inapplicable

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

Applicable Inapplicable

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

Unit name	Balance at the end of the year			
	Other Accounts Receivable	Provision for Bad Debts	Percent Drawn (%)	Reason of provision
Shenzhen Lotus Island Restaurant Co.,Ltd	236,293.80	236,293.80	100.00	Can not be taken back
Weili Electric Corporation Co.,Ltd,	112,335.62	112,335.62	100.00	Can not be taken back

Zhangzhou City, Fujian Province				
Employee canteen ect.	796,041.46	796,041.46	100.00	Can not be taken back
Personal borrowings	991,841.17	991,841.17	100.00	Can not be taken back
Trade Union	297,402.55	297,402.55	100.00	Can not be taken back
Chuangjing workshop	192,794.00	192,794.00	100.00	Can not be taken back
Others	2,534,144.67	2,534,144.67	100.00	Can not be taken back
Total	5,160,853.27	5,160,853.27		

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

Unit: RMB

Payment nature	Ending book balance	Opening book balance
Borrowing	2,024,786.49	2,041,924.43
Current accounts	65,098,470.39	80,199,993.19
Rent income	21,684,964.35	8,780,596.09
Other	30,889.98	740,909.97
Total	88,839,111.21	91,763,423.68

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

Unit: RMB

Unit name	Payment nature	Ending balance	Account ageing	Proportion in the total ending balances of other accounts receivable	Ending balance of bad debt provision
Hengfa Technology Co., Ltd.	Current accounts	54,453,654.78	Within 1 year	61.29%	
Shenzhen Jifang Investment Co., Ltd.	Lease fees receivable	15,432,010.08	Within 1 year	17.37%	
Huafa Lease Company	Current accounts	4,558,859.15	Over 3years	5.13%	4,558,859.15
Boteman	Lease fees receivable	4,021,734.22	Over 3years	4.53%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Security deposit for lease	740,909.97	Within 1 year	0.83%	
Total	--	79,207,168.20	--	89.15%	8,580,593.37

3. Long-term Equity Investment

Unit: RMB

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

(1) Investment in subsidiary

Unit: RMB

Invested unit	Beginning balance	Additional amount of current period	Decreased amount of current period	Ending balance	Withdrawal of depreciation reserves of current period	Ending balance of depreciation reserves
Huafa Lease Company	600,000.00			600,000.00		600,000.00
Huafa Property Company	1,000,000.00			1,000,000.00		
Hengfa Technology Company	183,608,900.00			183,608,900.00		
Huafa Hengtian Company	1,000,000.00			1,000,000.00		
Huafa Hengtai Company	1,000,000.00			1,000,000.00		
Total	187,208,900.00			187,208,900.00		600,000.00

4. Business Revenues & Business Cost

Unit: RMB

Items	Accruals of the current period		Accruals of the previous period	
	Income	Cost	Income	Cost
Other Business	21,050,313.65	2,177,884.29	26,161,173.96	3,256,287.14
Total	21,050,313.65	2,177,884.29	26,161,173.96	3,256,287.14

Other explanations:

None.

5. Investment income

Unit: RMB

Items	Accruals of the current period	Accruals of the previous period
Investment income of financial products	0.00	29,499,999.98

Total	0.00	29,499,999.98
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XV. Supplementary information

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

Applicable Inapplicable

Unit: RMB

Items	Amount	Description
Profit and loss on non-current asset disposal	97,083.01	
Governmental subsidies recorded in current profit and loss (be closely related to the enterprise business, with an exception of the governmental subsidies enjoyed based on national unified standard quota or ration)	1,163,469.00	
Other non-business income and expenditure other than above items	194,858.82	
Less: amount affected by income tax	364,928.13	
Total	1,090,482.70	--

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

Applicable Inapplicable

2. Return on Net Assets and Earnings Per Share

Profit during Reporting Period	Averagely-weighted return on net asset	Earning per Share	
		Basic Earning per Share (Yuan/Share)	Diluted Earning per Share (Yuan/Share)
Net profit ascribed to shareholder of mother company	2.31%	0.0257	0.0257
Net profit belonging to parent company shareholders after excluding non-recurring items	1.96%	0.0218	0.0218

Section X Directory of Document Available for Inspection

I. Annual report text bearing the signature of President;

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

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

IV. Other relevant materials.

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