

SHENZHEN ZHONGHENG HUAFU CO., LTD.
SEMI-ANNUAL REPORT 2018

August 2018

Section I. Important Notice, Contents and Paraphrase

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

Li Zhongqiu, Principal of the Company, Yang Bin, person in charger of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2018 Semi-Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

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

Risks factors are being well-described in the Report, please found more in relevant content.

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

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Paraphrase

Items	Refers to	Contents
Company, Shen Huafa	Refers to	SHENZHEN ZHONGHENG HUAFA CO., LTD.
Hengfa Technology	Refers to	Wuhan Hengfa Technology Co., Ltd.
Huafa Property	Refers to	Shenzhen Zhongheng Huafa Property Co., Ltd
Huafa Lease	Refers to	Shenzhen Huafa Property Lease Management Co., Ltd
Huafa Trade	Refers to	Wuhan Zhongheng Huafa Trade Co., Ltd.
Wuhan Zhongheng Group	Refers to	Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd.
HK Yutian	Refers to	Hong Kong Yutian International Investment Co., Ltd.
Hengsheng Photoelectricity	Refers to	Wuhan Hengsheng Photoelectricity Industry Co., Ltd.
Hengsheng Yutian	Refers to	Wuhan Hengsheng Yutian Industrial Co., Ltd.
Yutian Henghua	Refers to	Shenzhen Yutian Henghua Co., Ltd.
Huafa Hengtian	Refers to	Shenzhen Huafa Hengtian Co., Ltd.
Huafa Hengtai	Refers to	Shenzhen Huafa Hengtai Co., Ltd.
Shenzhen Vanke	Refers to	Shenzhen Vanke Real Estate Co., Ltd.
Vanke Guangming	Refers to	Shenzhen Vanke Guangming Real Estate Development Co., Ltd

Section II Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	Shen Huafa A, Shen Huafa B	Stock code	000020, 200020
Short form of the stock after changed (if applicable)	N/A		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中恒华发股份有限公司		
Short form of the Company (in Chinese)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFA CO., LTD.		
Abbr. of the foreign name (if applicable)	N/A		
Legal representative	Li Zhongqiu		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Yang Bin	Niu Zhuo
Contact add.	33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen	33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen
Tel.	0755-86360201	0755-86360201
Fax.	0755-86360206	0755-86360206
E-mail	hwafainvestor@126.com.cn	hwafainvestor@126.com.cn

III. Others

1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2017

2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

Applicable Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2017

IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current period	Same period last year	Changes over last year (+,-)
Operating income (RMB)	340,984,843.24	439,480,144.17	-22.41%
Net profit attributable to shareholders of the listed company(RMB)	2,793,133.60	2,146,472.00	30.13%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	2,053,467.02	1,477,201.29	39.01%
Net cash flow arising from operating activities(RMB)	-26,671,325.63	-35,397,366.92	24.65%
Basic earnings per share (RMB/Share)	0.0099	0.0076	30.26%
Diluted earnings per share (RMB/Share)	0.0099	0.0076	30.26%
Return on Equity	0.87%	0.67%	上升 0.2 个百分点
	Period-end	Period-end of last year	Changes over period-end of last year(+,-)
Total assets (RMB)	593,599,038.57	629,762,731.38	-5.74%
Net assets attributable to shareholder of listed company (RMB)	323,466,111.62	320,672,978.02	0.87%

V. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

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

Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-105,779.36	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	771,800.00	
Gains/losses from entrusted investment or assets management	245,679.10	
Other non-operating income and expenditure except for the aforementioned items	-56,944.69	
Less: Impact on income tax	115,088.47	
Total	739,666.58	--

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

Applicable Not applicable

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

Section III Summary of Company Business

I. Main businesses of the company in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

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

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A
Construction in progress	N/A

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

Whether the company needs to comply with the disclosure requirements of the particular industry

No

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

Section IV. Discussion and Analysis of Operation

1. Introduction

In the first half of 2018, due to the influence of the international and domestic environment, the home appliance industry had some growth but the power was insufficient, the production and assembly of liquid crystal displays, injection-molded parts and foam parts are traditional manufacturing industries which have already entered a mature stage and the demand have reached saturation, the company overcame difficulties and responded positively, through the adjustment of product structure, the operating profit has been guaranteed to increase while the operating income has slightly decreased. During the reporting period, the Company achieved operation revenue of 340.98 million Yuan with a y-o-y declined of 22.41%; operation profit comes to 2.54 million Yuan with 30.73% up from a year earlier; net profit amounted to 2.79 million Yuan, an increased of 30.13% on a y-o-y basis. In first half year, operation revenue from industry production has 323.37 million Yuan in total, a 22.84% declined from a year earlier, operation profit comes to 5.32 million Yuan with a y-o-y growth of 148.14%; the revenue earned from property leasing in first half year comes to 16.96 million Yuan, a 12.43% declined over that of last year, and operating profit comes to (2.16) million Yuan with 1.92 million Yuan declined from a year earlier.

II. Main business analysis

See the “I-Introduction” in “Discussion and Analysis of Operation”

Change of main financial data on a y-o-y basis

In RMB

	Current period	Same period last year	y-o-y changes	Reasons
Operating revenue	340,984,843.24	439,480,144.17	-22.41%	
Operating cost	302,582,979.44	398,913,925.08	-24.15%	
Sales expenses	8,433,363.31	7,363,051.86	14.54%	
Administrative expenses	20,400,985.42	24,085,956.74	-15.30%	
Financial expenses	5,447,070.22	4,914,890.46	10.83%	
Income tax expenses	463,831.41	723,746.91	-35.91%	Approved high-tech enterprise in November 2017, the income tax rate declined
Net cash flow from operating activities	-26,671,325.63	-35,397,366.92	-24.65%	
Net cash flow from investment activities	-6,545,541.50	-3,903,702.73	-67.68%	Investment for new workshop, and renew the aged production equipment
Net cash flow from	-21,012,832.62	7,520,619.22	-379.40%	Bank loans paid in the

financing activities				period
Net increase of cash and cash equivalent	-54,379,579.55	-32,170,554.64	-69.04%	Bank loans paid in the period

Major changes on profit composition or profit resources in reporting period

Applicable Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Constitution of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Display	124,089,200.92	116,216,327.90	6.34%	-49.18%	-51.29%	4.06%
Plastic injection hardware	152,332,605.92	140,589,037.08	7.71%	15.41%	16.81%	-1.11%
Foam	41,800,980.14	38,233,351.86	8.53%	-0.69%	1.96%	-2.38%
According to products						
Display	124,089,200.92	116,216,327.90	6.34%	-49.18%	-51.29%	4.06%
Plastic injection hardware	152,332,605.92	140,589,037.08	7.71%	15.41%	16.81%	-1.11%
Foam	41,800,980.14	38,233,351.86	8.53%	-0.69%	1.96%	-2.38%
According to region						
Hong Kong	77,232,679.30	73,672,517.63	4.61%	-46.95%	-48.18%	2.27%
Central China	435,123,693.74	400,188,588.15	8.03%	59.58%	57.39%	1.28%

III. Analysis of the non-main business

Applicable Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	Period-end		Period-end last year		Ratio changes	Notes of major changes
	Amount	Ratio in	Amount	Ratio in		

		total assets		total assets		
Monetary fund	31,174,927.4 9	5.25%	65,403,374.3 0	10.55%	-5.30%	
Account receivable	167,657,397. 69	28.24%	182,542,130. 75	29.45%	-1.21%	
Inventory	55,600,129.9 4	9.37%	37,519,314.3 4	6.05%	3.32%	
Investment real estate	51,546,044.3 0	8.68%	29,404,574.4 4	4.74%	3.94%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fix assets	84,346,192.6 9	14.21%	108,018,926. 67	17.43%	-3.22%	
Construction in process	1,179,824.87	0.20%	654,356.00	0.11%	0.09%	
Short-term loans	152,275,976. 01	25.65%	85,012,392.0 0	13.72%	11.93%	
Long-term loans		0.00%	50,850,000.0 0	8.20%	-8.20%	

2. Assets and liability measured by fair value

Applicable Not applicable

3. Assets right restriction till end of reporting period

Item	Ending book value	Restriction reasons
Monetary Fund	7,335,941.28	Bank acceptance bill
Notes receivable	8,332,469.80	Pledge
Accounts receivable	8,831,544.63	Pledge
Investment real estate	39,197,344.30	Bank loan secured
Fixed assets	43,965,447.66	Bank loan secured
Liquidation of fixed assets	92,857,471.69	Court closure

Intangible assets	37,605,499.26	Bank loan secured
Total	238,125,718.62	--

V. Investment analysis

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The Company has no securities investment in the Period.

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

The Company had no sales of major assets in the reporting period.

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main holding company and stock-jointly companies√Applicable Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Hengfa Technology Company	Subsidiary	R&D, production and sales of the products as well as import & export business etc.	181643111	450,381,741.80	220,913,552.90	323,374,705.00	5,318,389.86	5,149,906.59
Huafa Property Company	Subsidiary	Leasing and management of own property	1000000	413,406.43	-2,319,074.38	649,049.51	-511,272.63	-511,272.63
Huafa Lease Company	Subsidiary	Leasing and management of own property	1000000	1,900,692.20	-5,026,990.71	0.00	0.00	0.00
Huafa Hengtian Company		Leasing and management of own property	1000000	996,582.86	996,582.86	0.00	-637.34	-637.34
Huafa Hengtai Company	Subsidiary	Leasing and management of own property	1000000	997,314.02	997,314.02	0.00	-636.71	-636.71

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Explanation

Nil

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Prediction of business performance from January – September 2018

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

Applicable Not applicable

X. Risks and countermeasures

1. Operational risks of industrial business: industrial restructuring, fluctuations in raw material prices, decline in market demand, and frustration of new product promotion.

Countermeasures: continue to open up the market, maintain the existing customers, positively develop new customers, and continue to improve production efficiency;

2. Financial risks: large demands for funds, substantial increase or decrease in financial costs caused by exchange rate fluctuations, and bank credit constraints caused by changes in financial costs and so on.

Countermeasures: pay close attention to macroeconomic policy trends, actively expand the financing channels, establish a virtuous circle mechanism for funds, improve the service efficiency, and use financial instruments to avoid exchange rate risks.

Section V. Important Events

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

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2017	AGM	51.64%	2018-05-17	2018-05-18	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204953591?announceTime=2018-05-18

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

II. Profit distribution plan in the period and capitalizing of common reserves plan

Applicable Not applicable

The Company plans not to distribute cash dividend and bonus for the semi-annual, and no capitalizing of common reserves either.

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

Applicable Not applicable

The Company has no commitments that the actual controller, shareholders, related party, offeror and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

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

Whether the financial report has been audited or not

Yes No

Un-audited

V. Explanation from Board of Directors and Supervisory Committee for "Qualified Opinion"

that issued by CPA

Applicable Not applicable

VI. Explanation from the Board for “Qualified Opinion” of last year’s

Applicable Not applicable

VII. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

VIII. Lawsuits

Significant lawsuits and arbitrations

Applicable Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (in 10 thousand Yuan)	Predicted liabilities (Y/N)	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
In September 2016, Wuhan Zhongheng Group Co., Ltd. and the Company and Shenzhen Vanke were applied for arbitration due to the dispute case of “Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District”.	46,460	N	Made a ruling on 16 August 2017; The Company and controlling shareholder propose request for ruling removal in Feb. 2018	Found more in announcement of the Company	The court dismissed the claim	2018-08-25	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1205326846?announceTime=2018-08-25
In March 2016, Huafa Property suit against the Shenzhen Jifang	1,416.67	N	In November 2016, the	Court decision as Jifang Company has to paid 27.9023	Case closed and collected the site in	2016-11-08	http://www.cninfo.com.cn/cninfo-new

Investment Co., Ltd. for site occupation, without rental, and utilities paid for a long-time			Company win in the ruling judged by Shenzhen Arbitration Commission	million Yuan (including rental, administrative fee, compensation, penalty, lawyer's fee and arbitration fees) in total for the Company	May 2018		/disclosure/szse_main/bulletin_detail/true/1202817664?announceTime=2016-11-08
In March 2016, the Company and Huafa Science & Technology suit against the follow companies, including Shenzhen Huayongxing Environmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electronic Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd and Shenzhen Kangzhengxin Technology Co., Ltd., for arrears of rent. and refuse to move the site, forcibly occupied switch board room and other power unit	1,964.92	N	The first instance decision has been issued, second instance still in trial	The second instance maintains the judgment of the first	In publication of judgment	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41

under the name of the Company							
The Company and Huafa Property suit against Shenzhen Jifang investment Co., Ltd. and Shenzhen Jianianhua Foreign Trade Clothing City Co., Ltd. for refusing to paid the rents and administrative fee without justified reasons	73.38	N	2018.3.15 - Second instance decide the Company to win; 2018.3.26 - Applicati on for enforcem ent	Verdict	Case closed	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41
In March 2016, the Company and Huafa Property suit against Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd. for contract violation and refuse to move the site	947.26	N	2018.3.15 - Second instance decide the Company to win, and waiting the enforcem ent applicatio n	Verdict	Applied in April	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41

Other lawsuits

Applicable Not applicable**IX. Penalty and rectification**Applicable Not applicable

The Company has no penalty and rectification in the period

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

□ Applicable √Not applicable

XI. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

□ Applicable √Not applicable

The Company had no stock incentive plan, employee stock ownership plan or other employee incentive in the reporting period.

XII. Major related transaction**1. Related transaction with routine operation concerned**

√Applicable □ Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limit or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
HK Yutian	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	Synchronized with the market	5,792.22	5,792.22	48.53%	29,293.65	N	Telegraphic transfer	—	2018-08-24	http://www.cninfo.com.cn/financial/alpage/2018-08-24/1203374588.PDF
Hengsheng Photoelectric	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	Confirmed with 1% of	2,732.35	2,732.35	22.89%	22,783.95	N	Telegraphic transfer	The average market	2018-08-24	http://www.cninfo.com.cn/financial/alpage/2018-08-24/1203374588.PDF

city	lling shareh older		ors	curren t marke t avera ge price in princi ple, and refer to both their bargai ning power							t price refers to the price of same specif icatio ns which is search ed from throug h the world famou s profes sional marke t surve y comp any websit e http:// www. witsvi ew.co m recog nized author ity in the indust ry and LCD profes sional	fo.c om.c n/fin alpa ge/2 018- 08-2 4/12 033 745 88.P DF
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Hengsheng Photo electricity	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	According to the order price, deducted 1 Yuan each for operation charge	1,754.27	1,754.27	14.70%	16,274.25	N	Telegraphic transfer	—	2018-08-24	http://www.cninfo.com.cn/finance/alpha/2018-08-24/1203374588.PDF
HK Yutian	Sharing the same controlling shareholder	Sales	Sales LCD overall monitor or machine set	According to the customer sales order price sure	6,323.19	6,323.19	49.68%	38,146.84	N	Telegraphic transfer	—	2018-08-24	http://www.cninfo.com.cn/finance/alpha/2018-08-24/12033745

													88.P DF
Total				--	--	16,60 2.03	--	106,4 98.69	--	--	--	--	--
Detail of sales return with major amount involved				N/A									
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)				In the reporting, Hengfa Technology purchased LCD from HK Yutian with US\$ 9.0679 million approximately, 20.15% of the annual amount predicted at the beginning of the year; purchased LCD from Hengsheng Photoelectricity with US \$ 4.1301 million approximately, 11.8% of the annual amount predicted at the beginning of the year; purchasing LCD from Hengsheng Photoelectricity with about US \$ 2.6517 million, 10.61% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with US \$ 9.9215 million approximately, 16.54% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price (if applicable)				Not applicable									

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No above mentioned transactions occurred

3. Main related transactions of mutual investment outside

Applicable Not applicable

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

4. Contact of related credit and debt

Applicable Not applicable

No contact of related credit and debt in the period

5. Other related transactions

Applicable Not applicable

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

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

Applicable Not applicable

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

XIV. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2018-04-24	30,000		3,877.6	Joint liability guarantee	One year	N	Y
Total amount of approving guarantee for subsidiaries in report period (B1)			30,000	Total amount of actual occurred guarantee for subsidiaries in report period (B2)				6,267.12
Total amount of approved guarantee for subsidiaries at the end of reporting period			30,000	Total balance of actual guarantee for subsidiaries at the end of reporting period				3,877.6

(B3)				(B4)				
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Total amount of guarantee of the Company(total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		30,000		Total amount of actual occurred guarantee in report period (A2+B2+C3)		6,267.12		
Total amount of approved guarantee at the end of report period (A3+B3+C2)		30,000		Total balance of actual guarantee at the end of report period (A4+B4+C4)		3,877.6		
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4+C4)				11.99%				
Including:								
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)				N/A				

Explanation on compound guarantee

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XV. Social responsibility

1. Material environmental protection

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

Not applicable

No

2. Execution of social responsibility of targeted poverty alleviation

(1) targeted poverty alleviation

(2) Summary of targeted poverty alleviation

(3) Performance of the targeted poverty alleviation

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

(4) Follow-up targeted poverty alleviation scheme

XVI Explanation on other significant events

Applicable Not applicable

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

The Company convoked the first extraordinary meeting of the Board in 2015 on February 16, 2015 and the first extraordinary general meeting of the Board in 2015 on March 4, 2015, which considered and approved the “Motion on promoting and implementing the urban renewal project for the renewal units of Huafa area at Gongming street, Guangming new district, Shenzhen”, specified that the Company and Wuhan Zhongheng Group

shall obtain the corresponding compensatory consideration for removal from the respectively owned project plots and the respectively contributed and constructed above-ground buildings before the land development, it is estimated that the compensatory consideration obtained by the Company accounts for 50.5% of the total consideration and Wuhan Zhongheng Group accounts for 49.5% by calculation.

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on September 11, 2015 have considered and adopted the “Proposal on the project promotion and implementation of urban renewal and the progress of related transactions of ‘the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen’”, the company has signed the “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Contract for the cooperative venture of reconstruction project for Huafa Industrial Park, Gong Ming Street, Guangming New District” and “Agreement on housing acquisition and removal compensation and resettlement” with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as “Wuhan Zhongheng Group”), Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Shenzhen Vanke”), and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as “Vanke Guangming”).

On 12 September 2016, the Company received a “Notice of Arbitration No.: SHEN DP20160334” from SCIA, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. The arbitration court holds hearings on 12 November 2016 and 13 May 2017. Shenzhen Court of International Arbitration (SCIA) has given a ruling in August 2017, although most of the arbitration claims proposed by Shenzhen Vanke are rejected by arbitration court, the arbitration procedures and so-called cognizance of fact of contract breach still has problems in arbitration. The results have damaged the legitimate rights and interest of the Company, and we have putting forward the application for dismantling in February 2018 to the Shenzhen Intermediate People’s Court. The Court dismissed the claim . Progress of the case found more in the Notices released on Juchao website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017, 1 July 2017, 18 August 2017 , 9 Feb. 2018 and 25 August 2018 respectively.

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

(iii) Our controlling shareholder Wuhan Zhongheng Group holds 116,489,894 shares of the Company, accounting for 41.14% of total share capital. The above shares were judicially sealed on 27 September 2016, shares freeze from 27 September 2016 to 26 September 2018. Details are set out in the announcement published at Juchao information website (www.cninfo.com.cn) on 27 October 2016.

(iv) On March 21, 2014, Huafa Property and Shenzhen Jifang Investment Co., Ltd. (hereinafter referred to as "Jifang Investment") signed the "Shenzhen Housing Leasing Contract" and the "Supplemental Agreement on Leasing Contract", which were canceled on February 5, 2016. As Jifang Investment occupied the site, and defaulted rent, management fee and water and electricity bills in the long term, in order to safeguard the legitimate rights and interests, Huafa Property submitted a request for arbitration to Shenzhen Arbitration Commission on March 8, 2016, and received the (2016) SZCZ No. 346 ruling paper from Shenzhen Arbitration Commission in November 2016 which ruled Huafa Property won the lawsuit. See details on the notice published at www.cninfo.com.cn by the company on 8 November 2016. The sites are collected in May 2018

(v) Commitments of Major shareholder to Increase Shareholding

On November 20, and November 28, 2017, the controlling shareholders respectively made commitments to increase the shareholding of 2.83 million shares of the company's B Shares and no less than 2.8 million shares of the company's A Shares, with a commitment period of 6 months, and later, controlling shareholder applied extending 6 months for commitment period. As of the disclosure date of this report, it's still in the commitment fulfillment period, and the commitment has not been fulfilled.

(vi) Mr. Zhang Guangliu, the company's director and vice president, has applied for resignation from the company's director, vice president and special committee member under the board of directors due to a job transfer. The new director's by-election is still in progress, at present, the company's board of directors has 5 members, which conforms to the legal minimum number of people.

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

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

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

2. Changes of restricted shares

 Applicable Not applicable

II. Securities issuance and listing

 Applicable Not applicable

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

In Share

Total common stock shareholders in reporting period-end		27,697		Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)		0		
Particulars about common shares held above 5% by shareholders or top ten common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shareholders at the end of report period	Changes in report period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.14%	11,648,989	0	0	116,489,894	Pledged	11,648,989
							Frozen	11,648,989
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Overseas legal person	4.49%	12,700,000	0	0	12,700,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249			5,355,249	Pledged	0
							Frozen	0
Guoyuan Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.35%	3,820,617			3,820,617	Pledged	0
							Frozen	0
LI SHERYN ZHAN MING	Overseas nature person	0.37%	1,038,300			1,038,300	Pledged	0
							Frozen	0
Zhong Jiachao	Domestic nature person	0.34%	959,174			959,174	Pledged	0
							Frozen	0
Li Senzhuang	Domestic nature	0.34%	956,600			956,600	Pledged	0

	person						Frozen	0
Han Yaming	Domestic nature person	0.31%	864,200		0	864,200	Pledged	0
							Frozen	0
BINGHUA LIU	Overseas nature person	0.30%	840,313		0	840,313	Pledged	0
							Frozen	0
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3)		N/A						
Explanation on associated relationship among the aforesaid shareholders		Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. The Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.						
Particular about top ten shareholders with un-restrict common shares held								
Shareholders' name	Amount of un-restrict common shares held at Period-end		Type of shares					
			Type	Amount				
Wuhan Zhongheng Group	11,648,989		RMB common share					
SEG (HONG KONG) CO., LTD.	16,569,560		Domestically listed foreign shares					
GOOD HOPE CORNER INVESTMENTS LTD	12,700,000		Domestically listed foreign shares					
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	5,355,249		Domestically listed foreign shares					
Guoyuan Securities Brokerage (Hong Kong) Co., Ltd.	3,820,617		Domestically listed foreign shares					
LI SHERYN ZHAN MING	1,038,300		Domestically listed foreign shares					
Zhong Jiachao	959,174		RMB common share					
Li Senzhuang	956,600		Domestically					

		listed foreign shares	
Han Yaming	864,200	Domestically listed foreign shares	
BINGHUA LIU	840,313	Domestically listed foreign shares	
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict common shareholders and top 10 shareholders	Among the top ten unrestricted shareholders, the Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.		
Explanation on top 10 common shareholders involving margin business (if applicable) (see note 4)	Among the top ten shareholders, Zhong Jiachao holds 959174 shares of the Company, of which, 591274 shares held by normal account, and 367900 shares held through credit security account		

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

Yes No

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

IV. Change of controlling shareholder or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors and Senior Executives

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

Applicable Not applicable

Found more in annual report 2017 for the changes of shares held by directors, supervisors and senior executives

II. Changes of directors, supervisors and senior executives

Applicable Not applicable

Name	Title	Type	Date	Reasons
Zhang Guangliu	Deputy president, director	Election	2018-07-17	Occupation mobility

Section IX Corporate Bond

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

No

Section X. Financial Report

I. Audit report

Whether the semi-annual report was audited or not

Yes No

The financial report of this semi-annual report was unaudited

II. Financial statement

Currency used in note of financial statement is RMB (Yuan)

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD

2018-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	31,174,927.49	68,812,495.97
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	24,212,827.29	64,778,266.65
Accounts receivable	167,657,397.69	148,795,998.26
Accounts paid in advance	24,345,708.97	943,328.01
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	9,993,555.22	4,335,729.72
Purchase restituted finance asset		

Inventories	55,600,129.94	60,387,021.65
Assets held for sale		
Non-current asset due within one year		
Other current assets	46,253.01	52,310.51
Total current assets	313,030,799.61	348,105,150.77
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment real estate	51,546,044.30	52,410,958.62
Fix assets	84,346,192.69	83,619,842.39
Construction in progress	1,179,824.87	654,356.00
Engineering material		
Disposal of fixed asset	92,857,471.69	92,857,471.69
Productive biological asset		
Oil and gas asset		
Intangible assets	42,561,503.06	43,307,316.37
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	774,951.44	141,666.55
Deferred income tax asset	7,302,250.91	6,731,168.99
Other non-current asset		1,934,800.00
Total non-current asset	280,568,238.96	281,657,580.61
Total assets	593,599,038.57	629,762,731.38
Current liabilities:		
Short-term loans	152,275,976.01	166,620,264.81
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		

Derivative financial liability		
Notes payable	15,635,598.71	17,810,270.28
Accounts payable	60,514,300.33	84,004,870.73
Accounts received in advance	261,102.28	278,128.18
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	3,613,350.12	5,083,357.93
Taxes payable	10,562,817.51	15,136,277.68
Interest payable	136,176.72	164,895.80
Dividend payable		
Other accounts payable	27,069,194.27	19,927,276.95
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	270,068,515.95	309,025,342.36
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	64,411.00	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	64,411.00	64,411.00
Total liabilities	270,132,926.95	309,089,753.36

Owner's equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	77,391,593.25	77,391,593.25
Provision of general risk		
Retained profit	-183,673,980.13	-186,467,113.73
Total owner's equity attributable to parent company	323,466,111.62	320,672,978.02
Minority interests		
Total owner's equity	323,466,111.62	320,672,978.02
Total liabilities and owner's equity	593,599,038.57	629,762,731.38

Legal representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institution: Wu Aijie

2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,454,274.31	25,181,764.87
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		
Account paid in advance	53,050.00	
Interest receivable		
Dividends receivable		

Other receivables	103,872,467.02	99,922,143.84
Inventories	14,806.50	14,806.50
Assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	105,394,597.83	125,118,715.21
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	186,608,900.00	186,608,900.00
Investment real estate	26,978,905.02	27,583,299.22
Fix assets	4,665,395.35	6,821,367.58
Construction in progress	1,172,756.00	654,356.00
Project materials		
Disposal of fixed assets	92,857,471.69	92,857,471.69
Productive biological assets		
Oil and natural gas assets		
Intangible assets	4,771,127.82	4,843,600.68
Research and development costs		
Goodwill		
Long-term deferred expenses	116,666.53	141,666.55
Deferred income tax assets	8,091,847.20	7,519,546.71
Other non-current assets		
Total non-current assets	325,263,069.61	327,030,208.43
Total assets	430,657,667.44	452,148,923.64
Current liabilities:		
Short-term borrowings	105,000,000.00	120,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		

Accounts payable	9,740,367.33	10,745,840.16
Accounts received in advance	44,810.00	67,210.00
Wage payable	815,885.20	1,039,196.20
Taxes payable	7,447,979.03	9,305,468.70
Interest payable		
Dividend payable		
Other accounts payable	12,801,195.39	14,339,551.78
Liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	135,850,236.95	155,497,266.84
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	64,411.00	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	64,411.00	64,411.00
Total liabilities	135,914,647.95	155,561,677.84
Owners' equity:		
Share capita	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		

Other comprehensive income		
Reasonable reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-212,397,072.26	-210,552,845.95
Total owner's equity	294,743,019.49	296,587,245.80
Total liabilities and owner's equity	430,657,667.44	452,148,923.64

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	340,984,843.24	439,480,144.17
Including: Operating income	340,984,843.24	439,480,144.17
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	338,582,633.28	437,502,286.20
Including: Operating cost	302,582,979.44	398,913,925.08
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Taxes and surcharge	1,712,293.39	2,317,887.45
Sales expenses	8,433,363.31	7,363,051.86
Administration expenses	20,400,985.42	24,085,956.74
Financial expenses	5,447,070.22	4,914,890.46
Losses of devaluation of asset	5,941.50	-93,425.39
Add: Changing income of fair value(Loss is listed with "-")		

Investment income (Loss is listed with “-”)	245,679.10	
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed with “-”)		
Assets disposal income (Loss is listed with “-”)	-105,779.36	-33,321.94
Other income		
III. Operating profit (Loss is listed with “-”)	2,542,109.70	1,944,536.03
Add: Non-operating income	887,662.07	925,733.76
Less: Non-operating expense	172,806.76	50.88
IV. Total Profit (Loss is listed with “-”)	3,256,965.01	2,870,218.91
Less: Income tax expense	463,831.41	723,746.91
V. Net profit (Net loss is listed with “-”)	2,793,133.60	2,146,472.00
(i) net profit from continuous operation (Net loss is listed with “-”)	2,793,133.60	2,146,472.00
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
Net profit attributable to owner’s of parent company	2,793,133.60	2,146,472.00
Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other		

comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,793,133.60	2,146,472.00
Total comprehensive income attributable to owners of parent Company	2,793,133.60	2,146,472.00
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0099	0.0076
(ii) Diluted earnings per share	0.0099	0.0076

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institution: Wu Aijie

4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	16,961,088.74	19,368,319.99
Less: Operating cost	2,510,518.82	2,104,257.94
Taxes and surcharge	585,014.62	1,295,896.25
Sales expenses		
Administration expenses	11,134,855.37	13,448,031.17
Financial expenses	4,888,654.05	2,847,630.46
Losses of devaluation of asset		-93,425.39
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
Assets disposal income (Loss is listed with “-”)		
Other income		
II. Operating profit (Loss is listed with “-”)	-2,157,954.12	-234,070.44
Add: Non-operating income		50,111.89
Less: Non-operating expense	131,247.82	50.88
III. Total Profit (Loss is listed with “-”)	-2,289,201.94	-184,009.43
Less: Income tax expense	-444,975.63	-22,646.01
IV. Net profit (Net loss is listed with “-”)	-1,844,226.31	-161,363.42
(i) net profit from continuous operation (Net loss is listed with “-”)	-1,844,226.31	-161,363.42
(ii) net profit from discontinued operation (Net loss is listed with “-”)		

V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	-1,844,226.31	-161,363.42
VII. Earnings per share:		
(i) Basic earnings per share	-0.0065	-0.0006
(ii) Diluted earnings per share	-0.0065	-0.0006

5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	195,284,689.59	245,041,670.12
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	3,010,278.37	1,905,715.83
Subtotal of cash inflow arising from operating activities	198,294,967.96	246,947,385.95
Cash paid for purchasing commodities and receiving labor service	158,655,192.45	216,567,324.72
Net increase of customer loans		

and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	35,688,181.95	36,300,498.57
Taxes paid	12,954,614.98	9,434,091.06
Other cash paid concerning operating activities	17,668,304.21	20,042,838.52
Subtotal of cash outflow arising from operating activities	224,966,293.59	282,344,752.87
Net cash flows arising from operating activities	-26,671,325.63	-35,397,366.92
II. Cash flows arising from investing activities:		
Cash received from recovering investment	80,000,000.00	
Cash received from investment income	253,638.00	
Net cash received from disposal of fixed, intangible and other long-term assets	737,982.00	75,901.58
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	80,991,620.00	75,901.58
Cash paid for purchasing fixed, intangible and other long-term assets	7,537,161.50	3,979,604.31
Cash paid for investment	80,000,000.00	
Net increase of mortgaged loans		
Net cash received from		

subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	87,537,161.50	3,979,604.31
Net cash flows arising from investing activities	-6,545,541.50	-3,903,702.73
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	156,361,250.00	99,600,311.57
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	156,361,250.00	99,600,311.57
Cash paid for settling debts	172,529,301.86	87,960,209.96
Cash paid for dividend and profit distributing or interest paying	4,844,780.76	4,119,482.39
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	177,374,082.62	92,079,692.35
Net cash flows arising from financing activities	-21,012,832.62	7,520,619.22
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-149,879.80	-390,104.21
V. Net increase of cash and cash equivalents	-54,379,579.55	-32,170,554.64
Add: Balance of cash and cash	81,474,974.30	104,015,312.97

equivalents at the period-begin		
VI. Balance of cash and cash equivalents at the period-end	27,095,394.75	71,844,758.33

6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	11,824,697.08	10,850,641.39
Write-back of tax received		
Other cash received concerning operating activities	107,677,057.73	37,579,467.16
Subtotal of cash inflow arising from operating activities	119,501,754.81	48,430,108.55
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	1,812,043.81	2,524,734.01
Taxes paid	3,627,519.72	2,236,783.63
Other cash paid concerning operating activities	116,155,663.65	37,794,518.68
Subtotal of cash outflow arising from operating activities	121,595,227.18	42,556,036.32
Net cash flows arising from operating activities	-2,093,472.37	5,874,072.23
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets		

Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets	1,696,400.00	1,377,592.31
Cash paid for investment		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	1,696,400.00	1,377,592.31
Net cash flows arising from investing activities	-1,696,400.00	-1,377,592.31
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	100,000,000.00	15,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	100,000,000.00	15,000,000.00
Cash paid for settling debts	116,054,041.68	15,000,000.00
Cash paid for dividend and profit distributing or interest paying	3,884,001.07	2,857,775.00
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	119,938,042.75	17,857,775.00
Net cash flows arising from financing activities	-19,938,042.75	-2,857,775.00
IV. Influence on cash and cash	424.56	807.57

equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-23,727,490.56	1,639,512.49
Add: Balance of cash and cash equivalents at the period -begin	25,181,764.87	10,375,152.87
VI. Balance of cash and cash equivalents at the period -end	1,454,274.31	12,014,665.36

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

Current Period

In RMB

Item	Current period												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Prefere d stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25		-186,467,113.73		320,672,978.02
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at	283,				146,5				77,39		-186,		320,6

the beginning of this year	161,227.00				87,271.50				1,593.25		467,113.73		72,978.02
III. Increase/Decrease in this year (Decrease is listed with “-”)											2,793,133.60		2,793,133.60
(i) Total comprehensive income											2,793,133.60		2,793,133.60
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners’ equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves													

converted to capital (share capital)														
3. Remediating loss with surplus reserve														
4. Other														
(V) Reasonable reserve														
1. Withdrawal in the report period														
2. Usage in the report period														
(VI)Others														
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25			-183,673,980.13		323,466,111.62

Last Period

In RMB

Item	Last Period													
	Owners' equity attributable to parent company											Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit			
		Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25			-187,441,523.12		319,698,568.63
Add: Changes of accounting policy														
Error correction of the														

last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25		-187,441,523.12		319,698,568.63
III. Increase/Decrease in this year (Decrease is listed with “-”)											974,409.39		974,409.39
(i) Total comprehensive income											974,409.39		974,409.39
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal													

owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25			-186,467,113.73	320,672,978.02

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

Current period

In RMB

Item	Current period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95	296,587,245.80
Add: Changes of											

accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95	296,587,245.80
III. Increase/Decrease in this year (Decrease is listed with “-”)											
(i) Total comprehensive income										-1,844,226.31	-1,844,226.31
(ii) Owners’ devoted and decreased capital											
1. Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners’ equity											
1. Capital											

reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remediating loss with surplus reserve												
4. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-212,397.072.26	294,743,019.49	

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-208,106.913.40	299,033,178.35
Add: Changes of accounting policy											
Error correction of the last period											

Other											
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-208,106,913.40	299,033,178.35
III. Increase/Decrease in this year (Decrease is listed with “-”)										-2,445,932.55	-2,445,932.55
(i) Total comprehensive income										-2,445,932.55	-2,445,932.55
(ii) Owners’ devoted and decreased capital											
1. Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners’ equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves											

converted to capital (share capital)											
3. Remediating loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95	296,587,245.80

III. Company profile

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

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

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

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227.00

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

The Company belongs to the computer, telecommunication and manufacturing of other electronic equipment. Business scope: producing and sales of vary colour TV set, liquid crystal display, LCD (operates in branch), radio-recorder, sound equipment, electronic watch, electronic game and computers, the printed wiring board, precision injection parts, light packaging material (operates in Wuhan) and hardware (including tool and mould) for various electronic products and supporting parts, plating and surface treatment and tin wire, development and operation of real estate (Shen Fang Di Zi No.: 7226760) and property management. Funded affiliated companies in Wuhan and Julin. Setting up branches in capital of the province (Lhasa City excluded) in China and municipality directly under the central government.

Relevant party offering approval reporting of financial statements and date thereof

3. The financial statement has been deliberated and approved by BOD on 24 August 2018. According to Article of Association, the statement shall be submit for deliberation in shareholders general meeting.

Consolidate scope in the Period including: parent company – Shenzhen Zhongheng Huafa Company Limited, subsidiary including Shenzhen Huafa Property Leasing Management Co., Ltd. (no annual inspection in 2011, and business license revoke on 1 April 2014), Shenzhen Zhongheng Huafa property Co., Ltd., Wuhan Hengfa Technology Co., Ltd., Shenzhen Huafa Hengtian Co., Ltd. and Shenzhen Huafa Hengtai Co., Ltd. more of subsidiaries found in Note VII. “Equity in other subjects”.

IV. Preparation basis of Financial Statements

1. Preparation basis

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

2. Going concern

The Company estimated that the production and sales of the Company, in 12 months since end of the period, will in a virtuous cycle. We has good management and continuous operation ability, and there is no risk of continuing operations.

V. Important accounting policy and estimation

Notes on specific accounting policies and accounting estimation:

According to actual operation characteristic, the Group formulate specific accounting policy and accounting estimation, including trade cycle, recognition and measurement on account bad debt provision of receivables, inventory measurement, classification and depreciation method of fixed assets, intangible assets amortization and recognition and measurement of revenue etc.

1. Declaration of obedience to Accounting Standards for Business Enterprise

The Financial Statements of the Company are up to requirements of Accounting Standards for Business Enterprise and also a true and thorough reflection to the relevant information as the Company's financial position dated 30th June 2018 and the operation results as well as cash flow for the first half of 2018.

2. Accounting period

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

3. Business cycle

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

4. Bookkeeping standard currency

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

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

(1) Consolidation of enterprises under the same control

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

(2) Business combination not under common control

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

6. Preparation methods for consolidated financial statements

(1) Consolidation financial statement range

The Company includes all the subsidiaries (including the separate entities controlled by the Company) into consolidated financial statement, including companies controlled by the Company, non-integral part of the investees and structural main body.

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

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

(3) Setoff of consolidated financial statement

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

(4) Accounting for acquisition of subsidiary through combination

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

7. Classification of joint arrangements and accounting treatment of joint operation

(1) Classification of joint arrangements

Joint arrangements are divided into joint operations and joint ventures. Joint arrangements achieved not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognized entities without the qualification of legal entity. Joint arrangements achieved through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties of joint venture under a joint arrangement due to the changes in relevant facts and circumstances, the parties of joint venture will re-assess the classification of joint arrangements.

(2) Accounting treatment for joint operations

The parties of joint operation should recognize the following items in relation to their share of interest in joint operation, and proceed with accounting in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: to recognize their separate assets or liabilities held, and recognize the assets or liabilities jointly held according to their respective shares; to recognize the income from the disposal of their output share under joint operation; to recognize the income from the disposal of output under joint operation according to their respective shares; to recognize the expenses incurred separately, and recognize the expenses incurred under joint operation according to their respective shares.

For the parties of a joint operation not under common control, if they are entitled to relevant assets and undertake relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions of the parties of joint operation; otherwise, it should be subject to relevant Accounting Standards for Business Enterprises.

(3) Accounting treatment for joint ventures

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments. The parties not under common control should carry out accounting depending on their influence on the joint venture.

8. Determination criteria of cash and cash equivalent

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

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

(1) Foreign currency exchange

The foreign trading, shall be converted with the rates of exchange, released by People's Bank of China at beginning of the current month, when trading occurred. On the balance sheet day, the monetary items are converted on the current rate on the balance sheet day, concerning the exchange differences between the spot exchange rate on that date and initial confirmation or the sport exchange rate on previously balance sheet date, should reckoned in to current gains/losses except the capitalizing on exchange differences for foreign specific loans, which was reckoned into cost for capitalizing. The non-monetary items measured on the historic cost are still measured by the original bookkeeping rate with the sum of the bookkeeping standard currency unchanged. Items of non-monetary foreign currency which was calculated by fair value, should converted by spot exchange rate on the confirmation day of fair value, difference between the converted amount of bookkeeping currency and original amount of bookkeeping currency, was treated as changes of fair value (including exchange rate changed) reckoned into current gains/losses or recognized as other consolidated

income.

(2) Conversion of foreign currency financial statements

Upon the conversion of the foreign currency financial statements of the controlling subsidiaries, joint enterprises, and the affiliated enterprises on the bookkeeping standard currency different from the Company's, the accounting check and preparation of the consolidated financial statements are made. Assets and liabilities items in the balance sheet are converted on the current rate on the balance sheet day; owners' equity items besides the "retained profit" item, the other items are converted on the actual rate. The revenue and expenses, shall be converted with the rates of exchange, released by People's Bank of China at beginning of the current month, when trading occurred. The conversion difference of the foreign currency financial statements is listed specifically in the owners' equity in the balance sheet. The cash flow of foreign currency, which was recognized by systematic rational method, shall be converted with the rates of exchange, released by People's Bank of China at beginning of the current month, when trading occurred. The cash influenced by the rate fluctuation is listed specifically in the cash flow statement. As for the foreign operation, the conversion difference of the foreign currency statement related to the foreign operation is transferred in proportion into the disposal of the current loss/gain.

10. Account receivable

(1) Account receivables with single major amount and withdrawal bad debt provision independently

Criterion or amount standards of major single amount	Book balance of the account receivable with over 0.5 million Yuan
Withdrawal method for individual bad debt provision accrual with major single amount concerned	Recognized on the difference between the book value and the current value of the estimative future cash flow

(2) Account receivable with bad debt provision accrual by portfolio

Portfolio	Accrued method for bad debts
Age portfolio	Aging of accounts

Withdrawing bad bed provision by aging method in portfolio:

Applicable Not applicable

Account ages	Accrued proportion of accounts receivable	Accrued proportion of other accounts receivable
1—2 years	5.00%	5.00%
2—3 years	10.00%	10.00%
Over three years	30.00%	30.00%

Withdrawing bad bed provision by percentage of total accounts receivable outstanding in portfolio:

Applicable Not applicable

Withdrawing bad bed provision by other methods in portfolio:

Applicable Not applicable

(3) Account receivable with minor single amount but has individual bad debt provision accrual

Reasons for individual bad debt provision accrual	Receivable has minor amount and can not reflect the risk characteristic by withdrawing bad debt provision by group
Accrued method for bad debt provision	Recognized on the difference between the book value and the current value of the estimative future cash flow

n11. Inventory

Whether the company needs to comply with the disclosure requirements of the particular industry

No

(1) Categories of inventory

The inventory is goods or manufactured products held for sale, products in process, and materials and matters utilized in the production or supply of labor. It mainly consists of the raw material, revolving materials, materials processed on commission, wrappage, consumable low-value product, products in process, homemade semi-finished products and inventory goods etc.

(2) Accounting method for inventory delivery

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

(3) Accrual method inventory falling price reserves

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

(4) Inventory system

Inventory system of the Company is perpetual inventory system

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

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

12. Long term equity investment**(1) Recognition of initial investment cost**

Initial investment cost of long term equity investment obtained by corporate consolidation: in the case of the consolidation of enterprises under the same control, recognized as the initial cost is the book value of the owners' equity obtained from the consolidated party; in the case of the consolidation of enterprises not under the same control, recognized as the initial cost is the recognized consolidation cost on the purchase day. As for the long term equity investment obtained by cash payment, the initial investment cost is the actual purchase payment. As for the long term equity investment obtained by the equity securities offering, the initial investment cost is the fair value of the equity securities. As for the long-term equity investment obtained by debt reorganization, initial investment cost of such investment should determine by relevant regulation of the "Accounting Standards for Business Enterprise No.12- Debt Reorganization"; As for the long term equity investment obtained by the exchange of the non-monetary assets and the debts restructuring, the initial investment cost is recognized on the relevant rules in the Principles.

(2) Subsequent measurement and profit or loss recognition

Where the investor has a control over the investee, long-term equity investments are measured using cost method. Long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair

value through profit or loss according to according to relevant requirements of Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

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

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

13. Investment real estate

Measurement for investment real estate

Cost method

Depreciation or amortization method

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

14. Fixed assets

(1) Recognition

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

(2) Depreciation method

Category	Depreciation method	Depreciation life (year)	Salvage rate	Annual depreciation rate
House building	Straight-line depreciation	20-50	10.00	1.80-4.50
Machine equipment	Straight-line depreciation	10	10.00	9.00
Mold equipment	Straight-line depreciation	3	10.00	30.00

Transportation equipment	Straight-line depreciation	5	10.00	18.00
Instrument equipment	Straight-line depreciation	5	10.00	18.00
Tool equipment	Straight-line depreciation	5	10.00	18.00
Office equipment	Straight-line depreciation	5	10.00	18.00

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

15. Project in progress

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

16. Borrowing expenses

(1) Recognition principle on capitalization of borrowing expenses

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

(2) Calculation of the capitalization

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

As for the borrowing of the specific borrowing, the capitalization sum is recognized on the current actual interest expenses less the interest income of the borrowing capital not utilized but deposited in the bank or the

return of the temporary investment; As for the appropriation of the general borrowing, the capitalization sum is recognized on the weighted average of, the accumulative assets expenditure above the specific borrowing, and times the capitalization rate of the appropriation; As for the discount or premium of the borrowing, the discount or premium to be diluted in every accounting period is recognized in the actual rate method.

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

17. Intangible assets

(1) Accounting method, service life and impairment test

1. Accounting method of intangible assets

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

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

2. Judgment basis for uncertain service life

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

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

(2) Accounting policies for internal research and development expenditure

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

shall be transferred to intangible assets accounting.

18. Long-term investment impairment

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

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

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

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

19. Long-term deferred expenditure

The Company's long-term deferred expenditure are expenses paid out and with one year above (1-year included) benefit period. The long-term unamortized expenses are diluted by periods according to the benefit period. As the long-term unamortized expenses cannot enable the accounting period's beneficiary, all dilution values of the project undiluted yet, are transferred into the current loss/gain.

20. Employees benefits

(1) Accounting for short-term benefits

In the period of employee services, short-term benefits are actually recognized as liabilities and charged to profit or loss, or if otherwise required or allowed by other accounting standards, to the related costs of assets for the current period. At the time of actual occurrence, The Company's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value. Regarding to the medical and health insurance, industrial injury

insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Company paid for employees, the Company should recognize corresponding employees benefits payable according to the appropriation basis and proportion as stipulated by relevant requirements and recognize the corresponding liabilities and include these expenses in the profits or losses of the current period or recognized as respective assets costs.

(2) Accounting for post-employment benefits

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

(3) Accounting for termination benefits

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

(4) Accounting for other long-term employee benefits

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

21. Accrual liability

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

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

22. Revenue

Whether the company needs to comply with the disclosure requirements of the particular industry

No

1. Sales of goods

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

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

2. Labor service providing

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

If an enterprise cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor service in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: ① if 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; ② if the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

3. Transition of asset use right

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

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

23. Government subsidy

(1) Determination basis and accounting treatment for government grants related to assets

Government grant obtained by the Company for the purpose of constructing or otherwise forming long term assets

is recognized as government grant related to assets. The specific projects for which the government documents have specified the subsidies should be divided according to the relative proportion of the amount paid for forming assets and the amount paid included in costs in the budgeting of the specific project, and the dividing ratio needs to be rechecked on each balance sheet date, and be changed if necessary. Government grants related to assets are recognized as deferred income. The amount recognized as deferred income shall be included in the current profit and loss in a reasonable and systematic way within the useful life of the relevant assets. Those related to the daily activities of the Company are included in other income, and those not related to the daily activities of the Company are included in non-operating income.

Government grants measured on the basis of nominal amounts are directly included in the current profit or loss.

(2) Determination basis and accounting treatment for government grants related to income

The government documents only make general statements on the use, and those not specified as special items are regarded as government grants related to income.

Government grants related to income are treated in the following situations respectively: those used to compensate the related expenses or losses of the enterprise in the subsequent period shall be recognized as deferred income and shall be included in the current profit or loss during the period of confirming related expenses. Those used to compensate the occurred related expenses or losses of the enterprise shall be directly included in the current profit and loss. When being included in the current profits and losses, the government grants related to the Company's daily activities are included in other income; government grants that are not related to the Company's daily activities are included in non-operating income.

24. Deferred income tax asset / deferred income tax liability

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

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

3. The taxable temporary differences related to the investments of subsidiary companies and associated enterprises shall be recognized as deferred income tax liability, unless the Company can control the time of the reverse of temporary differences and the temporary differences are unlikely to be reversed in the expected future. As for the

deductible temporary difference related to the investment of the subsidiary companies and associated enterprises, deferred income tax assets shall be recognized while the temporary differences are likely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

25. Leasing

(1) Accounting treatment for operating lease

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

(2) Accounting treatment for finance lease

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

26. Other important accounting policy and estimation

The company does not disclose other important accounting policies and accounting estimates.

27. Changes in important accounting policies and estimates

(1) Changes in important accounting policies

Applicable Not applicable

(2) Changes in important accounting estimates

Applicable Not applicable

VI. Taxes

1. Major tax and tax rate

Taxes	Taxation basis	Tax rate
VAT	Domestic sales revenue	16%, 6%, 5%, 3%
Urban maintenance and construction tax	Transfer tax payable	7%

Corporate income tax	Taxable income	15、25%
Educational surtax	Transfer tax payable	3%
Local educational surtax	Transfer tax payable	1.5%
Property tax	70% of original value of the property	1.2%

Explain the different taxation entity of the enterprise income tax

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

2. Tax preferences

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

VII. Notes to main items in consolidated financial statement

1. Monetary fund

In RMB

Item	Closing balance	Opening balance
Cash on hand	270,703.35	170,053.77
Bank deposit	23,568,282.86	66,070,891.82
Other monetary fund	7,335,941.28	2,571,550.38
Total	31,174,927.49	68,812,495.97

Other explanation

Other monetary funds are bank acceptance deposits.

2. Note receivable

(1) Category

In RMB

Item	Closing balance	Opening balance
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Bank acceptance bill	21,849,876.46	37,676,025.26
Commercial acceptance bill	2,362,950.83	27,102,241.39
Total	24,212,827.29	64,778,266.65

(2) Note receivable pledged at period-end

In RMB

Item	Amount pledged at period-end
Bank acceptance bill	8,332,469.80
Total	8,332,469.80

(3) Note receivable which have endorsed and discount at period-end and has not expired on balance sheet date

In RMB

Item	De-recognition amount at period-end	Un de-recognition amount at period-end
Bank acceptance bill	32,786,491.34	
Commercial acceptance bill	55,168,339.11	
Total	87,954,830.45	

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

In RMB

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

Other explanation

Nil

3. Account receivable**(1) Category of account receivable**

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Account receivable	7,556,3	4.18%	7,556,3	100.00		7,556	4.67%	7,556,3	100.00%	

with single significant amount and withdrawal bad debt provision separately	63.72		63.72	%		,363.72		63.72		
Account receivable with bad debt provision accrual by portfolio	167,657,625.99	92.73%	228.30	0.00%	167,657,397.69	148,804,350.34	91.88%	8,352.08	0.01%	148,795,998.26
Accounts with single significant amount and bad debts provision accrued individually	5,592,838.19	3.09%	5,592,838.19	100.00%		5,592,838.19	3.45%	5,592,838.19	100.00%	
Total	180,806,827.90	100.00%	13,149,430.21		167,657,397.69	161,953,552.25	100.00%	13,157,553.99		148,795,998.26

Account receivable with major single amount and withdrawal bad debt provision single at period-end:

Applicable Not applicable

In RMB

Account receivable (by units)	Closing balance			
	Account receivable	Bad debt reserve	Accrual ratio	Accrual reasons
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	100.00%	Un-recyclable
Hong Kong Haowei Industry Co. Ltd.	1,870,887.18	1,870,887.18	100.00%	Un-recyclable
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Un-recyclable
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Un-recyclable
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Un-recyclable
Total	7,556,363.72	7,556,363.72	--	--

Account receivable with bad debt provision withdrawal by method of account age in portfolio:

Applicable Not applicable

In RMB

Account age	Closing balance		
	Account receivable	Bad debt provision	Accrual ratio
Sub-item of within one year			
Subtotal of within one year	167,655,343.02		
2-3 year	2,282.97	228.30	10.00%
Over 3 years	0.00		
Total	167,657,625.99	228.30	

Explanation on portfolio basis:

Nil

Withdrawing bad bed provision by percentage of total accounts receivable outstanding in portfolio:

 Applicable Not applicable

Withdrawing bad bed provision by other methods in portfolio:

Accounts with single significant amount and bad debts provision accrued individually at period-end

Debtor	Book balance	Bad debt	Accrual ratio (%)	Reasons
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100.00	Uncollectible
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100.00	Uncollectible
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100.00	Uncollectible
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00	Uncollectible
Yuehai International Shipping Limited	323,405.97	323,405.97	100.00	Uncollectible
Shenzhen Qunping Electronic Co.,	304,542.95	304,542.95	100.00	Uncollectible

Ltd.				
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100.00	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Uncollectible
SkyWorth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00	Uncollectible
Shenzhen Jifang Investment Co., Ltd.	15,860.00	15,860.00	100.00	Uncollectible
Other	1,951,354.35	1,951,354.35	100.00	Uncollectible
Total	5,592,838.19	5,592,838.19		

(2) Bad debt provision accrual, switch-back or taken back in the period

Name	Closing balance	Proportion of
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Bad debt provision accrual was 0.00 Yuan; the amount collected or switches back amounting to 8,123.78 Yuan.

Including major amount of bad debt

provision that switch-back or taken back in the Period:

In RMB

Company	Amount switch back or taken back	Way
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Nil

(3)Account receivable actual charge off in the period

In RMB

Item	核销金额
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Major charge-off for the major receivable:

In RMB

Company	Nature	Amount charge-off	Reasons	Charge –off procedures	Resulted by related transaction (Y/N)
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Explanation:

Nil

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

		the total amount of advance payment (%)
Qingdao Haidayuan purchasing Service Co., Ltd.	86,684,100.72	47.94%
Hong Kong Yutian International Investment Co., Ltd.	34,850,150.19	19.27%
View Sonic Technology (China) Co., Ltd.	16,244,585.02	8.98%
TCL Air-Conditioner (Wuhan) Co., Ltd.	18,623,391.95	10.30%
Wuhan Edmund Polytron Technology Co., Ltd.	4,239,952.77	2.35%
Total	160,642,180.65	88.85%

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

Other explanation:

Nil

4. Prepayments

(1) Prepayments listed by account age

In RMB

Account age	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within one year	24,066,072.03	98.85%	937,895.64	99.42%
1-2 year	54,266.97	0.22%	3,732.52	0.40%
2-3 year	225,369.97	0.93%	1,699.85	0.18%
Total	24,345,708.97	--	943,328.01	--

Explanation on prepayments with over one year in age and reasons of un-settle:

Nil

(2) Top 5 prepayments collected by objects at ending balance

Company	Ending balance	Ratio in total prepayments (%)
Haier Digital Technology (Qingdao) Co., Ltd.	7,271,076.69	29.87%
Guangdong Yizhimi Precision Injection Tech.Co., Ltd	4,158,000.00	17.08%
Guangzhou Shiyuan Electronic Technology Co., Ltd.	1,946,225.29	7.99%
Kunshan Zhongji Mould Co., Ltd.	1,916,600.00	7.87%
Wuhan Qingkai Construction Group Co., Ltd.	1,543,609.80	6.34%
Total	16,835,511.78	69.15%

Other explanation:

Nil

5. Other account receivable**(1) Category of other account receivable**

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	6,722,602.71	26.60%	6,722,602.71	100.00%	0.00	6,722,602.71	34.28%	6,722,602.71	100.00%	0.00
Other account receivable with bad debt provision	10,186,648.94	40.31%	193,093.72	1.90%	9,993,555.22	4,528,823.44	23.09%	193,093.72	4.26%	4,335,729.72

accrual by portfolio										
Other account receivable with single minor amount but withdrawal single item bad debt provision	8,359,643.58	33.08%	8,359,643.58	100.00%	0.00	8,359,643.58	42.63%	8,359,643.58	100.00%	0.00
Total	25,268,895.23	100.00%	15,275,340.01		9,993,555.22	19,611,069.73	100.00%	15,275,340.01		4,335,729.72

Other account receivable with major single amount and withdrawal bad debt provision single at period-end:

Applicable Not applicable

In RMB

Other account receivable (units)	Closing balance			
	Other account receivable	Bad debt provision	Accrual ratio	Accrual reason
Shenzhen Jifang Investment Co., Ltd.	1,071,160.00	1,071,160.00	100.00%	Partly recoverable
Portman	4,021,734.22	4,021,734.22	100.00%	Un-recyclable
				Without bad debt risk
Zhao Baomin	553,901.68	553,901.68	100.00%	Un-recyclable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-recyclable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-recyclable
Total	6,722,602.71	6,722,602.71	--	--

Other account receivable with bad debt provision withdrawal by method of account age in portfolio:

Applicable Not applicable

In RMB

Account age	Closing balance		
	Other account receivable	Bad debt provision	Accrual ratio
Sub-item of within one year			
Subtotal of within one year	7,106,228.94		
1-2 year	2,943,020.00	151,873.72	5.16%
Over 3 years	137,400.00	41,220.00	30.00%
Total	10,186,648.94	193,093.72	

Explanation on portfolio basis:

Withdrawing bad bed provision by percentage of total other accounts receivable outstanding in portfolio

Applicable Not applicable

Withdrawing bad bed provision by other methods in portfolio:

Applicable Not applicable

Other account receivable with single minor amount but withdrawal single item bad debt provision at period-end

Debtor	Book balance	Bad debt	Accrual ratio	Reasons
Electricity fee in Gongming canteen	489,214.70	489,214.70	100.00	Uncollectible
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100.00	Uncollectible
Labor union	332,402.55	332,402.55	100.00	Uncollectible
Lu Wei	290,000.00	290,000.00	100.00	Uncollectible
4/F hotel Dai Qiangbo	194,569.00	194,569.00	100.00	Uncollectible
Chuangjing	192,794.00	192,794.00	100.00	Uncollectible
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100.00	Uncollectible
Other Units	6,224,740.39	6,224,740.39	100.00	Uncollectible
Total	8,359,643.58	8,359,643.58	---	---

(2) Bad debt provision accrual, switch-back or taken back in reporting period

Bad debt provision accrual was 0.00 Yuan; the amount collected or switches back amounting to 0.00 Yuan.

Including major amount of bad debt provision that switch-back or taken back in the Period:

In RMB

Company	Amount switch-back or taken back	Way
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Nil

(3) Other receivables actually charge-off during the reporting period

In RMB

Item	Amount charge-off
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Major amount of other receivable charge-off:

In RMB

Company	Nature	Amount charge-off	Reasons	Charge –off procedures	Resulted by related transaction (Y/N)
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Explanation:

Nil

(4) Classify according to nature

In RMB

Nature	Ending book balance	Opening book balance
Margin	1,793,485.04	1,793,485.04
Borrow money	1,785,713.06	2,190,666.85
Intercourse funds	12,429,737.18	9,081,233.88
Rent receivable	9,088,088.00	5,857,777.46
Other	171,871.95	687,906.50
Total	25,268,895.23	19,611,069.73

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

In RMB

Company	Nature	Closing balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
Portman	Rent receivable	4,021,734.22	Over 3 years	15.92%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd.	Rent receivable	1,071,160.00	Over one year	4.24%	1,071,160.00
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Premium for lease	740,909.97	Within one year	2.93%	
Zhao Baomin	Rent receivable	553,901.68	Over 3 years	2.19%	564,646.35
Traffic accident compensation	Intercourse funds	555,785.81	Over 3 years	2.20%	555,785.81
Total	--	6,943,491.68	--		6,213,326.38

(6) Account receivables related to government subsidies

In RMB

Company	Name of subsidy	Closing balance	Account age at period-end	Time, amount and basis for recovery expectation
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Nil

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

Nil

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

Nil

Other explanation;

Nil

6. Inventory

(1) Category of inventory

In RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for price fall-down	Book value	Book balance	Provision for price fall-down	Book value
Raw materials	30,601,378.64	937,858.86	29,663,519.78	29,640,518.78	937,858.86	28,702,659.92
Goods in process	739,156.75		739,156.75	119,575.09		119,575.09
Inventory goods	23,088,750.36	1,660,379.81	21,428,370.55	29,291,605.18	1,660,379.81	27,631,225.37
Revolving material						0.00
Consumptive biological assets						0.00
Assets without settled but completed resulted from construction contract						0.00
Low priced and easily worn	721,411.93	85,692.51	635,719.42	587,236.21	85,692.51	501,543.70

articles						
Homemade semi-finished products	3,134,807.69	1,444.25	3,133,363.44	3,433,461.82	1,444.25	3,432,017.57
Total	58,285,505.37	2,685,375.43	55,600,129.94	63,072,397.08	2,685,375.43	60,387,021.65

Does the Company comply with the disclosure requirement of “Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 – Listed Companies Engaged in Seed Industry and Planting Business” or not

No

(2) Provision for price fall-down

In RMB

Item	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Switch back or Written-off	Other	
Raw materials	937,858.86					937,858.86
Inventory goods	1,660,379.81					1,660,379.81
Low priced and easily worn articles	85,692.51					85,692.51
Homemade semi-finished products	1,444.25					1,444.25
Work in process-outsourced						
Total	2,685,375.43					2,685,375.43

Nil

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

Nil

(4) Assets completed without settle resulted by construction contract at period-end

In RMB

Item	Amount
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Other explanation:

Nil

7. Other current assets

In RMB

Item	Closing balance	Opening balance
Value-added tax to be deducted	3,938.71	9,996.21
Advance payment of income tax	42,314.30	42,314.30
Total	46,253.01	52,310.51

Other explanation:

Nil

8. Investment real estate**(1) Investment real estate measured at cost**

√ Applicable □ Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. Original book value				
1. Opening balance	133,661,686.94			133,661,686.94
2. Current increased				
(1) outsourcing				
(2) inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Closing balance	133,661,686.94			133,661,686.94

II. Accumulated depreciation and accumulated amortization				
1. Opening balance	81,250,728.32			81,250,728.32
2. Current increased	864,914.32			864,914.32
(1) accrual or amortization	867,939.18			867,939.18
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Closing balance	82,115,642.64			82,115,642.64
III. Depreciation reserves				
1. Opening balance				
2. Current increased				
(1) accrual				
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Closing balance				
IV. Book value				
1. Ending Book value	51,546,044.30			51,546,044.30
2. Opening Book value	52,410,958.62			52,410,958.62

(2) Investment real estate measure on fair value

□ Applicable √ Not applicable

(3) Investment real estate without property certification held

In RMB

Item	Book value	Reasons without certification
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Other explanation

Nil

9. Fixed assets**(1) Fixed assets**

In RMB

Item	House and building	Machine equipment	Transportation equipment	Tool equipment	Office equipment	Mold equipment	Instrument equipment	Total
I. Original book value:								
1. Opening balance	65,608,798.85	80,158,724.83	6,431,855.00	5,467,996.48	6,981,463.85	14,876,405.89	3,051,926.44	182,577,171.34
2. Current increased		1,576,581.17		1,894,538.02	84,856.64	4,294,466.51	204,849.58	8,055,291.92
(1) purchasing		1,576,581.17		1,894,538.02	84,856.64	4,294,466.51	204,849.58	8,055,291.92
(2) construction in progress transfer-in								
(3) increased by combination								

3.Current decreased		2,865,431.49		367,719.13	105,003.18	3,041,377.31	78,743.40	6,458,274.51
(1) disposal or scrapping		2,865,431.49		367,719.13	105,003.18	3,041,377.31	78,743.40	6,458,274.51
4.Closing balance	65,608,798.85	78,869,874.51	6,431,855.00	6,994,815.37	6,961,317.31	16,129,495.09	3,178,032.62	184,174,188.75
II. Accumulative depreciation								
1.Opening balance								
2.Current increased								
(1) accrual								
3.Current decreased								
(1) disposal or scrapping								
4.Closing balance								
III. Depreciation reserves								
1.Opening balance	14,843,969.68	58,679,845.60	3,568,166.13	3,108,608.37	5,484,551.40	10,775,284.39	2,496,903.38	98,957,328.95

2.Current increased	2,650,840. 26	1,839,287. 34	332,203.14	372,195.25	142,988.05	1,095,405. 29	52,260.93	6,485,180. 26
(1) accrual	2,650,840. 26	1,839,287. 34	332,203.14	372,195.25	142,988.05	1,095,405. 29	52,260.93	6,485,180. 26
3.Current decreased		2,426,843. 63		285,057.98	94,502.91	2,737,239. 58	70,869.05	5,614,513. 15
(1) disposal or scrapping		2,426,843. 63		285,057.98	94,502.91	2,737,239. 58	70,869.05	5,614,513. 15
4.Closing balance	17,494,809 .94	58,092,289 .31	3,900,369. 27	3,195,745. 64	5,533,036. 54	9,133,450. 10	2,478,295. 26	99,827,996 .06
IV. Book value								
1. Ending Book value	48,113,988 .91	20,777,585 .20	2,531,485. 73	3,799,069. 73	1,428,280. 77	6,996,044. 99	699,737.36	84,346,192 .69
2.Opening Book value	50,764,829 .17	21,478,879 .23	2,863,688. 87	2,359,388. 11	1,496,912. 45	4,101,121. 50	555,023.06	83,619,842 .39

(2) Fixed assets leasing-out by operational lease

In RMB

Item	Ending book value
House and building	905,391.76

10. Construction in progress**(1) Construction in progress**

In RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Transformation	654,356.00		654,356.00	654,356.00		654,356.00

project of Huafa Building						
Construction of enclosure in Guangming Huafa Industry Park	518,400.00		518,400.00			
New injection molding workshop	7,068.87		7,068.87			
Total	1,179,824.87		1,179,824.87	654,356.00		654,356.00

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

In RMB

Item	Budget	Openi ng balanc e	Curren t increas ed	Fixed assets transfe r-in in the Period	Other decrea sed in the Period	Closin g balanc e	Propor tion of project invest ment in budget	Progre ss	Accum ulated amoun t of interes t capital ization	includi ng: interes t capital ized amoun t of the year	Interes t capital ization rate of the year	Source of funds
Transf ormati on project of Huafa Buildi ng		654,35 6.00				654,35 6.00						
Constr uction of enclos ure in Guang ming Huafa Industr y Park			518,40 0.00			518,40 0.00						

New injection molding works hop			7,068.87			7,068.87						
Total		654,356.00	525,468.87			1,179,824.87	--	--				--

11. Disposal of fixed assets

In RMB

Item	Closing balance	Opening balance
Gongming Huafa Electronic City	92,857,471.69	92,857,471.69
Total	92,857,471.69	92,857,471.69

Other explanation:

Assets held for sale transfer-in

12. Intangible assets

(1) Intangible assets

In RMB

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

decreased					
(1) disposal					
4.Closing balance	55,089,774.36			661,878.97	55,751,653.33
II. Accumulated amortization					
1.Opening balance	11,992,276.93			452,060.03	12,444,336.96
2.Current increased	720,870.35			24,942.96	745,813.31
(1) accrual	720,870.35			24,942.96	745,813.31
3.Current decreased					
(1) disposal					
4.Closing balance	12,713,147.28			477,002.99	13,190,150.27
III. Depreciation reserves					
1.Opening balance					
2.Current increased					
(1) accrual					
3.Current decreased					
(1) disposal					
4.Closing balance					
IV. Book value					
1. Ending Book value	42,376,627.08			184,875.98	42,561,503.06

2. Opening Book value	43,097,497.43			209,818.94	43,307,316.37
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The proportion of intangible assets form by internal R&D in total book value of intangible assets at period-end was 0.00%

13. Long-term deferred expenditure

In RMB

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Closing balance
Golf membership fee	141,666.55		25,000.02		116,666.53
Cloud service charge		697,007.55	38,722.64		658,284.91
Total	141,666.55	697,007.55	63,722.66		774,951.44

Other explanation

Nil

14. Deferred income tax asset /deferred income tax liability

(1) Deferred income tax assets un-offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Provision for impairment of assets	30,230,614.99	7,286,148.16	27,949,536.92	6,715,066.24
Estimated liabilities	64,411.00	16,102.75	64,411.00	16,102.75
Total	30,295,025.99	7,302,250.91	28,013,947.92	6,731,168.99

(2) Deferred income tax liability un-trade off

In RMB

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

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax asset		7,302,250.91		6,731,168.99

(4) Deferred income tax asset without confirmed

In RMB

Item	Closing balance	Opening balance
Deductible temporary difference		3,172,018.51
Deductible loss	525,348.33	525,348.30
Total	525,348.33	3,697,366.81

(5) Deductible losses of deferred income tax asset without confirmed will expired in later year

In RMB

Year	Closing amount	Opening amount	Note
2018	525,348.33	525,348.33	
2019			
Total	525,348.33	525,348.33	--

Other explanation:

Nil

15. Other non-current assets

In RMB

Item	Closing balance	Opening balance
Account paid in advance for mould		1,934,800.00
Total		1,934,800.00

Other explanation:

Nil

16. Short-term borrowing**(1) Category of short-term borrowing**

In RMB

Item	Closing balance	Opening balance
Loan in pledge	8,500,000.00	8,500,000.00
Guaranteed loan	5,000,000.00	20,000,000.00
Collateral loan	138,775,976.01	138,120,264.81
Total	152,275,976.01	166,620,264.81

Other explanation:

Nil

17. Note payable

In RMB

Category	Closing balance	Opening balance
Bank acceptance bill	15,635,598.71	17,810,270.28
Total	15,635,598.71	17,810,270.28

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

18. Account payable

(1) Account payable

In RMB

Item	Closing balance	Opening balance
Within one year (one year included)	50,577,515.81	71,817,382.90
Over one year	9,936,784.52	12,187,487.83
Total	60,514,300.33	84,004,870.73

(2) Major account payable over one year

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Shenzhen Yuehai Global Logistics Co., Ltd.	2,858,885.97	Unsettled
Taiwan LG Company	1,906,267.50	Unsettled
Total	4,765,153.47	--

Other explanation:

Nil

19. Account received in advance**(1) Account received in advance**

In RMB

Item	Closing balance	Opening balance
Within one year (one year included)	216,292.28	234,017.18
Over one year	44,810.00	44,111.00
Total	261,102.28	278,128.18

20. Salary payable**(1) Salary payable**

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
I. Short-term compensation	5,088,451.75	31,784,963.64	33,254,971.45	3,618,443.94
II. Post-employment welfare- defined contribution plans	-5,093.82	2,203,579.59	2,203,579.59	-5,093.82
III. Dismiss welfare		45,365.00	45,365.00	
Total	5,083,357.93	34,033,908.23	35,503,916.04	3,613,350.12

(2) Short-term compensation

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Wages, bonuses, allowances and subsidies	4,039,310.19	27,586,584.41	29,021,199.18	2,604,695.42
2. Welfare for workers and staff	27,109.00	2,660,218.57	2,672,033.77	15,293.80
3. Social insurance	23,041.98	1,301,496.94	1,325,074.78	-535.86
Including: Medical insurance	23,041.98	1,128,989.87	1,152,567.71	-535.86
Work injury insurance		95,048.43	95,048.43	

Maternity insurance		77,458.64	77,458.64	
4. Housing accumulation fund	24,310.00	229,798.32	229,798.32	24,310.00
5. Labor union expenditure and personnel education expense	974,680.58	6,865.40	6,865.40	974,680.58
Total	5,088,451.75	31,784,963.64	33,254,971.45	3,618,443.94

(3) Defined contribution plans

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Basic endowment insurance	-5,093.82	2,129,843.75	2,129,843.75	-5,093.82
2. Unemployment insurance		73,735.84	73,735.84	
Total	-5,093.82	2,203,579.59	2,203,579.59	-5,093.82

Other explanation:

Nil

21. Tax payable

In RMB

Item	Closing balance	Opening balance
Value-added tax	3,791,391.72	5,473,037.12
Enterprise income tax	5,323,140.64	5,228,514.39
Individual income tax	33,669.11	20,213.76
Urban maintenance and construction tax	164,194.41	1,447,509.59
House property tax	511,467.49	743,004.72
Land use tax	324,546.95	324,212.74
Education surcharge	67,115.26	621,129.51
Local education surcharge	41,726.83	322,572.35
Dike fee	1,665.00	1,665.00
Stamp tax	28,930.10	34,988.50
Disposal fund of waste electrical	274,970.00	919,430.00

products		
Total	10,562,817.51	15,136,277.68

Other explanation:

22. Interest payable

In RMB

Item	Closing balance	Opening balance
Interest of short-term loans payable	136,176.72	164,895.80
Total	136,176.72	164,895.80

Significant overdue and unpaid interest:

In RMB

Loan unit	Overdue amount	Reason for overdue

Other explanation:

Nil

23. Other payable

(1) Classification of other payable according to nature of account

In RMB

Item	Closing balance	Opening balance
Margin and deposit	8,315,421.11	6,280,204.22
Lease management fee	1,063,840.72	2,307,901.27
Intercourse funds	13,919,880.52	6,534,652.44
After sale and repairmen	1,726,191.16	2,384,774.18
Other	2,043,860.76	2,419,744.84
Total	27,069,194.27	19,927,276.95

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Shenzhen SED Property Development Co., Ltd.	1,244,058.55	Unsettled
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Deposit
Linghang Technology (Shenzhen) Co.,	656,345.28	Unsettled

Ltd.		
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Unsettled
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Deposit
Total	4,037,633.66	--

Other explanation

Nil

24. Accrued liabilities

In RMB

Item	Closing balance	Opening balance	Causes
Pending action	64,411.00	64,411.00	
Total	64,411.00	64,411.00	--

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

Business and labor disputes

25. Share capital

In RMB

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

Other explanation:

Ended as 30 June 2018, the shares of the Company held by controlling shareholder has 116,100,000 shares in status of pledge, taking 41% of the total share capital; mortgagee is China Merchants Securities Assets Management Co., Ltd. Shares in judicial freeze amounted as 116,489,894 shares. The mortgage expired on 31 December 2017. The prompted notice on pledge from controlling shareholder was released on 1 Feb. 2018

26. Capital public reserve

In RMB

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

Other capital surplus	50,085,368.48			50,085,368.48
Total	146,587,271.50			146,587,271.50

Other explanation, including changes and reasons of changes:

Nil

27. Surplus reserves

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Statutory surplus reserves	21,322,617.25			21,322,617.25
Discretionary surplus reserve	56,068,976.00			56,068,976.00
Total	77,391,593.25			77,391,593.25

Other explanation, including changes and reasons for changes:

Nil

28. Retained profit

In RMB

Item	Current period	Last period
Retained profit at the end of the previous period before adjustment	-186,467,113.73	-187,441,523.12
Retained profit at period-begin after adjustment	-186,467,113.73	-187,441,523.12
Add: net profit attributable to owners of the parent company	2,793,133.60	974,409.39
Retained profit at period-end	-183,673,980.13	-186,467,113.73

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

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 2,530,667.50 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

29. Operating income and cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost

Main business	318,222,786.98	295,038,716.84	418,264,065.34	396,452,152.81
Other business	22,762,056.26	7,544,262.60	21,216,078.83	2,461,772.27
Total	340,984,843.24	302,582,979.44	439,480,144.17	398,913,925.08

31. Tax and surcharges

In RMB

Item	Current Period	Last Period
City maintenance and construction tax	266,947.39	171,863.36
Educational surtax	159,757.95	99,530.65
House property tax	232,452.12	1,349,909.12
Land use tax	663,931.20	432,592.87
Stamp tax	217,911.90	245,831.90
Local education development fee	166,492.83	14,603.93
Vehicle use tax	4,800.00	3,555.62
Total	1,712,293.39	2,317,887.45

Other explanation:

Nil

31. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation	2,301,867.88	2,485,833.89
Transportation fee	2,334,595.10	2,120,964.03
Commodity inspection fee	335,545.03	425,265.68
Customs fee	84,390.47	10,754.07
Commodity loss	1,556,975.69	486,106.38
Other	1,819,989.14	1,834,127.81
Total	8,433,363.31	7,363,051.86

Other explanation:

Nil

32. Administrative expenses

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Salary	4,210,697.93	4,544,763.62
Depreciation charge	2,586,727.68	2,821,716.89
Social insurance premium	1,219,441.85	1,744,892.34
Entertainment expenses	1,336,624.80	1,480,848.53
Taxes and surcharges	0.00	0.00
Employee benefits	900,960.35	1,210,380.49
Travel expenses	1,086,267.27	2,451,878.65
Amortization of intangible assets	745,813.31	710,910.93
Transportation fee	1,047,578.29	552,799.31
Consulting fee	565,076.31	1,201,427.16
Security fee	710,066.72	1,010,168.29
Repairs fee	839,233.34	957,282.03
Audit fee	624,271.85	972,000.00
Office allowance	527,020.48	397,708.36
Communication fee	166,858.35	148,788.78
Amortization of low cost and short lived articles	488,293.61	174,265.51
Securities information disclosure fee	188,679.24	560,425.00
Litigation fee	0.00	10.00
Staff education and labor union expenditure	35,034.65	53,821.70
Water and electricity fee	272,971.66	149,863.85
Lease fee	2,298,165.79	2,246,800.90
Environment protection costs	90,598.66	127,614.00
Insurance fee	164,030.73	50,736.43
Other expenses	296,572.55	516,853.97
Total	20,400,985.42	24,085,956.74

Other explanation:

Nil

33. Financial expenses

In RMB

Item	Current Period	Last Period
Interest costs	5,989,883.31	4,180,114.84
Less: interest income	349,858.59	794,663.73

Add: exchange loss	-297,171.10	1,209,235.54
Add: Other expense	104,216.60	320,203.81
Total	5,447,070.22	4,914,890.46

Other explanation:

Nil

34. Losses on assets impairment

In RMB

Item	Current Period	Last Period
I. Bad debt losses	5,941.50	-93,425.39
Total	5,941.50	-93,425.39

Other explanation:

35. Gains on investment

In RMB

Item	Current Period	Last Period
Investment income generated by financial products	245,679.10	
Total	245,679.10	

Other explanation:

Nil

36. Asset disposal income

In RMB

Source of asset disposal income	Current Period	Last Period
Income from fixed assets disposal	205,240.98	1,549.73

37. Non-operating income

In RMB

Item	Current Period	Last Period	Amount reckoned in current non-recurring gains/losses
Government subsidy	771,800.00	802,269.68	771,800.00
Receive donations		51,500.00	
Unable to pay		7,130.19	
Penalty revenue		48,833.89	

Fine income	115,862.07	16,000.00	
Total	887,662.07	925,733.76	

Government subsidy reckoned into current gains/losses:

In RMB

Item	Issuing subject	Offering causes	Nature	Subsidy impact current gains/losses (Y/N)	The special subsidy (Y/N)	Amount in the Period	Amount in last period	Assets-related/income-related
Technology innovation platform subsidy for 2017	Economic & Information Bureau of Caidian District, Wuhan	Subsidy	Subsidy for research and development, technical reforming and reconstruction	N	Y	300,000.00		Income-related
Business development guidance fund	Caidian Bureau of Finance, Wuhan	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	150,000.00		Income-related
Nurturing enterprise subsidy	Wuhan Science & Technology Board (Wuhan Intellectual Property Office)	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage	N	Y	50,000.00		Income-related

			investment					
Municipal foreign economic & trade funds for 2018	Treasury receipts & payments sub-branch of Wuhan Municipal Finance Bureau	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	271,800.00		Income-related
Total	--	--	--	--	--	771,800.00		--

Other explanation:

Nil

38. Non-operating expenditure

In RMB

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
Penalty expenditure	40,000.00		40,000.00
Other	132,857.64	50.88	132,857.64
Total	172,806.76	50.88	

Other explanation:

Nil

39. Income tax expenses

(1) Statement of income tax expense

In RMB

Item	Current Period	Last Period
Current income tax expense	908,807.04	746,392.92
Deferred income tax expense	-444,975.63	-22,646.01
Total	463,831.41	723,746.91

(2) Adjustment on accounting profit and income tax expenses

In RMB

Item	Current Period
Total profit	3,256,965.01
Income tax based on statutory/applicable rate	814,241.25
Impact by different tax rate applied by subsidies	-605,871.37
Impact by the deductible losses of the un-recognized previous deferred income tax	127,324.86
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	128,136.67
Income tax expense	463,831.41

Other explanation

Nil

40. Items of statement of cash flow

(1) Other cash received in relation to operation activities

In RMB

Item	Current Period	Last Period
Unit intercourse account	1,042,828.59	614,876.45
Collection management fee and utilities etc.	601,727.14	159,474.66
Repayment from employees	22,608.36	23,555.74
Margin	500,000.00	15,271.20
Interest income	71,314.28	290,268.10
Government grants	771,800.00	802,269.68
Total	3,010,278.37	1,905,715.83

Explanation on other cash received in relation to operation activities:

Including collecting water & electricity charges and management fees, government grants, margin and other intercourse funds

(2) Other cash paid in relation to operation activities

In RMB

Item	Current Period	Last Period
Unit intercourse account	1,840,448.01	412,358.54
Advances to employees	1,046,817.78	3,937,524.56
Litigation fee	249,530.00	
Margin, deposit	831,867.00	441,370.00

Entertainment expense	1,166,779.68	1,220,133.12
Water and electricity	2,270,904.17	1,623,214.94
Travel expenses	849,867.40	1,394,764.69
Traffic expenses	2,336,595.10	2,120,964.03
Car fare	620,026.07	739,779.60
Repairs	965,726.34	956,708.92
Audit fees, consulting fees	1,037,410.89	2,686,552.16
Security	218,400.00	218,400.00
Financial institutions handling fee	103,694.09	213,790.21
Office expenses	408,916.56	457,621.51
Communication fee	195,355.57	153,528.16
Lease fee	2,418,018.66	2,233,640.64
Other	1,107,946.89	1,232,487.44
Total	17,668,304.21	20,042,838.52

Explanation on other cash paid in relation to operation activities:

Including management expenses, sales expenses, individual intercourse fund, margin, collecting water & electricity charges and management fees

41. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

In RMB

Supplementary information	Current Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	2,793,133.60	2,146,472.00
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	7,322,855.85	6,822,408.28
Amortization of intangible assets	709,576.88	710,910.93
Amortization of long-term deferred expenses	63,722.66	35,450.04
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with "-")	333,454.38	227,675.02
Loss from discarding fixed assets as useless (gain is listed with "-")		34,871.67

Financial expenses (gain is listed with “-”)	5,536,037.89	5,488,969.99
Investment loss (income is listed with “-”)	-245,679.10	
Decrease of deferred income tax assets (increase is listed with “-”)	1,218.57	
Decrease of inventory (increase is listed with “-”)	4,786,891.71	-5,264,207.79
Decrease of operating receivable accounts (increase is listed with “-”)	-15,034,088.55	-74,799,461.03
Increase of operating payable accounts (decrease is listed with “-”)	-32,938,449.52	29,199,543.97
Net cash flow arising from operating activities	-26,671,325.63	-35,397,366.92
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	23,838,986.21	59,595,073.48
Less: Balance of cash at period-begin	66,240,945.59	91,310,804.48
Add: Balance of cash equivalent at period-end	3,256,408.54	12,249,684.85
Less: Balance of cash equivalent at period-begin	15,234,028.71	12,704,508.49
Net increasing of cash and cash equivalents	-54,379,579.55	-32,170,554.64

(2) Constitution of cash and cash equivalent:

In RMB

Item	Closing balance	Opening balance
I . Cash	23,838,986.21	66,240,945.59
Including: Cash on hand	270,703.35	170,053.77
Bank deposit available for payment at any time	23,568,282.86	66,070,891.82
II. Cash equivalent	3,256,408.54	15,234,028.71
Note receivable due within three months	3,256,408.54	15,234,028.71
III. Balance of cash and cash equivalent at period-end	27,095,394.75	81,474,974.30

Other explanation:

Monetary fund at year-end-other monetary fund refers to the bank acceptance bond 7,335,941.28 Yuan, which is not belonging to the

cash and cash equivalent. At end of the year, among the note receivable due within 3 months, the 3,432,776.86 Yuan are used for pledge, which is not belongs to cash and cash equivalent.

42. Assets with ownership or use right restricted

In RMB

Item	Ending book value	Restriction reasons
Monetary Fund	7,335,941.28	Bank acceptance bill
Notes receivable	8,332,469.80	Pledge
Fixed assets	43,965,447.66	Bank loan secured
Intangible assets	37,605,499.26	Bank loan secured
Accounts receivable	8,831,544.63	Pledge
Investment real estate	39,197,344.30	Bank loan secured
Liquidation of fixed assets	92,857,471.69	Court closure
Total	238,125,718.62	--

Other explanation:

Nil

43. Item of foreign currency

(1) Item of foreign currency

In RMB

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Including: USD	8,129.64	6.6157	53,783.26
HKD	32.65	0.7997	26.11
Including: USD	5,498,355.82	6.6157	36,375,472.60
Advance account			
Including: USD	54,448.00	6.6157	360,211.63
Short term loan			
Including: USD	3,593,871.55	6.6157	23,775,976.01
Account payable			
Including: USD	3,058,003.88	6.6157	20,230,836.27

Other explanation:

Nil

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

Applicable Not applicable

VIII. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

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

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

Nil

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

Nil

Controlling basis for the structuring entity included in consolidated range:

Nil

Basis on determining to be an agent or consignor:

Nil

Other explanation:

Nil

IX. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding	Voting right ratio
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				ratio on the enterprise for parent company	on the enterprise
Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd.	Wuhan	Production and sales, real estate development and sales, housing leasing and management	34.5 million Yuan	41.14%	41.14%

Explanation on parent company of the enterprise

Nil

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation:

Nil

2. Subsidiary of the Enterprise

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

3. Other related party

Other related party	Relationship with the Enterprise
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Yutian Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Yutian International Investment Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan New Oriental Real Estate Development Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Property Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Optical Valley Display System Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Xingye Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Dongfang Property Co., Ltd.	Control by same controlling shareholder and ultimate controller

Wuhan Xiahua Zhongheng Electronics Co. Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Yutian Trade Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Hongguang Real Estate Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Huayu Investment Holding Co., Ltd.	Control by same controlling shareholder and ultimate controller
Yutian Investment Co., Ltd. (Famous Sky Capital Limited)	Control by same controlling shareholder and ultimate controller
Yutian International Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Zhongheng Yutian Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Henghua Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Yongye Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Hengrui Co., Ltd.	Control by same controlling shareholder and ultimate controller

Other explanation

Nil

4. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content	Current Period	Trading limit approved	Whether over the approved limited or not (Y/N)	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Purchase good	57,922,243.81	292,936,500.00	N	108,075,657.11
Wuhan Hengsheng Photoelectricity	Purchase good	44,866,194.55	390,582,000.00	N	60,462,785.68

Industry Co., Ltd.					
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Goods sold/labor service providing

In RMB

Related party	Content	Current Period	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Sales of good	63,231,882.88	99,543,022.00
Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	Sales of good	2,772,074.10	1,237,955.69

Explanation on goods purchasing, labor service providing and receiving

Nil

(2) Related guarantee

As the guarantor

In RMB

Secured party	Amount guarantee	Start	End	Completed or not (Y/N)
Hengfa Technology	50,000,000.00	2017-11-20	2018-11-20	N
Hengfa Technology	30,000,000.00	2018-03-14	2020-03-14	N

As the secured party

In RMB

Guarantor	Amount guarantee	Start	End	Completed or not (Y/N)
Li Zhongqiu	20,000,000.00	2017-12-08	2018-12-07	N
Li Zhongqiu	100,000,000.00	2018-07-13	2019-07-12	N

Explanation on related guarantee

Nil

(3) Remuneration of key manager

In RMB

Item	Current Period	Last Period
Total Remuneration	784,673.68	744,034.16

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

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Accounts receivable	Hong Kong Yutian International Investment Co., Ltd.	34,850,150.19		41,299,300.89	
Advance payment	Hong Kong Yutian International Investment Co., Ltd.	20,591,047.90		8,873,087.08	

(2) Payables

In RMB

Item	Related party	Ending book balance	Opening book balance
Accounts payable	Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	871,821.45	4,333,021.63

6. Commitments of related party

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

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

Important commitment on balance sheet date

As of the balance sheet date, the irrevocable operating lease contract signed by the Company are as:

The Company entered into a house leasing contract with Wuwu Branch of Shenzhen Dacong Industrial Co., Ltd., term of the leasing period from 18 August 2015 to 17 August 2020

Minimum leasing payment for irrevocable operating lease contract	Minimum leasing payment
First year after balance sheet date	3,847,599.84

Second year after balance sheet date	3,847,599.84
Third year after balance sheet date	502,325.53
Total	8,197,525.21

2. Contingency

(1) Contingency on balance sheet date

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

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

The company has entrusted lawyers to respond to the lawsuit and file a counterclaim against V&T Law Firm. The company filed a countersuit against V&T Law Firm that V&T Law Firm seriously violated the obligations of the Entrusted Agency Contract and the Supplementary Agreement of the Entrusted Agency Contract, failed to fulfill the contractual obligations, failed to fulfill the duty of diligence and responsibility and failed to safeguard the legitimate rights and interests of the principal. And the lawyer's fees are far higher than the government guidance price of the Shenzhen lawyer service. It is requested to return the prepaid 2.5 million lawyers' fees, terminate the Entrusted Agency Contract and the Supplementary Agreement of the Entrusted Agency Contract previously signed with V&T Law Firm, and bear the lawyers' fees of 100,000 Yuan for this counterclaim. On May 22, 2018, the arbitration was held, but no verdict was issued.

2. Other pending lawsuit

Litigious party	Types of litigations, times and explanation	Cause of action	Case No.	Amount object	Note
Defendant: Shenzhen Jifang Investment Co., Ltd. and Shenzhen Carnival Foreigning Trade Clothing City Co., Ltd .	-----2016.03.08(People's Court of Futian District, Shenzhen) accept the case -----2016.03.24 Application for bankaccount preservation of 550,000 Yuan ----- Date of first instance opening: 2017.3.7 ----- Date of second instance opening :2017.11.9 -----2018.3.15 (verdict of the 2nd instance effective)	Dispute over leasing contracts	(2016) Yue0304 MC No.: 5870; (2017) Yue 03 MZ No.: 22027; (2018) Yue 0304 Z No.: 10334	Litigation amount: 733800 Yuan	

	2018.3.26 Application for enforcement 2018.5.16: enforcement by Shenzhen intermediate's court for expelling Jifang				
Defendant: Shenzhen Huayongxing Enviornmental Technology Co., Ltd. Shenzhen Yidaxing Technology Co., Ltd.	----2016.03.23 (Pepole's Court of Baoan District, Shenzhen) accept the case (Pepole's Court of Baoan District, Shenzhen) Application for bankaccount preservation of 8 million Yuan (in payment) -----2017.3.20 Opening a trail The trial has come out, and applying enforcement	Dispute over leasing contracts	2016 Yue 0306 MC No. 6180	Litigation amount: 9.4726 million Yuan	
Defendant: Shenzhen Huayongxing Enviornmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electric Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd. and Shenzhen Kangzhengxin Technology Co., Ltd.	----2016.03.24(Pepole's Court of Baoan District, Shenzhen) accept the case ----2016.04.11(Pepole's Court of Baoan District, Shenzhen) Application for bankaccount preservation of 17 million Yuan -----2017.2.14 Opening a trail Verdict comes out and come into effect on 20 August 2018, waiting for application for enforcement	Dispute over leasing contracts	2016 Yue 0306 MC No. 6229	Litigation amount: 19.6492 million Yuan	
Defendant: Wuhan Zhongheng New Technology Industrial Group Co., ltd. and Shenzhen	----2018.3.12. we received the arbitration application of V&T Law Firm from Shenzhen International Arbitration Commission, we have entrusted lawyers to respond to the suits and filed a counterclaim against V&T Law Firm, there is no notice of hearing at present.	Dispute over agency contract	Case No.: SHEN DX20180087	Litigation amount: 19.402 million Yuan	

Zhongheng Huawa Co., Ltd. Plaintiff: V&T LAW FIRM					
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(2) For the important contingency not necessary to disclosed by the Company, explained reasons

The Company has no important contingency that need to disclosed

3. Other

Nil

XI. Other important events

1. Other

(i) concerning the ruling of Southern International Arbitration Shen [2017] No. D376 from Southern China International Economic & Trade Arbitration Commission, the Company applying for cancelling the ruling

(1) Arbitration

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

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

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

While filing the arbitration, Shenzhen Vanke also applied for property preservation of 400 million Yuan of property under the name of Shenzhen Huafa and Wuhan Zhongheng to Shenzhen Intermediate People's Court. According to the ruling of Shenzhen Intermediate People's Court and "Notification of Sealing up, Seizing and Freezing Assets" (The reference numbers are (2016) Yue 03 Cai Bao No. 51, (2016) Yue 03 Cai Bao No. 53), the 27 house properties (Note: the property within the scope of Huafa renovation project) under the name of Shenzhen HUAFA and 116,489,894 shares (Note: of which 116,100,000 shares have been pledged) of Shenzhen HUAFA stock held by Wuhan Zhongheng were frozen.

(2) Progress of arbitration

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

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

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

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

On August 16, 2017, South China International Economic and Trade Arbitration Commission made the "Arbitral Award" SCIA [2017] D376, according to the arbitral award, the applicant and counterclaim respondent in arbitration case SCIA [2017] D376 were Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as "Applicant" and "Vanke"). The first respondent and the first applicant for counterclaim were Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Wuhan Zhongheng" and "First Respondent"). The second respondent and the second applicant for counterclaim were Zhongheng Huafa. The award results were as follows:

- ① The first respondent and the second respondent pay liquidated damages to the applicant with a base number of RMB 600 million, calculating by the annual interest rate of 36% from October 1, 2015 to November 11, 2016;
- ② The first respondent and the second respondent pay the lawyer fees of RMB 1.4 million to the applicant due to the case;
- ③ The first respondent and the second respondent pay the property preservation fees of RMB 10,000 to the applicant;
- ④ The arbitration fees for this request and case was RMB 3,101,515.00, the first respondent and the second respondent should bear

70%, i.e. RMB 2,171,060.50, and the applicant should bear 30%, i.e. RMB 930,454.50. The applicant had already paid the arbitration fees in full amount for this request which could be used as the arbitration fees of this case and request and shall not be refunded. The first respondent and the second respondent should directly pay RMB 2,171,060.50 to the applicant;

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

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

⑤ Reject the applicant's other arbitration requests;

⑥ Reject the arbitration counterclaims of the first respondent and the second respondent.

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

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

The company engaged lawyers to make an independent investigation and judgment on the event, and issued special legal opinion that the reasons of Wuhan Zhongheng resulted in a failure of a net handover, the corresponding urban renewal functional department could not issue the corresponding demolition documents, which in turn made the project company fail to be confirmed as the subject of implementation, and finally and directly made the subject of implementation fail to get the "Land Value Payment Notification" and sign the "Land Use Rights Transfer Contract". Therefore, Wuhan Zhongheng should bear all responsibilities for faults in response to the breach of contract. Wuhan Zhongheng issued the Commitment Letter in December 2016, pledged that if the arbitration judged Vanke to win the case, Wuhan Zhongheng should bear all arbitration losses caused by the contract dispute; after the award came into effect, Wuhan Zhongheng issued the Confirmation Letter again on November 23, 2017 to divide the duty of performance of the award; the independent directors of the company issued independent opinions after careful study that Wuhan Zhongheng should bear the arbitration losses in full; the management of the company also made an investigation and affirmed that Wuhan Zhongheng should bear all liability for satisfaction on the Award HNGZSC [2017] D376, and the award amount should be paid by Wuhan Zhongheng in full. At present, the company has filed an application for revoking the Award HNGZSC [2017] D376 to Shenzhen Intermediate People's Court, and Shenzhen Intermediate People's Court has officially accepted the case on February 7, 2018, the case number was (2018) Yue 03 MT 113. On June 16, 2018, the court ruled against the company's claims.

XII. Principle notes of financial statements of parent company

1. Accounts receivable

(1) Category of account receivable

In RMB

Category	Closing balance			Opening balance		
	Book balance	Bad debt reserves	Book value	Book balance	Bad debt reserves	Book value

	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with single significant amount and withdrawal bad debt provision separately	5,000,988.97	48.58%	5,000,988.97	100.00%		5,094,414.36	49.05%	5,094,414.36	100.00%	
Accounts with single significant amount and bad debts provision accrued individually	5,292,435.32	50.12%	5,292,435.32	100.00%		5,292,435.32	50.95%	5,292,435.32	100.00%	
Total	10,293,424.29	100.00%	10,293,424.29			10,386,849.68	100.00%	10,386,849.68		

Account receivable with major single amount and withdrawal bad debt provision single at period-end:

Applicable Not applicable

In RMB

Account receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt reserve	Provision ratio	Provision reason
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Un-recyclable
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Un-recyclable
Hong Kong Haowei Industry Co. Ltd.	1,870,887.18	1,870,887.18	100.00%	Un-recyclable
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Un-recyclable
Total	5,000,988.97	5,000,988.97	--	--

Account receivable with bad debt provision withdrawal by method of account age in portfolio:

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable:

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Accounts with single significant amount and bad debts provision accrued individually at period-end

Debtor	Book balance	Bad debt	Accrual ratio	Reasons
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Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100.00	Un-recyclable
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100.00	Un-recyclable
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100.00	Un-recyclable
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00	Un-recyclable
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100.00	Un-recyclable
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00	Un-recyclable
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00	Un-recyclable
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00	Un-recyclable
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00	Un-recyclable
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00	Un-recyclable
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100.00	Un-recyclable
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Un-recyclable
SkyWorth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00	Un-recyclable
Other	1,990,217.45	1,990,217.45	100.00	Un-recyclable
Total	5,292,435.32	5,292,435.32	—	—

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

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

2. Other accounts receivable

(1) Category of other account receivable

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	11,281,461.86	9.17%	11,281,461.86	100.00%	0.00	11,281,461.86	9.48%	11,281,461.86	100.00%	0.00
Other account receivable with bad debt provision accrual by portfolio	103,974,567.02	84.54%	102,100.00	0.10%	103,872,467.02	100,024,243.84	84.02%	102,100.00	0.10%	99,922,143.84
Other account receivable with single minor amount but withdrawal single item bad debt provision	7,736,789.76	6.29%	7,736,789.76	100.00%	0.00	7,736,789.76	6.50%	7,736,789.76	100.00%	0.00
Total	122,992,818.64	100.00%	19,120,351.62		103,872,467.02	119,042,495.46	100.00%	19,120,351.62		99,922,143.84

Other account receivable with major single amount and withdrawal bad debt provision single at period-end:

√ Applicable □ Not applicable

In RMB

Other account receivable (units)	Closing balance			
	Other account receivable	Bad debt provision	Accrual ratio	Accrual reason
Shenzhen Jifang Investment Co., Ltd.	1,071,160.00	1,071,160.00	100.00%	Un-recyclable

Huafa Lease	4,558,859.15	4,558,859.15	100.00%	Un-recyclable
Portman	4,021,734.22	4,021,734.22	100.00%	Un-recyclable
Zhao Baomin	553,901.68	553,901.68	100.00%	Un-recyclable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-recyclable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-recyclable
Total	11,281,461.86	11,281,461.86	--	--

Other account receivable with bad debt provision withdrawal by method of account age in portfolio:

Applicable Not applicable

In RMB

Account age	Closing balance		
	Other receivable	Bad debt reserves	Accrual ratio
Sub-item of within one year			
Subtotal of within one year	101,967,567.02		
1-2 year	2,000,000.00	100,000.00	5.00%
Over 3 years	7,000.00	2,100.00	30.00%
Total	103,974,567.02	102,100.00	

Explanation on portfolio basis:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable Not applicable

Other account receivable with single minor amount but withdrawal single item bad debt provision at period-end

Debtor	Book balance	Bad debt	Accrual ratio (%)	Reasons
Electricity fee in Gongming canteen	489,214.70	489,214.70	100.00	Un-recyclable
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100.00	Un-recyclable
Labor union	332,402.55	332,402.55	100.00	Un-recyclable
Lu Wei	290,000.00	290,000.00	100.00	Un-recyclable
4/F hotel Dai Qiangbo	194,569.00	194,569.00	100.00	Un-recyclable
Chuangjing	192,794.00	192,794.00	100.00	Un-recyclable
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100.00	Un-recyclable
Other Units	5,601,886.57	5,601,886.57	100.00	Un-recyclable
Total	7,736,789.76	7,736,789.76	—	—

(2) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Margin and deposit	720,065.04	720,065.04
Borrow money	1,475,463.06	2,013,402.14
Intercourse funds	111,709,202.54	110,451,250.82
Rent income	9,088,088.00	5,857,777.46
Total	122,992,818.64	119,042,495.46

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

In RMB

Company	Nature	Closing balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
Hengfa Technology	Intercourse funds	94,141,963.46	Within one year	76.54%	
Shenzhen Jifang Investment Co., Ltd.	Lease receivable	7,949,760.00	Within one year	6.46%	1,071,160.00
Huafa Lease	Intercourse funds	4,558,859.15	Over 3 years	3.71%	4,558,859.15
Portman	Lease receivable	4,021,734.22	Over 3 years	3.27%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Premium for lease	641,266.64	Within one year	0.52%	
Total	--	111,313,583.47	--	90.50%	9,651,753.37

3. Long-term equity investment

In RMB

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

(1) Investment for subsidiary

In RMB

The invested entity	Opening balance	Increase during the period	Decrease during this period	Closing balance	Impairment accrual	Ending balance of impairment provision
Huafa Lease	600,000.00			600,000.00		600,000.00
Huafa Property	1,000,000.00			1,000,000.00		
Hengfa Technology	183,608,900.00			183,608,900.00		
Huafa Hengtian	1,000,000.00			1,000,000.00		
Huafa Hengtai	1,000,000.00			1,000,000.00		
Total	187,208,900.00			187,208,900.00		600,000.00

4. Operating income and cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Other business	16,961,088.74	2,510,518.82	19,368,319.99	2,104,257.94
Total	16,961,088.74	2,510,518.82	19,368,319.99	2,104,257.94

Other explanation:

Nil

XIII. Supplementary Information**1. Current non-recurring gains/losses**

√ Applicable □ Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	-105,779.36	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	771,800.00	

Profit and loss of assets delegation on others' investment or management	245,679.10	
Other non-operating income and expenditure except for the aforementioned items	-56,944.69	
Less: impact on income tax	115,088.47	
Total	739,666.58	--

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

Applicable Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Diluted EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	0.87%	0.0099	0.0099
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	0.64%	0.0073	0.0073

Section XI. Documents available for reference

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