

SHENZHEN ZHONGHENG HWAFU CO., LTD.
ANNUAL REPORT 2016

April 2017

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Zhongheng Hwafa 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 charge of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2015 Annual Report is authentic, accurate and complete.

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
Xu jinwen	Independent director	-	Li Ding'an

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

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

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

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Paraphrase

Items	Refers to	Contents
Company, Shen Hwafa	Refers to	SHENZHEN ZHONGHENG HWAFA CO., LTD.
Hengfa Technology	Refers to	Wuhan Hengfa Technology Co., Ltd.
Hwafa Property	Refers to	Shenzhen Zhongheng Hwafa Property Co., Ltd
Hwafa Lease	Refers to	Shenzhen Hwafa Property Lease Management Co., Ltd
Hwafa Trade	Refers to	Wuhan Zhongheng Hwafa 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.
Hwafa Hengtian	Refers to	Shenzhen Hwafa Hengtian Co., Ltd.
Hwafa Hengtai	Refers to	Shenzhen Hwafa 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 Hwafa A, Shen Hwafa 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		
Registrations add.	411 Bldg., Huafa (N) Road, Futian District, Shenzhen		
Code for registrations add	518031		
Offices add.	33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen		
Codes for office add.	518057		
Company's Internet Web Site	http://www.hwafa.com.cn		
E-mail	hwafainvestor@126.com.cn		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Yang Bin	Niu Yuxiang
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.	0755-86360220	0755-86360201
Fax.	0755-86360206	0755-86360206
E-mail	hwafainvestor@126.com.cn	hwafainvestor@126.com.cn

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>China Securities Journal; Securities Times; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn
Preparation place for annual report	Office of the Board of SHENZHEN ZHONGHENG HWAFU CO., LTD.

IV. Registration changes of the Company

Organization code	Before change: 61883037-2; after changed: 91440300618830372G
Changes of main business since listing (if applicable)	Before the change of controlling shareholders: the main business was production and sales of color TV, printed circuit board and injection molded parts etc. After the change of controlling shareholders: the main business gradually adjusted to production and sales of injection molded parts, foam part (light packaging materials) and LCD whole machine.
Previous changes for controlling shareholders (if applicable)	The Company's predecessor was Shenzhen Huafa Electronic Co., LTD, which was founded in 1981, initiated and established by three legal persons-- Shenzhen Electronics Group Co., LTD, China Zhenhua Electronic Group Co., LTD and Hong Kong Luks Industrial Co., LTD. In June 2005, Wuhan Zhongheng Group transferred the 44.12% equity of company, held by original first and second largest shareholder of the Company Shenzhen Electronics Group Co., LTD and China Zhenhua Electronic Group Co., LTD, and equity transfer formalities completed in April 2007; Wuhan Zhongheng Group became the controlling shareholder of the Company. In September 2007, the company officially changed its name to "Shenzhen Zhongheng Hwafa Co., Ltd".

V. Other relevant information

CPA engaged by the Company

Name of CPA	DAXIN Certified Public Accountants LLP
Offices add. for CPA	15/F College International Mansion, No.1 Zhi Chun Road, Haidian Distric, Beijing
Signing Accountants	Li Wei, Fan Zhang

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

☐ Applicable ☒ Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

√ Yes □ No

	2016	2015		Changes over last year	2014	
		Pre-adjustment	Post-adjustment	Post-adjustment	Pre-adjustment	Post-adjustment
Operating income (RMB)	619,167,770.74	499,455,781.11	499,455,781.11	23.97%	694,839,760.10	694,839,760.10
Net profit attributable to shareholders of the listed company(RMB)	5,457,710.33	-6,731,513.11	-4,200,845.61	-	7,687,620.27	7,687,620.27
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	5,109,926.82	-31,741,774.80	-29,211,107.30	-	2,322,082.33	2,322,082.33
Net cash flow arising from operating activities(RMB)	-18,693,296.58	173,486,015.99	173,486,015.99	-110.78%	119,492,159.01	119,492,159.01
Basic earnings per share (RMB/Share)	0.0193	-0.0238	-0.0148	-	0.0271	0.0271
Diluted earnings per share (RMB/Share)	0.0193	-0.0238	-0.0148	-	0.0271	0.0271
Return on Equity	1.72%	-2.27%	-1.50%	3.22%	2.77%	2.77%
	End of 2016	End of 2015		Changes over end of last year	End of 2014	
		Pre-adjustment	Post-adjustment	Post-adjustment	Pre-adjustment	Post-adjustment
Total assets (RMB)	632,475,542.40	1,155,089,236.67	1,154,989,593.34	-45.24%	1,162,740,984.93	1,162,740,984.93
Net assets attributable to shareholder of listed company (RMB)	319,698,568.63	311,406,562.20	313,937,229.70	1.84%	281,351,269.74	281,351,269.74

The reasons for the changes in accounting policies and the correction of accounting errors

1. The company mistakenly disbursed cash deposit from the rent of 2015, which was corrected and adjusted to administration expenses and rental fees, increased the administration expenses of 2015 by RMB 99,643.33, and reduced other receivables by RMB 99,643.33.
2. The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back, reduced taxes and additional of 2015 by RMB 3,473,866.67, and reduced tax payable (business tax, urban maintenance and construction tax, education surcharge, local education surcharge) by RMB 3,473,866.67.
3. The correction of above two items made impacts on the income tax and undistributed profits, increased income tax expenses by RMB 843,555.84, increased tax payable (corporate income tax) by RMB 843,555.84, and increased undistributed profit by RMB 2,530,667.50.

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VIII. Quarterly main financial index

In RMB

	1 st Q	2 nd Q	3 rd Q	4 th Q
Operating income	137,699,187.33	171,839,338.23	147,394,897.89	162,234,347.29
Net profit attributable to shareholders of the listed company	469,935.69	6,803,020.53	-2,763,587.66	948,341.77
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	137,244.07	6,045,229.45	-3,187,589.84	2,365,523.69
Net cash flow arising from operating activities	-46,008,442.75	20,584,093.18	-45,645,033.67	52,376,086.66

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

In RMB

Item	2016	2015	2014	Note
Gains/losses from the disposal of non-current asset (including the write-off)	82,132.08	449,051.44	1,587,819.80	

that accrued for impairment of assets)				
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)	1,419,888.89	1,691,800.00	4,159,795.00	
Other non-operating income and expenditure except for the aforementioned items	-1,209,982.33	690,149.43	149,500.69	
Other gain/loss items satisfying the definition of nonrecurring gain/loss account	333,974.06	25,247,171.27	983,612.12	
Less: Impact on income tax	278,229.19	3,067,910.45	1,515,189.67	
Total	347,783.51	25,010,261.69	5,365,537.94	--

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, foam pieces (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.

The company's industrial business mainly provides auxiliary products and services for the home appliance industry. With the acceleration of new urbanization process in China and upgrading and updating of household appliance consumption, the home appliance industry will continue to maintain a relatively fast growth; the development of home appliances and other downstream industries provides broad markets for the upstream auxiliary products. By virtue of years of industry resources and technology accumulation, the company conforms to the market demand and optimizes the product structure and performance, and the company's products and services have accepted by the downstream manufacturers such as Gree, Haier, TCL, etc. and possess certain competitiveness in the industry. But it also should be noted that the current injection molding, foam pieces and liquid crystal display business are facing fierce market competition and cost pressures, the company needs to further enhance the level of research and development, develop new products, expand downstream channels and cultivate its own brand so as to further enhance the profitability in industrial business.

On the other hand, the transformation and upgrading and profitability of industrial business are weaker than expectation in recent years, under this circumstance, the company has actively developed the property management business, liquidized the remnant assets, and carried out the decoration and investment promotion of its own property Huafa Building, the property management business has made good profits for the company and became an important strategic business of the company.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	N/A
Fixed assets	Shops are transfers as investment real estate in the Period, fixed assets declined
Intangible assets	No major change
Construction in progress	No major change
Classified as assets held for sale	reconstruction of old buildings and Electronic City in Gongming are transferred to disposal of fixed assets from assets held-for-sale

Fixed assets disposal	The same as above
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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

1. 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.

2. The Company has three plants in Wuhan economic technology park with an area of nearly 90,000 square meters where various famous enterprises are located in this area. Benefiting from radiation radius requirements for processing matching services, the Company enjoys superior and stable customer resources and has established a good long-term cooperative relationship; in particular, its injection molding business and polystyrene businesses have been operated for many years with steady management group and abundant production experiences, which makes the Company enjoying high recognition and annual production capacity and scale in the forefront of Central China.

Section IV Discussion and Analysis of Operation

1. Introduction

In 2016, China's economy has shown a steady operation trend as a whole, the home-appliance industry has increased, but lacked motivation, as an industrial manufacturing enterprise providing supporting products and services for home appliance industry, the Company actively adapted to the national economic policies and industry changes, solved difficulties and problems, positively responded, and turned the losses into gains. In 2016, the company achieved operating income of 619,167,800 Yuan, an increase of 23.97% compared with the same period of last year; net profit of 5,457,700 Yuan, and turned the losses into gains.

- Injection molding business achieved annual operating income of 188,550,900 Yuan, a decrease of 2.24 % compared with the same period of last year. When the overall market had a poor performance, the injection molding division focused on maintaining customer relationships, and enhanced the customer share by strategy adjustment; strengthened the fine management, improved product quality, developed effective quality corrective measures, strictly controlled the quality, and maintained a good quality and reputation; after introducing some advanced production equipment, once again updated some old injection molding machines, further implemented the automation improvement and process optimization progress, reduced human input and waste of production materials, and improved production efficiency; at the same time, strengthened the internal management, introduced the competition mechanism, paid attention to staff training, improved staff quality, practically completed the staff logistics services, and enhanced the company's cohesive force and centripetal force.

- Polystyrene business achieved annual operating income of 68,514,600 Yuan, a decrease of 11.87% compared with the same period of last year. Faced with the rise in raw material prices, increase of human resource costs, decline in sales prices, and fierce competition in the market, the polystyrene business division adhered to taking market demand as the guiding, and continued to expand the market share by adjusting the product structure; while focused on improving the product quality and reducing the raw material loss, and formed its own unique competitive advantages. However, due to the intensifying market competition, rising production costs, and declining product prices, the profit margins reduced. In the future, the company shall take the thought of promoting development by innovation, and further improve the market competitiveness and expand the market shares by technological innovation, market innovation, resource utilization innovation, management innovation and product optimization.

- LCD business achieved annual operating income of 312,991,900 Yuan, an increase of 67.52% compared with the same period of last year. During the reporting period, the video division continued to invest more energies in the design and development of new products, newly increased various sizes of LCD new series with more cost advantages and realized mass production, developed from the traditional structure to ultra-thin, ultra-narrow and larger sized curve LCDs. The video division focused on product innovation, developed from the single product sizes to multi-series and multi-sizes product line, and has LIF series, G series, FIM series, C350 curve series products with completely independent designs and tooling; in the second half year of 2016, the company successfully introduced the new customer, Taiwan brand “ACER”, which has developed into four major customers, including the existing customer base (AOC system), American brand Viewsonic®, Taiwan brand

(ACER), and its own brand (HSO); realized the globalization of sales area, and the products produced by our company spread over our country, Asia-Pacific, Europe, North America and other regions; at the same time, increased the e-commerce sales channels, and achieved steady growth in sales revenue.

● Property leasing business has realized an annual operation revenue of 39,501,900 Yuan, a decrease of 18.72% compared with the same period of last year. Most sites of the company's own property Huafa Building have signed the lease, shops have opened one after another, the sites in idle have substantially reduced, and the average rental price has increased in some extent than the past, but the company's own property Gongming Huafa Electronic City has entered the demolition stage of updating and reconstruction, lessees have continued to remove and the rental income has relatively reduced, therefore, the company's overall rental income of 2016 is lower than the previous years.

II. Main business analysis

1. Introduction

See the "I-Introduction" in "Discussion and Analysis of Operation"

2. Revenue and cost

(1) Constituent of operation revenue

In RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	619,167,770.74	100%	499,455,781.11	100%	23.97%
According to industries					
Display	312,991,895.11	50.55%	186,838,010.48	37.41%	67.52%
Plastic injection hardware	188,550,863.79	30.45%	192,872,402.89	38.62%	-2.24%
Foam	68,514,616.64	11.07%	61,245,929.61	12.26%	11.87%
Property leasing	39,501,885.54	6.38%	48,600,894.50	9.73%	-18.72%
Scrap income	2,385,455.00	0.39%	605,216.55	0.12%	294.15%
Utilities and other	7,223,054.66	1.16%	9,293,327.08	1.86%	-22.28%
According to products					
Display	312,991,895.11	50.55%	186,838,010.48	37.41%	67.52%
Plastic injection hardware	188,550,863.79	30.45%	192,872,402.89	38.62%	-2.24%
Foam	68,514,616.64	11.07%	61,245,929.61	12.26%	11.87%

Property leasing	39,501,885.54	6.38%	48,600,894.50	9.73%	-18.72%
Scrap income	2,385,455.00	0.39%	605,216.55	0.12%	294.15%
Utilities and other	7,223,054.66	1.16%	9,293,327.08	1.86%	-22.28%
According to region					
Hong Kong	211,129,139.32	34.10%	174,132,782.70	34.86%	21.25%
Central China	363,057,765.71	58.64%	269,008,886.38	53.86%	34.96%
South China	44,980,865.71	7.26%	56,314,112.03	11.28%	-20.13%

(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

√Applicable □ Not applicable

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

No

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	312,991,895.11	296,647,708.72	5.22%	67.52%	69.39%	-1.05%
Plastic injection hardware	188,550,863.79	167,790,191.90	11.01%	-2.24%	-5.23%	2.80%
Foam	68,514,616.64	60,277,411.68	12.02%	11.87%	9.14%	2.20%
Property leasing	39,501,885.54	1,832,841.70	95.36%	-18.72%	11.70%	-1.26%
According to products						
Display	312,991,895.11	296,647,708.72	5.22%	67.52%	69.39%	-1.05%
Plastic injection hardware	188,550,863.79	167,790,191.90	11.01%	-2.24%	-5.23%	2.80%
Foam	68,514,616.64	60,277,411.68	12.02%	11.87%	9.14%	2.20%
Property leasing	39,501,885.54	1,832,841.70	95.36%	-18.72%	11.70%	-1.26%
According to region						
Hong Kong	211,129,139.32	200,106,179.11	5.22%	21.25%	17.83%	2.75%
Central China	363,057,765.71	328,044,861.99	9.64%	34.96%	37.02%	-1.36%
South China	44,980,865.71	6,585,571.92	85.36%	-20.13%	-24.86%	0.92%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

□ Applicable √ Not applicable

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

√ Yes □ No

Industries	Item	Unit	2016	2015	Increase/decrease y-o-y
Display	Sales volume	Set	811,394	427,752	89.69%
	Output	Set	808,745	433,807	86.43%
	Storage	Set	24,621	27,270	-9.71%
Plastic injection hardware	Sales volume	Ton	11,182	10,572	5.77%
	Output	Ton	11,450	10,412	9.97%
	Storage	Ton	670	402	66.67%
Foam	Sales volume	Ton	3,918	3,221	21.64%
	Output	Ton	4,006	3,126	28.15%
	Storage	Ton	372	284	30.99%

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

√ Applicable □ Not applicable

Sales volume increased for display mainly due to the sales increased from a year earlier; Output increased for display mainly due to the sales volume increased from a year earlier; Storage for plastic injection hardware increased mainly due to the inventory for year-end; storage for foam increased mainly due to the inventory for year-end.

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

□ Applicable √ Not applicable

(5) Constitute of operation cost

Classification of products

Classification of products

In RMB

Industries	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Display	Raw materials	286,810,241.68	96.68%	166,905,693.27	95.31%	1.37%
Display	Labor wages	4,308,058.58	1.45%	4,676,548.70	2.67%	-1.22%
Display	Depreciation	991,591.74	0.33%	1,028,419.25	0.59%	-0.26%
Plastic injection hardware	Raw materials	151,841,264.00	90.49%	152,630,151.77	86.21%	4.28%
Plastic injection hardware	Labor wages	9,626,323.95	5.74%	11,370,871.26	6.42%	-0.68%

Plastic injection hardware	Depreciation	4,344,035.13	2.59%	5,150,439.15	2.91%	-0.32%
Foam	Raw materials	33,860,390.08	56.17%	32,237,281.52	58.37%	-2.20%
Foam	Labor wages	9,931,093.00	16.48%	7,477,324.02	13.54%	2.94%
Foam	Depreciation	1,589,128.86	2.64%	1,687,918.28	3.06%	-0.42%
Foam	Energy	10,391,245.05	17.24%	6,561,685.46	11.88%	5.36%

Explanation

Cost of main business amounting to 524,715,312.3 Yuan, including 296,647,708.72 Yuan for display, 167,790,191.9 Yuan for plastic injection hardware and 60,277,411.68 Yuan for foam.

(6) Whether the changes in the scope of consolidation in Reporting Period

☐ Yes ☒ No

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

☐ Applicable ☒ Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	497,303,980.15
Proportion in total annual sales volume for top five clients	80.32%
Ratio of related parties in annual total sales among the top five clients	31.30%

Information of top five clients of the Company

Serial	Clients	Sales (RMB)	Proportion in total annual sales
1	No. 1	193,821,823.74	31.30%
2	No. 2	145,403,078.79	23.48%
3	No. 3	70,581,453.98	11.40%
4	No. 4	47,769,530.19	7.72%
5	No. 5	39,728,093.45	6.42%
Total	--	497,303,980.15	80.32%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	324,957,505.58
Proportion in total annual purchase amount for top five suppliers	66.33%
Ratio of related parties in annual total sales among the top	42.58%

five suppliers	
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Information of top five suppliers of the Company

Serial	Supplier	Purchase (RMB)	Proportion in total purchase
1	No. 1	160,560,343.18	32.77%
2	No. 2	79,985,178.32	16.33%
3	No. 3	48,070,877.55	9.81%
4	No. 4	18,526,666.66	3.78%
5	No. 5	17,814,439.87	3.64%
Total	--	324,957,505.58	66.33%

Other notes of main suppliers

☐ Applicable ☒ Not applicable

3. Expenses

In RMB

	2016	2015	Increase/decrease y-o-y	Note of major changes
Sales expense	11,415,270.82	11,427,705.20	-0.11%	
Administrative expense	50,261,495.60	42,691,408.13	17.73%	
Financial expense	5,012,897.34	48,393,716.52	-89.64%	Long-term loans are paid in the Period and interest expenditure declined.

4. R&D investment

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2016	2015	Y-o-y changes
Subtotal of cash in-flow from operation activity	644,747,922.80	809,852,026.90	-20.39%
Subtotal of cash out-flow from operation activity	663,441,219.38	636,366,010.91	4.25%
Net cash flow from operation activity	-18,693,296.58	173,486,015.99	-110.78%
Subtotal of cash in-flow from investment activity	335,222,336.06	899,643.49	37,161.69%

Subtotal of cash out-flow from investment activity	341,328,243.65	28,607,045.58	1,093.16%
Net cash flow from investment activity	-6,105,907.59	-27,707,402.09	77.96%
Subtotal of cash in-flow from financing activity	249,042,766.85	1,392,607,137.79	-82.12%
Subtotal of cash out-flow from financing activity	752,494,340.83	932,953,458.09	-19.34%
Net cash flow from financing activity	-503,451,573.98	459,653,679.70	-209.53%
Net increased amount of cash and cash equivalent	-528,831,643.19	610,454,809.04	-186.63%

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

√Applicable □ Not applicable

Net cash flow from operation activity decreased on a y-o-y basis: cash paid for purchasing goods and receiving labor service are increased from a year earlier;

Cash in-flow from investment activity increased on a y-o-y basis: principal of the short-term financial products received in the Period;

Cash out-flow from investment activity increased on a y-o-y basis: purchasing short-term financial products in the Period;

Net cash flow from investment activity increased on a y-o-y basis: purchasing shops along the street last period;

Cash in-flow from financing activity decreased on a y-o-y basis: other cash with financing activities concerned received last period;

Net cash flow from financing activity decreased on a y-o-y basis: other cash with financing activities concerned received last period;

Net increased amount of cash and cash equivalent decreased on a y-o-y basis: long-term loans are paid in the period.

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

□ Applicable √ Not applicable

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	333,974.06	3.85%	Income from short-term financial products	No
Asset impairment	3,546,936.86	40.85%	Mainly due to current accrued for other account receivable bad debt losses	No
Non-operating income	5,533,431.78	63.73%	Liquidated damages and government grants	No
Non-operating	5,241,393.14	60.36%	Loss of transfer of creditor's	No

expense			rights	
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IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2016		End of 2015		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	93,332,709.81	14.76%	662,115,464.19	57.33%	-42.57%	Long-term loans are paid in the period
Account receivable	139,808,058.20	22.10%	109,965,992.14	9.52%	12.58%	
Inventory	46,902,384.80	7.42%	27,132,125.91	2.35%	5.07%	
Investment real estate	54,145,225.02	8.56%	30,019,906.66	2.60%	5.96%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fix assets	81,544,707.02	12.89%	110,607,425.50	9.58%	3.31%	
Construction in process	654,356.00	0.10%	654,356.00	0.06%	0.04%	
Short-term loans	181,210,467.81	28.65%	119,479,107.41	10.34%	18.31%	
Long-term loans		0.00%	554,700,000.00	48.03%	-48.03%	Long-term loans are paid in the period

2. Assets and liability measured by fair value

☐ Applicable ☒ Not applicable

3. Assets right restriction till end of reporting period

Wuhan Zhongheng Group Co., Ltd. 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”. On October 28, 2016, Wuhan Zhongheng Group and the company received the (2016) Yue 03 Cai Bao No. 51 civil ruling paper sent by Shenzhen Intermediate People's Court of Guangdong Province, which ruled to seal up and freeze the property of RMB 190 million under the name of the respondents Wuhan Zhongheng Group and the company. See details on the company's announcement published at www.cninfo.com.cn on November 1, 2016.

V. Investment

1. Overall situation

☐ Applicable ☒ Not applicable

2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Financial assets investment

(1) Securities investment

☐ Applicable ☒ Not applicable

The Company has no securities investment in the Period.

(2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period.

5. Application of raised proceeds

☐ Applicable ☒ Not applicable

The Company has no application of raised proceeds in the Period.

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	Production sales	181,643,111.00	457,304,290.56	211,520,187.43	574,186,905.03	8,289,757.11	7,376,004.65
Hwafa Property Company	Subsidiary	Property management	1,000,000.00	21,300,684.80	-885,178.62	1,433,451.07	-800,289.35	-800,639.35
Hwafa Lease Company	Subsidiary	Property management	1,000,000.00	1,900,692.20	-5,026,990.71			
Hwafa Hengtian Company	Subsidiary	Property management	1,000,000.00	998,083.86	998,083.86		-1,019.94	-1,019.94
Hwafa Hengtai Company	Subsidiary	Property management	1,000,000.00	998,812.01	998,812.01		-1,017.54	-1,017.54

Particular about subsidiaries obtained or disposed in report period

☐Applicable ☒Not applicable

Explanation

VIII. Structured vehicle controlled by the Company

☐Applicable ☒Not applicable

IX. Future Development Prospects

(I) Industry development and market analysis

Looking ahead 2017, the global economy is complex and changeable, the domestic economic growth is slowing down, the cost rise challenges the operational capacity of enterprises, the real estate industry is weakening its supporting role under the policy regulation, exchange rate fluctuations and trade protectionism intensify, the growth of home appliance industry is still facing big pressure.

In 2017, the product upgrading and transformation is still the main theme of the development of home appliances industry. In the context of continuing to deepen the “structural reform of the supply side”, the transformation and upgrading of home appliance industry and the upgrading of consumption continue to promote, the home appliance industry with traditional meanings is developing towards the “ecological circle” of constructing the intelligent society. The Company's industrial production and processing businesses are labor-intensive, technology-intensive, and semi-automatic production mode, orders mainly rely on a large number of domestic renowned large-scale home appliance manufacturers, the scale is large, and the business is stable. As a traditional industry with intense

market competition, the core of solving the developing dilemma is to upgrade technology, enhance the added value of technology, and improve the profitability. Under the background of downstream consumer demand upgrade, it will be one of the strategic targets of the company's industrial business development to further consolidate the industry position by adjusting and improving the product structure, increasing the development efforts to the new products, improving the production processes, enhancing the productivity, expanding the downstream channels, cultivating its own brands, and actively seeking for the transformation and upgrading.

Over the years, the Company has focused on both manufacturing and property management, except for producing and selling the LCD monitors, injection molding, and foam parts, the property leasing has always been the key pillar of business, the own property is the company's core assets, the operating profits of property leasing business has always been greater than the industrial business profits. It is the company's long-term strategic goal to make full use of the existing property and land assets to continue to expand and upgrade the operation, leasing and service businesses of the commercial real estate, and further become the long-term and stable source of incomes for the company step by step.

(II) The new annual business plan

◆ Continue to steadily develop industrial business

On the basis of ensuring the stable orders from existing customers Haier, Gree, AOC, TCL and other home appliance manufacturers, vigorously expand the market, and strive for more market shares; at the same time, simplify and optimize the personnel, strengthen the management, and further improve the production efficiency, promote the product quality, make full use of the company's geographical advantages, and further make the business bigger and stronger.

◆ Actively strengthen the property business

Seize the popularity of Shenzhen Huaqiang North Street and gradually recover and drive the brisk market, combine with the actual situation of tenants to adjust the investment attraction measures and enhance the property occupancy rate; at the same time, strictly control costs and reduce losses.

◆ Continue to promote the urban renewal project

Speed up the promotion of renewal unit project of Huafa District Gongming Street Guangming New District Shenzhen and the renewal project reconstruction progress of Huafa Building Huaqiang North Street Futian District Shenzhen, accelerate the project procedures, coordinate with the owners to relocate, complete the compensation and resettlement of relocation, and strive to make progress early.

◆ Continue to focus on strengthening the company's internal control

In 2017, the company will further optimize the corporate governance structure and improve the internal control system and process in accordance with the governance requirements of the listed company, strictly implement and improve the executive ability of relevant system, the company's management and relevant departments will execute the administrative provisions for approval procedures of fund utilizing, management system of related transactions, working system of working system, internal reporting system of major information in strict accordance with the requirements of internal control documents.

X. Reception of research, communication and interview**1. In the report period, reception of research, communication and interview**

√Applicable □ Not applicable

Time	Way	Type	Basic situation index of investigation
1 Jan. 2016 to 31 Dec.	Telephone communication	Individual	N/A
Reception (times)	Several		
Number of hospitality	0		
Number of individual reception	-		
Number of other reception	0		
Disclosed, released or let out major undisclosed information	N		

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

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

☐ Applicable ☒ Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

In recent three years the Company accumulated retained net profit is negative and it did not have the conditions for profit distribution, so the Company did not undertake profit allocation in recent years and no capital reserve shall be converted into share capital either.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2016	0.00	5,457,710.33	0.00%	0.00	0.00%
2015	0.00	-4,200,845.61	0.00%	0.00	0.00%
2014	0.00	7,687,620.27	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

☐ Applicable ☒ Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

☐ Applicable ☒ Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year.

III. Implementation of commitment

1. Commitments that the company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

☒ Applicable ☐ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
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Commitments for share reform						
Commitments in report of acquisition or equity change	Wuhan Zhongheng Group		The enterprise and its subsidiaries will not participate directly or indirectly in operation of the business with competitive of Shen Huafa and its controlling subsidiary concerned, and not to damage the interest of the Shen Huafa and its controlling subsidiary by making use of the potential controlling-ship of the Shen Huafa either	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
	Wuhan Zhongheng Group		The enterprise and its subordinate enterprise shall avoid a related transaction as far as possible with Shen Huafa and its controlling subsidiary, as for the related dealings occurred inevitable or have reasonable cause, the enterprise promise to follow the principle of fair-ness, justice and open-ness, signed the agreement in line with the laws, perform legal program, fulfill information disclosure obligation and relevant approval procedures according to the relevant laws, regulations and “Listing Rules” of the Shenzhen Stock Exchange, guarantee not to damage the legal interest of Shen Huafa and its shareholders through related transactions	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
	Wuhan Zhongheng Group		After acquisition and assets restructuring, guarantee to have an independent staff, owns independent and completed assets, and independent in aspect of business, financial and institution from Shen Huafa	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
Commitments in assets reorganization						
Commitments make in initial public offering or						

re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders	Wuhan Zhongheng Group		1. If Shenzhen Vanke wins in the arbitration, the losses from arbitration for contract dispute will take by Wuhan Zhongheng Group in full; 2. the intangible losses and risks arising from the termination of relevant contracts, will take by Wuhan Zhongheng Group in advance.	2016-12-20	Implemented since 20 December 2016	In normal implementing
Completed on time(Y/N)	Y					
If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan	Not applicable					

2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

☐ Applicable ☒ Not applicable

IV. 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.

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

☐ Applicable ☒ Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

☒ Applicable ☐ Not applicable

1. Explanation on accounting policy changes

According to the Provisions Concerning the Accounting Treatmetns on VAT Cai Kuai [2016] No.22 issued by Ministry of Finance on 3 December 2016, relevant business occurred since 1 May 2016 will act by new rules, main influence of the Company for implementation are as:

Content and reasons for changes	Item and amount affected
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The “business tax and surcharge” listed in consolidate profit statement and parent company’s profit statement will adjust as “taxes and surcharge”	business tax and surcharge administrative expenses
The follow taxes (house duty, land use tax, stamp tax, vehicle and vessel tax and resource tax etc.) arising from operation activities will listed under “taxes and surcharge” from “administrative expenses” since 1 May 2016. the taxes occurred before 1 May 2016 will not adjust and comparative data either	Tax and surcharge in consolidate profit statement increased 2,664,333.31 Yuan for the Year; Administrative expenses in consolidate profit statement decreased 2,664,333.31 Yuan for the Year; Tax and surcharge in parent company’s profit statement increased 1,293,535.18 Yuan for the Year; Administrative expenses in parent company’s profit statement decreased 1,293,535.18 Yuan for the Year;

VII. Major accounting errors within reporting period that needs retrospective restatement

√Applicable □ Not applicable

1. Preliminary accounting errors

(1) Retrospective restatement

Content	Items of comparison period affected	Cumulative effects
The rental for year of 2015 was mis-listed as cash deposit as collateral, and adjusted to administrative expenses as rental charge	Administrative expenses	99,643.33
	Other account receivable	-99,643.33
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back	Business tax and surcharge	-3,473,866.67
	Taxes payable – business tax	-3,101,666.67
	Taxes payable – urban maintenance & construction tax	-217,116.67
	Taxes payable – extra charges of education funds	-93,050.00
	Taxes payable – local education surcharge	-62,033.33
The correction above mentioned have impact on income tax and retained profit of the Company	Income tax expenses	843,555.84
	Taxes payable- enterprise income tax	843,555.84
	Retained profit	2,530,667.50

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

√Applicable □ Not applicable

Compared with last year, the Company sold Yutian Henghua Company in the period.

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

Accounting firm appointed

Name of domestic accounting firm	DAXIN Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	48
Continuous life of auditing service for domestic accounting firm	One year
Name of domestic CPA	Li Wei, Fan Zhang
Name of foreign accounting firm (if applicable)	N/A
Remuneration for foreign accounting firm (in 10 thousand Yuan) (if applicable)	0
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA	N/A

Re-appointed accounting firms in this period

☒Yes ☐No

Whether change the CPA in auditing period or not

☒Yes ☐No

Performing approval procedures while change the CPA

☒Yes ☐No

Explanation on re-engagement and changes of the CPA

ShineWing (special general partnership), the audit institution previously engaged by the company, has provided annual auditing services for the company for many years, in order to ensure the independence and objectivity of the audit work, the audit committee of the company's Board of Directors has carefully considered and submitted to the Board of Directors for consideration, thought that Daxin Certified Public Accountants (special accounting, special authentication and other services, general partnership with rich experience in serving the listed company) possesses with the professional qualification for the implementation of securities, futures-related businesses, has rich experience and professional quality in the audit work of listed companies, and has successively provided verification for many listed companies, and is capable of satisfying the company's requirements to 2016 annual financial audit. The 3rd extraordinary general meeting in 2016 deliberated and agreed to change ShineWing to Daxin Certified Public Accountants. See details about the change of accounting firm on the company's "Notice on Engaging Audit Institution for the Company in 2016" (Notice No.2016-52) disclosed on October 10, 2016.

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

☒Applicable ☐ Not applicable

In 2016, the Company employed Shine Wing Certified Public Accountants LLC as internal control audit institutions and the expense of internal control audit was 140,000 Yuan.

X. Particular about suspended and delisting after annual report disclosed

□ Applicable √ Not applicable

XI. Bankruptcy reorganization

□ Applicable √ Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitrations of the Company

√Applicable □Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (in 10 thousand Yuan)	Predicted liabilities (Y/N)	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
In September 2016, Wuhan Zhongheng Group Co., Ltd. and the Company and Shenzhen Vanke were applied for arbitration due to the dispute case of "Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District".	46,460	N	Open a court session on 12 November 2016	Without judgment	Not applicable	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, Hwafa Property suit against the Shenzhen Jifang Investment Co., Ltd. for site occupation, without rental, and utilities paid for a long-time	1,416.67	N	In November 2016, the Company win in the ruling judged by Shenzhen Arbitration Commission	Court decision as Jifang Company has to paid 27.9023 million Yuan (including rental, administrative fee, compensation, penalty, lawyer's fee and arbitration fees) in total for the Company	Implementing	2016-11-08	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202817664?announceTime=2016-11-08
In March 2016, the Company and Hwafa	1,964.92	N	Open a court	Without judgment	Not applicable	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41

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 under the name of the Company			session on 14 February 2017				osure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41
The Company and Hwafa 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	People's Court of Futian District, Shenzhen Municipal has accept and hear the case on 8 March 2016	Without judgment	Not applicable	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 Hwafa 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	Open a court session on 20 March 2017	Without judgment	Not applicable	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41
In December 2015, the Company and Hwafa Property suit against Dai Qiangbo for arrears of rent and occupied the leased premises, and refuse to	68	N	The Company win in the ruling judged by People's	Court decision as Dai Qiangbo has to paid the rental and utilities of 327300 Yuan to Hwafa Property; paid the late rental, and	Implementing		

move out; Dai Zhijun, Xie Lihua and Dai Tianyi bear joint liability for debts of Dai Qiangbo			Court of Futian District, Shenzhen Municipal on 13 Feb.2017	surcharge for overdue utilities payment, which is counted since 6 November 2015, based on 327300 Yuan, to the payment actual paid in full by 50 Yuan per 10000 Yuan as charge everyday; paid 867800 Yuan for occupation charge; and court acceptance fee 12600 Yuan.			
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XIII. Penalty and rectification

√Applicable □Not applicable

Name	Type	Reason	Type of investigation and punishment	Conclusion (if applicable)	Date of disclosure	Index of disclosure
Shenzhen Zhongheng Hwafa Co., Ltd.	The Company	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii. Failing to disclosed the related transactions out of amount limit	Initiate an investigation or administrative penalty by CSRC; condemned by Stock Exchange publicly	The Company was ordered to make amends with a warning and imposed fine penalty of 400,000 Yuan.	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24
Li Zhongqiu	Actual controller	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii. Failing to disclosed the related transactions out of amount limit	Initiate an investigation or administrative penalty by CSRC; condemned by Stock Exchange publicly	A warning with fine penalty of 250,000 Yuan	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24
Chen Zhigang	Senior executive	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii.	Initiate an investigation or administrative penalty by CSRC	A warning with fine penalty of 80,000 Yuan	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24

		Failing to disclosed the related transactions out of amount limit				
Tang Ganyu	Senior executive	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii. Failing to disclosed the related transactions out of amount limit	Initiate an investigation or administrative penalty by CSRC	A warning with fine penalty of 50,000 Yuan	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24
Weng Xiaojue	Senior executive	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii. Failing to disclosed the related transactions out of amount limit	Initiate an investigation or administrative penalty by CSRC	A warning with fine penalty of 30,000 Yuan	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24
Cao Li	Senior executive	i. Failing to disclose related transactions with the subsidiary of controlling shareholder in accordance with regulations; ii. Failing to disclose significant financial transactions; iii. Failing to disclosed the related transactions out of amount limit	Initiate an investigation or administrative penalty by CSRC	A warning with fine penalty of 30,000 Yuan	2016-12-24	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202956559?announceTime=2016-12-24

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

☐ Applicable ☒ Not applicable

XV. 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.

XVI. 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	Proportion in similar transaction	Trading limit approve	Whether over the	Clearing form for related	Available similar	Date of disclosure	Index of disclosure
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			on			(in 10 thousan d Yuan)	ons	d (in 10 thousan d Yuan)	approve d limited or not (Y/N)	transacti on	market price		ure
HK Yutian	Sharing the same controll ing shareho lder	Purchase	Purchasi ng LCD monitors	Synchro nized with the market	16,056	16,056	53.31%	34,685	No	Telegra phic transfer	—	2016-04 -30	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202284604?announceTime=2016-04-30
Hengshen g Photoelec tricity	Sharing the same controll ing shareho lder	Purchase	Purchasi ng LCD monitors	Confirm ed with 1% of current market average price in principl e, and refer to both their bargaini ng power	4,096	4,096	13.60%	10,406	No	Telegra phic transfer	The average market price refers to the price of same specific ations which is searche d from through the world famous professi onal market survey compan	2016-04 -30	Same as above

											y website http://www.witsview.com recogni zed authorit y in the industry and LCD professi onal market survey compan y website http://www.witsview.com		
Hengsheng Photoelectricity	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	According to the order price, deducted 1 Yuan each for operation charge	711	711	2.36%	7,631	No	Telegraphic transfer	——	2016-04-30	Same as above
HK Yutian	Sharing the same controlling shareholder	Sales	Sales LCD overall monitor machine set	According to the customer sales order price sure	19,382	19,382	61.93%	52,028	No	Telegraphic transfer	——	2016-04-30	Same as above

Total	--	--	40,245	--	104,750	--	--	--	--	--
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 \$ 24.29 million approximately, 48.59% of the annual amount predicted at the beginning of the year; purchased LCD from Hengsheng Photoelectricity with \$ 5.9 million approximately, 39.36% of the annual amount predicted at the beginning of the year; purchasing LCD from Hengsheng Photoelectricity with about \$1.03 million, 9.33% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with \$ 29.35 million approximately, 39.13% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price	N/A									

2. Related transactions by assets acquisition and sold

☐Applicable ☒Not applicable

No above mentioned transactions occurred

3. Main related transactions of mutual investment outside

☐Applicable ☒Not applicable

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

4. Contact of related credit and debt

☒Applicable ☐Not applicable

Whether has non-operating contact of related credit and debt or not

☐Yes ☒No

The Company has no non-operating 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.

XVII. 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 Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
N/A								
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2016-04-30	30,000		5,471.05	Joint liability guarantee	1 year	No	No
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)		9,645.8		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		30,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		5,471.05		
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implemen tation or not	Guarante e 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)		9,645.8		
Total amount of approved		30,000		Total balance of actual		5,471.05		

guarantee at the end of report period (A3+B3+C2)		guarantee at the end of report period (A4+B4+C4)	
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4+C4)			17.11%
Including:			
Amount of guarantee for shareholders, actual controller and its related parties(D)			0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)			0
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)			0
Total amount of the aforesaid three guarantees(D+E+F)			0
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	N/A		
Explanations on external guarantee against regulated procedures (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. Entrust others to cash asset management

(1) Trust financing

☐Applicable ☒Not applicable

No entrust others to cash asset management

(2) Entrusted loans

☐Applicable ☒Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

☐Applicable ☒Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Execution of social responsibility of targeted poverty alleviation

The Company has no targeted poverty alleviation in the period and no follow-up poverty alleviation plan either temporary

(2) Targeted poverty alleviation for the Year

Not applicable

(3) Follow-up targeted poverty alleviation scheme

Nil

2. Execution of other social responsibility

In reporting period, the Company conscientiously in line with the state laws, regulation and requirement of relevant policies, and always operate according to law and active participation in taxpaying, provided an excellent service and actively perform its social responsibility

The listed Company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments

Not applicable

Whether the social responsibility report released

☐ Yes ☒ No

XIX 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 fifth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on July 2, 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 Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen’” and “Proposal on submitting stockholders' meeting to authorize the board of directors to fully handle the matters related to the project promotion and implementation of urban renewal of Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen”. The company has signed the “Agreement on the cooperation framework of urban renewal project of the updated units at Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Agreement on the cooperation framework of reconstruction project at Huaafa, Gongming”, “Agreement on the removal compensation for urban renewal project at Huaafa, Gong Ming Street, Guangming New District” and “Cooperation agreement on urban renewal project at Huaafa, Gongming” with Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd. (hereinafter referred to as “Qianhai Zhongzheng”), Shenzhen Zhongzheng Yutian Land Co., Ltd. (hereinafter referred to as “Zhongzheng Yutian”) and Wuhan Zhongheng Group. The company’s seventh meeting of the eighth board of directors has considered and adopted the “Proposal on terminating the contract on urban renewal project at ‘Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen’ of Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd.”, the company has signed “Agreement on terminating the contract on urban renewal project at Huaafa, Gongming” with Qianhai Zhongzheng, Zhongzheng Yutian and Wuhan Zhongheng Group, the relevant agreements signed at earlier stage are no longer legally binding to any party.

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 Huaafa 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 Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Contract for the cooperative venture of reconstruction project for Huaafa 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, Wuhan Zhongheng Group and the Company as well as Shenzhen Vanke are applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huaafa Area, Gong Ming Street, Guangming New District, Shenzhen”. The arbitra court hold hearings on 12 November 2016. Progress of the case found more in “Notice of Lawsuit and Arbitration” and “Progress of Lawsuit and Arbitration ” released on juchao website (www.cninfo.com.cn) dated 14 September 2016, 1 November 2016, 16 November 2016 and 24 March 2017 respectively.

(II) With purpose of further optimize the capital structure; improve financial status of the Company and providing necessary capital condition and liquidity for the upgrade of industry business transformation, specialization of the property operation and development of large-scale, the Company plans to private offering A-share. Controlling shareholder - Wuhan Zhongheng New Technology Industry Group Co., Ltd. subscribe 87.6 million shares at most in cash, fund raised no more than 599.184 million Yuan (issuance cost included) in total, the fund are raised for debt payment and supplement current capital in order to laying a solid foundation of the sustainable development of the Company. Relevant private placement of A-share has been deliberated and approved by third extraordinary meeting of 2015 of the Board and Annual General Meeting 2014, found more in notice published on Juchao Website (www.cninfo.com.cn) dated 20 March and 20 May 2015. It shall submit for approval and implement after verify by CSRC.

(III) Our controlling shareholder Wuhan Zhongheng Group holds 116,489,894 shares of the Company, accounting for 41.14% of total share capital. As for involving the arbitration case of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”, the above shares were judicially sealed on 27 September 2016 for creditor’s application for property preservation. Details are set out in the announcement published at Juchao information website (www.cninfo.com.cn) on 27 October 2017.

(iv) 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 pladge the 27,349,953 shares held to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. and also deferring the repurchase business, same as the pledge release. Found more in notice released on juchao website (www.cninfo.com.cn) date 17 Jan. 2019.

(v) The company received the notice about registering and investigating from China Securities Regulatory Commission on January 18, 2016, who decided to register and investigate the company on suspicion of illegal information disclosure. On September 18, 2016, the company received the “Prior Notice of Administrative Penalty” ([2016] No.6) from Shenzhen Regulatory Bureau of China Securities Regulatory Commission. On December 22, 2016, the company received the “Written Decision of Administrative Penalty” ([2016] No. 7) from Shenzhen Regulatory Bureau of China Securities Regulatory Commission. See details on the “Notice on Receiving Written Decision of Administrative Penalty from CSRC” the company published at www.cninfo.com.cn on December 23, 2016. On January 5, 2017, the company received the “Notice on Giving Public Censure and Punishment to Shenzhen Zhongheng Hwafa Co., Ltd. and the Relevant Parties” from the Shenzhen Stock Exchange, see details on the notice published at www.cninfo.com.cn on January 6, 2017.

(vi) The company held the 10th meeting of the 8th Board of Directors, the first extraordinary meeting of the Board of Directors in 2016 and the second extraordinary general meeting in 2016 respectively on August 29, 2016, September 7, 2016 and September 19, 2016, which deliberated and approved the Proposal on the General Election of the Board of Directors, and elected Li Zhongqiu, Li Yongping, Yang Bin, Li Dingan, Xu Jinwen and Zhang

Zhaoguo as the directors of the 9th Board of Directors. On September 7, 2016, the company held the first meeting of the 9th Board of Directors to consider the Proposal on Electing the President of the Company, the Proposal on the Staff Composition of the Special Committees of the 9th Board of Directors, and completed the election of the Board of Directors and the appointment of senior executives.

On August 29, 2016 and September 19, 2016, the company held the 10th meeting of the 8th Board of Supervisors and the 2nd extraordinary general meeting in 2016, which deliberated and approved the Proposal on the Election of the Board of Supervisors, and elected Huang Yanbo and Chen Qin as the supervisors of the 9th Board of Supervisors. Geng Qu was elected as the supervisor of staff representatives of the 9th Board of Supervisors by the company's workers congress. On September 7, 2016, the 9th Board of Supervisors deliberated and approved the Proposal on Electing the Chairman of the Board of Supervisors for the first time, and elected Huang Yanbo as the chairman of the Board of Supervisors.

See details on the notices published at www.cninfo.com.cn by the company on August 31, 2016, September 9, 2016, and September 20, 2016.

(vii) 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 and currently has entered the enforcement procedures. See details on the notice published at www.cninfo.com.cn by the company on November 8, 2016.

XX. 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

1. Security offering (without preferred stock) in Reporting Period

☐ Applicable ☒ Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

☐ Applicable ☒ Not applicable

3. Existing internal staff shares

☐ Applicable ☒ Not applicable

III. Particulars about shareholder and actual controller of the Company

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

In Share

Total common stock shareholders in reporting period-end	27,759	Total common stock shareholders at end of last month before annual report disclosed	23,293	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.14%	116,489,894	0	0	116,489,894	Pledged	116,100,000
							Frozen	116,489,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Overseas legal person	4.49%	12,700,000	-1200000	0	12,700,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hongkong) Co.,	Overseas legal person	1.89%	5,355,249	-2392800	0	5,355,249	Pledged	0
							Frozen	0

Ltd.								
Xu Dongdong	Domestic nature person	0.60%	1,690,307			1,690,307	Pledged	0
							Frozen	0
Zhong Jiachao	Domestic nature person	0.44%	1,244,440			1,244,440	Pledged	0
							Frozen	0
Huang Shuqiang	Domestic nature person	0.41%	1,174,566			1,174,566	Pledged	0
							Frozen	0
BINGHUA LIU	Foreign nature person	0.30%	840,113			840,113	Pledged	0
							Frozen	0
Zhu Xionghui	Domestic nature person	0.23%	661,780			661,780	Pledged	0
							Frozen	0
Huang Qingpeng	Domestic nature person	0.23%	656,500			656,500	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 shares held								
Shareholders' name		Amount of un-restrict shares held at Period-end				Type of shares		
						Type	Amount	
Wuhan Zhongheng Group		116,489,894				RMB common share	116,489,894	
SEG (HONG KONG) CO., LTD.		16,569,560				Domestically listed foreign shares	16,569,560	
GOOD HOPE CORNER INVESTMENTS LTD		12,700,000				Domestically listed foreign shares	12,700,000	

Changjiang Securities Brokerage (Hongkong) Co., Ltd.	5,355,249	Domestically listed foreign shares	5,355,249
Xu Dongdong	1,690,307	RMB common share	1,690,307
Zhong Jiachao	1,244,440	RMB common share	1,244,440
Huang Shuqiang	1,174,566	RMB common share	1,174,566
BINGHUA LIU	840,113	Domestically listed foreign shares	840,113
Zhu Xionghui	661,780	Overseas listed foreign share	661,780
Huang Qingpeng	656,500	RMB common share	656,500
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten 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 shareholders involving margin business (if applicable) (see note 4)	N/A		

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

☐ Yes ☒ No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Wuhan Zhongheng Group	Li Zhongqiu	1996-03-21	9142011471195460	Production, sales of computers, TV set, display, other hardware and computer software; development of internal data communication

			1W	network, building of packing materials and light weight building material for packaging; management of exports business for the own products and technologies for the Company and member enterprise; management of export business on raw material, apparatus and instrument, machinery equipments, spare parts and technologies (not including goods and technologies that import and export are national restricted or prohibited); dry clean and steam iron service; copy & print; business information consulting; house tenancy; property management; wholesale and retails of the hardware metal products, plastic products, audio electronic products, electronic equipment, textile, toys, clothing & shoes, luggage, bedding article, general merchandise, curtain, household appliances and building materials; development of real-estate and sales of commercial housings (projects with special provision of the state can be operation after approval)
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	Not applicable			

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller of the Company

Nature of actual controller: domestic natural person

Type of actual controller: natural person

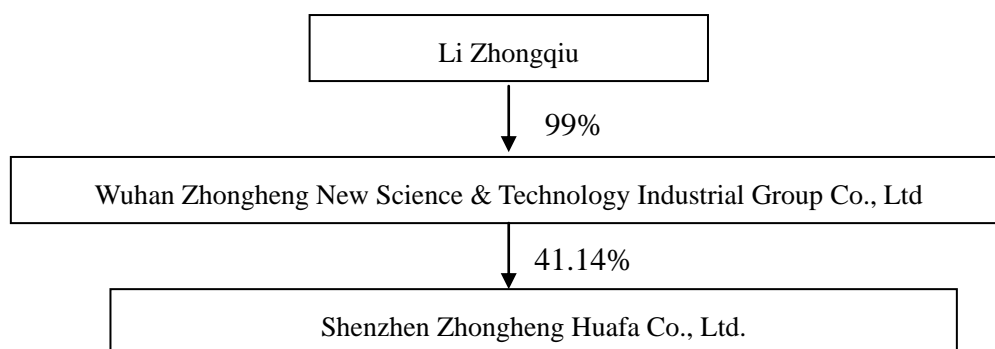
Actual controller's name	Nationality	Enjoy the residence rights in the other country or area (Y/N)
Li Zhongqiu	P.R.C	N
Main occupation in position	He serves as the Chairman for Wuhan Zhongheng Group since 1996 and serves as Chairman and GM of the Company since 2007.	
Listed companies in and out of China that controlled in last 10 years	N/A	

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Li Zhongqiu	Chairman	Currently in office	M	52	2007-07-18	2019-09-18	0	0	0	0	0
Li Yongping	Vice chairman	Currently in office	M	59	2013-08-23	2019-09-18	0	0	0	0	0
Yang Bin	Director, secretary of the Board, CFO	Currently in office	M	44	2015-11-06	2019-09-18	0	0	0	0	0
Li Ding'an	Independent director	Currently in office	M	71	2016-09-19	2019-09-18	0	0	0	0	0
Xu Jingwen	Independent director	Currently in office	M	51	2016-09-19	2019-09-18	0	0	0	0	0
Zhang Zhaoguo	Independent director	Currently in office	M	60	2014-05-23	2019-09-18	0	0	0	0	0
Huang Yanbo	Supervisor	Currently in office	F	54	2012-01-16	2019-09-18	0	0	0	0	0
Geng Qu	Supervisor	Currently in office	F	47	2012-04-09	2019-09-18	0	0	0	0	0
Chen Qin	Supervisor	Currently in office	F	30	2015-11-06	2019-09-18	0	0	0	0	0
Tang Ganyu	Deputy GM	Currently in office	F	39	2013-08-23	2019-09-18	0	0	0	0	0
Li Xiaodong	Independent	Leave the office	M	49	2010-08-11	2016-09-19	0	0	0	0	0

	director										
Qiu Daliang	Independent director	Leave the office	M	50	2014-05-23	2016-09-19	0	0	0	0	0
Wang Feng	Director	Leave the office	M	64	2013-08-23	2016-02-15	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Li Xiaodong	Independent director	Leave the office for expiration of the term	2016-09-19	Expiration of the term of office
Qiu Daliang	Independent director	Leave the office for expiration of the term	2016-09-19	Expiration of the term of office
Wang Feng	Director	Leave the office	2016-02-15	Personal reasons

III. Post-holding

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

Li Zhongqiu: Male, was born in 1962 with Master of Engineering. He is representative to the tenth session of NPC of Hubei Province, May the first of labor medalist of Wuhan. He serves as Chairman of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since 1996. And he serves as Chairman and the General Manager of the Company since July 2007.

Li Yongping: Male, born in 1957, member of the CPC, a vice researcher. He served as director and vice director in industry & traffic office of Hubei Statistics Bureau from December 1978 to May 1984; head of comprehensive group of worker office of Hubei Province from May 1984 to September 1988; vice director of scientific research institute of Hubei Statistics Bureau from September 1988 to July 1992; took post of standing deputy editor of Reform Horizontal magazine of Hubei Commission for Economic Restructuring from July 1992 to September 1994; served as research assistant in comprehensive office of Shenzhen Economic Restructuring Office from September 1994 to September 1999, investigator of Shenzhen Economic Restructuring Office from September 1999 to January 2001; served as secretary of research society of Shenzhen Economic Restructuring Office from January 2001 to December 2002; and a head of policy group of Shenzhen Enterprise Reform and Development Office from January 2003 to June 2004; investigator of assessment office of Shenzhen SASAC Statistics from June 2004 to December 2004; director of Inspection Office of Shenzhen SASAC from December 2004 to June

2006; he also served as deputy GM of Shenzhen Dachanwan Port Investment & Development Co., Ltd. from July 2006 to December 2010, and he serves as deputy Gm and member of Party Committee of Shenzhen Electronics Group Co., Ltd. since January 2011 and a deputy chairman of the Company since August 2013.

Yang Bin, male, born in April 1972, master's degree, graduated as a business administration major from Xi'an Jiaotong University. Worked in Industrial and Commercial Bank of China, Xi'an Branch, High-Tech Development Zone Branch from July 1994 to March 2001; served as deputy general manager in business department of China Minsheng Banking Corp., Xi'an Branch from March 2001 to November 2004; served as international market branch leader in Shenzhen Mindray Medical International Limited from November 2004 to November 2007; served as director and vice president in Shenzhen TERS Environmental Investment Co., Ltd. from November 2007 to March 2010; served as executive vice president and secretary of the board in Shenzhen CAU Technology Co., Ltd. from March 2010 to August 2015; served as an independent director in Livzon Pharmaceutical Group Co., Ltd. from June 2009 to June 30, 2015. Serves as an independent director in Centre Testing International Group Co., Ltd. from January 2010 to August 2016, and serves as director, secretary of the board and chief financial officer of the Company since November 2015.

Li Dingan: male, born in 1945, professor, doctoral tutor, the first batch of Chinese certified public accountants. In 1982, he obtained the master degree of economics of Zhongnan University of Finance and Economics and stayed at the university as a teacher; in June 1996, he was transferred to South China University of Technology, served as the professor and deputy director of the Department of Applied Mathematics; from 1998 to 2012, he served successively as the 8th, 9th, and 10th standing committee member of CPPCC Guangdong Provincial Committee; he serves as the professor at School of Business Administration from May, 2002, and served as executive vice president of the School of Economics and Trade from July 2005 to January 2009. He has been serving as the professor at School of Business Administration South China University of Technology since 2009, he is also the director of Guangdong Provincial Tax Institute, the director of Guangdong Provincial Local Tax Institute, the vice chairman of the enterprise development research specialist working committee of Guangdong Manufacturers Association, the director of CPPCC Guangdong Provincial Committee Fellowship Council, the independent director of Guangdong Kangmei Pharmaceutical Co., Ltd., the independent director of PCI-Suntek Tech Co., Ltd., and the independent director of Wuhan Liyuan Information Technology Co., Ltd.. He has been serving as the independent director of the company since September 2016.

Xu Jinwen: male, born in 1965, the doctor of management science and engineering of Huazhong University of Science and Technology. He worked at China Construction Bank Wuhan Sub-branch from July 1984 to September 1985; served as the credit chief at China Construction Bank Hubei Branch from September 1985 to December 1990; served as the deputy general manager of Hubei Province Trust and Investment Corporation of China Construction Bank; served as the executive deputy general manager of Guotai Junan Securities Hubei Branch from October 1995 to August 2000; served as the general manager of Guotai Junan Securities Jiangxi Headquarters from August 2000 to November 2002; served as the president of Golden Sun SECurities Co., Ltd. from November 2002 to April 2006; served as the chairman of Changjiang Bali Baifuqin Securities Co., Ltd. from April 2006 to May 2007; served as the vice president and secretary of the board of Changjiang Securities Co., Ltd.

from May 2007 to March 2016; he has been serving as the chairman and CEO of Changjiang Securities Holding (Hong Kong) Co., Ltd. since September 2016. He has been serving as the independent director of the company since September 2016.

Zhang Zhaoguo, male, born in 1956, Ph. D. in Management, a professor (secondary) and doctoral supervisor. He worked as chief of the accounting teaching & research section and senior lecture in Yichang Finance & Trading School from August 1978 to November 1993, served as professor and deputy head of financial department of Wuhan University Business College from December 1993 to August 2004; served as a director of Accounting department of School of Management, Huazhong University of Science & Technology. And the president of Accounting Institute of China, vice president of Accounting Association of Hubei Province, vice president of Hubei Central Enterprise Accounting Association, dean of Wuhan Yangtze Business University, and the independent directors of HRTN, Katie Ecological Environment Polytron Technology Inc, Shenzhen Zhongheng Hwafa Co., Ltd. and Eastern Jin Yu Co., Ltd.

Tang Ganyu: Female, born in 1977, college degree. Served as assistant of factory director in Wuhan Hengsheng Optoelectronics Industry Co., Ltd. from August 2003 to July 2005, engineering manager from August 2005 to July 2006, project manager and production manager from August 2006 to December 2011; served as the supervisor of the Company from July 2007 to January 2012 and general manager assistant of the Company from January 2012 to August 2013, and serves as deputy general manager of the Company since August 2013.

Huang Yanbo: female, born in 1962, a university background and a senior accountant. She served as financial director of Wuhan Zhongda Shopping Mall since 1985 to 1998; and worked as financial manager of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. from 1998 to 2007 and GM assistant in charge of auditing supervise from 2007 to 2011; she serves as CFO of the Company from 2012 to 2016; she serves as deputy GM of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since October 2016, and the supervisor of the Company since January 2012 and she is the chairman of supervisory committee of the Company since August 2013.

Geng Qu: female, born in 1969, is graduated from Beihang University, the first quality engineer, a real estate economist, a human resources economist and an engineer. She worked for the Company since 1990 and successively served as director of quality standard, director of comprehensive management department and deputy chief of office of the Company. She serves as employee supervisory of the Company since April 2012.

Chen Qin: Female, born in 1986, bachelor degree, human resources professional. Worked on administrative work in Merida Bicycle (China) Co., Ltd. from July 2002 to July 2003, engaged in purchasing work in Hui Pu Electronics (Shenzhen) Co., Ltd. from August 2003 to September 2004, and served as the administration manager in Huake United Technology (Shenzhen) Co., Ltd. from September 2004 to 2005 October; works in the Company since October 2005 and serves as supervisor of the Company since 2015

Post-holding in shareholder's unit

√ Applicable □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Li Zhongqiu	Wuhan Zhongheng Group	Chairman	1996-03-21		N
Li Yongping	Shenzhen Electronics Group Co., Ltd.	Deputy GM, party committee	2011-01-03		Y
Huang Yanbo	Wuhan Zhongheng Group	Deputy GM	2016-10-12		Y
Statement of post-holding in shareholder's unit	N/A				

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Li Ding'an	South China University of Technology	Professor			
Li Ding'an	Guangdong Provincial International Tax Institute	Director			
Li Ding'an	Guangdong Provincial Local Taxation Institute	Director			
Li Ding'an	Working Committee of Experts on Enterprise Development of Guangdong Manufacturing Association	Vice president			
Li Ding'an	Guangdong Provincial Committee of CPPCC	Director			
Li Ding'an	Guangdong Kangmei Pharmaceutical Co., Ltd.	Independent director			
Li Ding'an	Jiadu Xintai Technology Co., Ltd.	Independent director			
Li Ding'an	Wuhan LiYuan Information Technology Co., Ltd.	Independent director			
Xu Jingwen	Changjiang Securities Holding (Hong Kong) Co., Ltd.	Chairman and CEO			

Zhang Zhaoguo	Chinese Accounting Association Branch of High Engineering College and University	President 会长			
Zhang Zhaoguo	Accounting Association of Hubei Province	Vice president			
Zhang Zhaoguo	Hubei Central Enterprise Accounting Association	Vice president			
Zhang Zhaoguo	Wuhan Yangtze Busines University	Dean			
Zhang Zhaoguo	HRTN	Independent director			
Zhang Zhaoguo	Katie Ecological Enviornment POLYtron Technology Inc	Independent director			
Zhang Zhaoguo	Eastern Jin Yu Co., Ltd.	Independent director			

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

√ Applicable □ Not applicable

On December 22, 2016, the company received the "Written Decision of Administrative Penalty" ([2006] No. 7) from CSRC Shenzhen Securities Regulatory Bureau which gave following penalties to the company and related parties: (a) order Shen Hwafa to correct errors, give a warning, and impose a fine of 400,000 Yuan; (b) give a warning to Li Zhongqiu and impose a fine of 250,000 yuan; (c) give a warning to Chen Zhigang, and impose a fine of 80,000 yuan; (d) give a warning to Tang Ganyu, and impose a fine of 80,000 yuan; (e) give a warning to Weng Xiaoyu and Cai Li, and impose a fine of 30,000 yuan. See details on the "Notice on Receiving Written Decision of Administrative Penalty from CSRC" (Notice No.: 2016-68) at <http://www.cninfo.com.cn>.

IV. Remuneration for directors, supervisors and senior executives

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

Remuneration of directors and supervisors are determined by general meeting, and the allowance standard for each independent director is RMB 60,000 per year (tax included).

Remuneration of senior management is determined by the board based on the unified remuneration management system and actual completion of operational targets, and the "Proposal of Basic Remuneration for High-ranking Managers of the Company" was deliberated and approved in 2nd extraordinary meeting of the Board for year of 2012.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Li Zhongqiu	Chairman, GM	M	52	Currently in	48	N

				office		
Li Yongping	Vice chairman	M	59	Currently in office	0	Y
Yang Bin	Director, Secretary of the Board, CFO	M	44	Currently in office	30	Y
Li Ding'an	Independent director	M	71	Currently in office	2	N
Xu Jingwen	Independent director	M	51	Currently in office	2	N
Zhang Zhaoguo	Independent director	M	60	Currently in office	6	N
Huang Yanbo	Supervisor	F	54	Currently in office	0	Y
Geng Qu	Supervisor	F	47	Currently in office	9.3	N
Chen Qin	Supervisor	F	30	Currently in office	8.8	N
Tang Ganyu	Deputy GM	F	39	Currently in office	30.96	N
Li Xiaodong	Independent director	M	49	Leave the office	4	N
Qiu Daliang	Independent director	M	50	Leave the office	4	N
Wang Feng	Director	M	64	Leave the office	0	N
Total	--	--	--	--	145.06	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

☐ Applicable ☒ Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company (people)	31
Employee in-post of main Subsidiaries (people)	910
The total number of current employees (people)	941
The total number of current employees to receive pay (people)	941
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	0

Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	783
Sales personnel	23
Technical personnel	27
Financial personnel	14
Administrative personnel	94
Total	941
Education background	
Category of education background	Numbers (people)
Undergraduate and above	48
Junior college	100
	793
Total	941

2. Remuneration Policy

The company's directors (excluding independent directors), supervisors and senior management personnel are monthly paid by basic pay and performance pay, and the annual remunerations are paid after annual assessment; the company's independent directors are paid 60,000 Yuan per person per year as allowances (including tax), the travel expenses for attending the board meeting and stockholders' meeting and the necessary expenses generated by exercising their powers in accordance with relevant laws and regulations can be applied for reimbursement according to the company's regulations; the remuneration ordinary employees are decided by the positions, including probationary period salary regular employee salary, and the company pays social security and public accumulated funds for them in accordance with the national regulations.

3. Training programs

- (1) The directors, supervisors and senior management personnel actively participate in the relevant training and assessment organized by the regulatory agencies, such as Shenzhen Stock Exchange, Shenzhen Securities Regulatory Bureau, etc.
- (2) The company regularly or irregularly organizes professional trainings for employees according to the departments and division of labor, including internal trainings and external trainings, thereinto, internal trainings are provided by specialized personnel in the company; external trainings are provided by organizing employees to participate in the trade associations and the training organized by supervision department.
- (3) Organize staff in all positions to actively participate in the learning and assessment of technical professional qualifications required by different positions.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

During the reporting period, in accordance with the laws and regulations of the "Company Law", "Securities Law", and "Governance Norms of Listed Companies", and the relevant rules and requirements promulgated by the China Securities Regulatory Commission, the company has constantly improved the corporate governance structure, established a sound internal control system, enhanced the level of standard operation, strictly followed the provisions of the production and management control and the financial management and control and the information disclosure and control, carried out the work on the basis of the "Articles of Association", "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Board of Supervisors", "Working System of the Independent Directors", and "Working Rules of the General Manager", and ensured that the shareholders' meeting, the board of directors and the board of supervisors can perform their duties and responsibilities normally. The company's governance meets the requirements on the documents of governance norms of listed companies issued by China Securities Regulatory Commission.

During the reporting period, in order to safeguard the legitimate rights and interests of the company, the shareholders and the creditors and regulate the organization and behavior of the company, the company has revised the "Constitution of Shenzhen Zhongheng Huafa Co., Ltd." according to the "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China" and the "Guidelines for the Articles of Association of Listed Companies (2014 Revision)" issued by China Securities Regulatory Commission

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

☐ Yes ☒ No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

During the reporting period, the company's controlling shareholder - Wuhan Zhongheng Group has separated the business, personnel, assets, organization and finance from the controlling shareholders in accordance with the laws and regulations of the "Company Law" and "Articles of Association", and had the independent and complete business system and the capabilities of independent management.

1. Personnel: The company fully and independently operates in the labor, personnel and salary management systems and has established the independent management system, all of the company's senior executives are working in the Company and receive the salaries, no senior executive has held a post in both the Company and the controlling shareholder's company, and no financial staff has held a post in two or more of the related companies.

2. Assets: The company has the clear property rights with the controlling shareholders and the capabilities of independent management, possesses the full rights to control the production system, supporting facilities and land use rights, no major shareholder has occupied or dominated the assets.

3. Finance: The company has established the independent, complete, standardized financial accounting system and financial management system, and the corresponding internal control system and internal audit system in accordance with the requirements of the "Accounting Standards for Business Enterprises" to make the independent financial decisions.

4. Organization: the board of directors, the board of supervisors, and other internal organizations are sound and operate independently, the organization is completely separated from the controlling shareholders, all organizations of the company are set up based on the norms and requirements of the listed company and the company's actual business features which have the independent office addresses and there is no mixed operation or co-working, and the controlling shareholders legally exercise the investors' rights and undertake the corresponding obligations.

5. Business: the company has the completely independent business operation system, the capabilities of independent management, the independent purchasing system, production system and marketing system, doesn't depend on the controlling shareholders to gain profits or have the horizontal competition relationship with the controlling shareholders or the subsidiaries.

III. Horizontal competition

☐ Applicable ☒ Not applicable

IV. In the report period, the Company held annual 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
2016 First Extraordinary shareholders' general meeting	Extraordinary shareholders' general meeting	52.20%	2016-05-17	2016-05-18	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202326404?announceTime=2016-05-18
2015AGM	AGM	51.93%	2016-05-24	2016-05-25	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202337376?announceTime=2016-05-25
2016 Second Extraordinary shareholders' general meeting	Extraordinary shareholders' general meeting	47.02%	2016-09-19	2016-09-20	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202709260?announceTime=2016-09-20
2016 Third	Extraordinary	46.99%	2016-10-25	2016-10-26	http://www.cninfo.com.cn/cninfo

Extraordinary shareholders' general meeting	shareholders' general meeting				o-new/disclosure/szse_main/bulletin_detail/true/1202785317?announceTime=2016-10-26
---------------------------------------------	-------------------------------	--	--	--	------------------------------------------------------------------------------------

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

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and general meeting

The attending of independent directors to Board Meeting						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Qiu Daliang	3	2	1	0	0	N
Li Xiaodong	3	2	1	0	0	N
Zhang Zhaoguo	6	3	3	0	0	N
Xu Jingwen	3	1	2	0	0	N
Li Ding'an	3	1	2	0	0	N
Times for attending general meeting from independent directors		4				

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

Nil

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

☐ Yes ☒ No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

☒ Yes ☐ No

Explanation on advice that accepted/not accepted from independent directors

Advices about the Company from independent directors are all accepted in the reporting period.

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

1. Duty performance of the audit committee

During the reporting period, the work carried out by the audit committee mainly included: listening to the

company's annual operating, financial and internal audit work, continuing to concern and guide the company's financial affairs and internal audit supervision, carrying forward the audit work to the company's annual financial report, sending a letter to urge the audit report to be submitted on time, communicating with the certified public accountants time after time during the annual audit, objectively evaluating the annual audit work of the accounting firm, and making the resolution to agree to re-appoint the accounting firm.

2. Remuneration & appraisal committee

During the reporting period, the remuneration & appraisal committee has audited 2013 annual remuneration of the company's directors, supervisors and senior management which was considered to be consistent with the actual situation and in line with the provisions of relevant laws and the regulations of remuneration and appraisal system.

3. The nominations committee

During the reporting period, the nominations committee has investigated the proposal for the supplement of independent directors, and made the decision to agree to submit to the board of directors for consideration.

VII. Works from Supervisory Committee

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

☐ Yes ☒ No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

During the reporting period, in order to enable the senior management to better perform their duties and maintain the interests of the company and its shareholders, the company has floatingly paid the remuneration to urge the company's management to work more diligently and ensure the realization of the company's development strategy and operation target accordingly to the "Staff rank and basic salary system" and the performance assessment and combining with the company's actual operating conditions.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

☐ Yes ☒ No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2017-04-25
Disclosure index of full internal control evaluation report	The designated website: Juchao Website
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial	100.00%

statements		
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements		100.00%
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>1. General deficiencies: the amount of direct property loss is between 50,000 and 150,000 Yuan, penalized by the district-level (including district-level) government sector but not having a negative impact on the company's regular disclosure; 2. Important deficiencies: the amount of direct property loss is between 150,000 and 450,000 Yuan, penalized by the provincial level (including provincial level) government sector but not having a negative impact on the company's regular disclosure; 3. Major deficiencies: the amount of direct property loss is more than 450,000 Yuan, penalized by the government sector and having a negative impact on the company's regular disclosure;</p>	<p>1. General deficiencies: when facing low-risk matters in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively;</p> <p>2. Important deficiencies: when facing matters at a moderate risk level in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively;</p> <p>3. Major deficiencies: when facing high-risk matters in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively.</p>
Quantitative standard	<p>1. It belongs to important deficiency if the misstatement of the company's cash on hand, bank deposits, notes receivable, and notes payable caused by internal control deficiencies is less than RMB 1000 Yuan; it belongs to major deficiency if the misstatement caused by internal control deficiencies is greater than or equal to RMB 1000 Yuan.</p> <p>2. Other deficiencies in internal controls: general deficiencies: misstatement index $1 \geq 0.5\%$, and misstatement index $2 < 0.5\%$; important deficiencies: $0.5\% \leq$ misstatement index $2 < 1\%$; major deficiencies: misstatement index $2 \geq 1\%$</p>	<p>General deficiencies: misstatement index $1 \geq 0.5\%$, and misstatement index $2 < 0.5\%$;</p> <p>Important deficiencies: $0.5\% \leq$ misstatement index $2 < 1\%$;</p> <p>Major deficiencies: misstatement index $2 \geq 1\%$</p>
Amount of significant defects in financial		0

reports	
Amount of significant defects in non-financial reports	0
Amount of important defects in financial reports	0
Amount of important defects in non-financial reports	0

X. Auditing report of internal control

☒ Applicable ☐ Not applicable

Deliberations in Internal Control Audit Report	
We believes the Company was in accordance with the "basic norms of internal control" and the relevant provisions and maintained effective internal control of financial reporting in all material respects on 31 Dec. 2016.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2017-04-25
Index of audit report of internal control (full-text)	The designated website: Juchao Website
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

☐ Yes ☒ No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

☒ Yes ☐ No

Section X Corporate Bond

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

☐ Yes ☒ No

Section XI. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2017-04-21
Name of audit institute	DAXIN Certified Public Accountants LLP
Document serial of audit report	Da Xin Shen Zi [2017] No.: 5-00204
Name of CPA	Li Wei, Fan Zhang

Auditor's Report

To all shareholders of Shenzhen Zhongheng Hwafa Co., Ltd.:

We have audited the companying consolidated and parent Company's financial statements of Shenzhen Zhongheng Hwafa Co., Ltd ("Zhongheng Hwafa Company"), including balance sheet of 31 December 2016, and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

Management of the Company is responsible for prepare and present financial statement of the Company, which including: (1) Prepare financial statements with fair presentation in line with Accounting Standards for Business Enterprises; (2) Designing, executed and maintaining necessary internal control in order to prevent fundamental miscarrying in financial statement from fraudulent or errors.

II. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants' Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that we have obtained sufficient and appropriate audit evidences to provide a basis for our audit opinion.

III. Auditing opinion

In our opinion, in all material aspects, Zhongheng Hwafa's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the consolidated and parent company's as of December 31, 2016, and its operation results and cash flows for the year ended.

II. Financial statement

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

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HWAFA CO., LTD

2016-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	93,332,709.81	662,115,464.19
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	52,663,100.89	54,346,509.74
Accounts receivable	139,808,058.20	109,965,992.14
Accounts paid in advance	13,075,721.93	3,092,021.10
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		1,838,752.40
Dividend receivable		
Other receivables	3,934,376.89	9,312,148.07
Purchase restituted finance asset		
Inventories	46,902,384.80	27,132,125.91

Divided into assets held for sale		92,857,471.69
Non-current asset due within one year	12,191.49	
Other current assets		
Total current assets	349,728,544.01	960,660,485.24
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	54,145,225.02	30,019,906.66
Fix assets	81,544,707.02	110,607,425.50
Construction in progress	654,356.00	654,356.00
Engineering material		
Disposal of fixed asset	92,857,471.69	
Productive biological asset		
Oil and gas asset		
Intangible assets	44,878,095.77	46,372,390.49
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	191,666.59	274,758.16
Deferred income tax asset	8,475,476.30	6,400,271.29
Other non-current asset		
Total non-current asset	282,746,998.39	194,329,108.10
Total assets	632,475,542.40	1,154,989,593.34
Current liabilities:		
Short-term loans	181,210,467.81	119,479,107.41
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	16,714,584.01	53,614,420.20
Accounts payable	73,714,424.77	54,241,655.86
Accounts received in advance	48,846.60	1,147,469.52
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	4,542,531.22	4,731,615.47
Taxes payable	16,768,030.70	17,867,985.05
Interest payable	123,641.69	
Dividend payable		
Other accounts payable	17,050,035.16	32,665,698.32
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	310,172,561.96	283,747,951.83
Non-current liabilities:		
Long-term loans		554,700,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,604,411.81	2,604,411.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	2,604,411.81	557,304,411.81
Total liabilities	312,776,973.77	841,052,363.64

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	146,283,642.90
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	-187,441,523.12	-192,899,233.45
Total owner's equity attributable to parent company	319,698,568.63	313,937,229.70
Minority interests		
Total owner's equity	319,698,568.63	313,937,229.70
Total liabilities and owner's equity	632,475,542.40	1,154,989,593.34

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	10,375,152.87	524,937,734.32
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		322,194.43
Account paid in advance	2,500,000.00	1,005,472.83
Interest receivable		
Dividends receivable		

Other receivables	114,067,051.57	76,113,265.23
Inventories	14,806.50	14,806.50
Divided into assets held for sale		92,857,471.69
Non-current assets maturing within one year		
Other current assets		
Total current assets	126,957,010.94	695,250,945.00
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	28,796,525.38	30,019,906.66
Fix assets	6,491,983.71	4,726,034.98
Construction in progress	654,356.00	654,356.00
Project materials		
Disposal of fixed assets	92,857,471.69	
Productive biological assets		
Oil and natural gas assets		
Intangible assets	4,988,546.40	5,133,492.12
Research and development costs		
Goodwill		
Long-term deferred expenses	191,666.59	241,666.63
Deferred income tax assets	9,217,543.32	7,204,895.54
Other non-current assets		
Total non-current assets	329,806,993.09	234,589,251.93
Total assets	456,764,004.03	929,840,196.93
Current liabilities:		
Short-term borrowings	120,000,000.00	19,600,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	10,745,840.16	10,745,840.16

Accounts received in advance	44,162.00	735,382.00
Wage payable	857,735.20	788,575.28
Taxes payable	10,094,737.11	14,304,235.45
Interest payable		
Dividend payable		
Other accounts payable	13,383,939.40	26,415,353.86
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	155,126,413.87	72,589,386.75
Non-current liabilities:		
Long-term loans		554,700,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,604,411.81	2,604,411.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	2,604,411.81	557,304,411.81
Total liabilities	157,730,825.68	629,893,798.56
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	146,283,642.90
Less: Inventory shares		
Other comprehensive income		

Reasonable reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-208,106,913.40	-206,890,064.78
Total owner's equity	299,033,178.35	299,946,398.37
Total liabilities and owner's equity	456,764,004.03	929,840,196.93

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	619,167,770.74	499,455,781.11
Including: Operating income	619,167,770.74	499,455,781.11
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	611,110,771.22	527,629,119.93
Including: Operating cost	534,736,613.02	418,001,067.08
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	6,137,557.58	5,769,094.76
Sales expenses	11,415,270.82	11,427,705.20
Administration expenses	50,261,495.60	42,691,408.13
Financial expenses	5,012,897.34	48,393,716.52
Losses of devaluation of asset	3,546,936.86	1,346,128.24
Add: Changing income of fair value(Loss is listed with "-")		
Investment income (Loss is listed	333,974.06	25,247,171.27

with “-”)		
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	8,390,973.58	-2,926,167.55
Add: Non-operating income	5,533,431.78	3,163,848.99
Including: Disposal gains of non-current asset	122,730.30	453,321.89
Less: Non-operating expense	5,241,393.14	332,848.12
Including: Disposal loss of non-current asset	40,598.22	4,270.45
IV. Total Profit (Loss is listed with “-”)	8,683,012.22	-95,166.68
Less: Income tax expense	3,225,301.89	4,105,678.93
V. Net profit (Net loss is listed with “-”)	5,457,710.33	-4,200,845.61
Net profit attributable to owner’s of parent company	5,457,710.33	-4,200,845.61
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	5,457,710.33	-4,200,845.61
Total comprehensive income attributable to owners of parent Company	5,457,710.33	-4,200,845.61
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0193	-0.0148
(ii) Diluted earnings per share	0.0193	-0.0148

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
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I. Operating income	43,547,414.64	54,055,168.03
Less: Operating cost	6,585,571.92	8,764,361.27
Taxes and surcharge	2,909,400.85	3,276,513.30
Sales expenses		
Administration expenses	24,443,614.03	22,964,822.60
Financial expenses	5,510,413.62	47,475,979.01
Losses of devaluation of asset	3,296,102.05	1,344,755.83
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		25,246,527.78
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	802,312.17	-4,524,736.20
Add: Non-operating income	3,569,624.89	688,140.77
Including: Disposal gains of non-current asset		341,452.77
Less: Non-operating expense	5,173,413.08	16,682.32
Including: Disposal loss of non-current asset	18,924.00	
III. Total Profit (Loss is listed with “-”)	-801,476.02	-3,853,277.75
Less: Income tax expense	415,372.60	3,158,113.24
IV. Net profit (Net loss is listed with “-”)	-1,216,848.62	-7,011,390.99
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes 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	-1,216,848.62	-7,011,390.99
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

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	576,271,328.32	513,469,704.97
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	68,476,594.48	296,382,321.93
Subtotal of cash inflow arising from operating activities	644,747,922.80	809,852,026.90
Cash paid for purchasing commodities and receiving labor service	469,147,356.40	248,964,065.70
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	61,583,984.43	62,963,693.91
Taxes paid	21,225,973.55	19,396,559.05
Other cash paid concerning	111,483,905.00	305,041,692.25

operating activities		
Subtotal of cash outflow arising from operating activities	663,441,219.38	636,366,010.91
Net cash flows arising from operating activities	-18,693,296.58	173,486,015.99
II. Cash flows arising from investing activities:		
Cash received from recovering investment	334,700,000.00	
Cash received from investment income	333,974.06	
Net cash received from disposal of fixed, intangible and other long-term assets	188,362.00	
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		899,643.49
Subtotal of cash inflow from investing activities	335,222,336.06	899,643.49
Cash paid for purchasing fixed, intangible and other long-term assets	6,628,243.65	28,607,045.58
Cash paid for investment	334,700,000.00	
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	341,328,243.65	28,607,045.58
Net cash flows arising from investing activities	-6,105,907.59	-27,707,402.09
III. Cash flows arising from financing activities		
Cash received from absorbing investment	303,628.60	
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		

Cash received from loans	248,739,138.25	330,573,804.44
Cash received from issuing bonds		
Other cash received concerning financing activities		1,062,033,333.35
Subtotal of cash inflow from financing activities	249,042,766.85	1,392,607,137.79
Cash paid for settling debts	743,361,629.35	379,809,073.35
Cash paid for dividend and profit distributing or interest paying	9,132,711.48	53,144,384.74
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		500,000,000.00
Subtotal of cash outflow from financing activities	752,494,340.83	932,953,458.09
Net cash flows arising from financing activities	-503,451,573.98	459,653,679.70
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-580,865.04	5,022,515.44
V. Net increase of cash and cash equivalents	-528,831,643.19	610,454,809.04
Add: Balance of cash and cash equivalents at the period-begin	632,846,956.16	22,392,147.12
VI. Balance of cash and cash equivalents at the period-end	104,015,312.97	632,846,956.16

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	21,453,165.00	52,034,400.65
Write-back of tax received		
Other cash received concerning	76,073,111.02	68,155,035.46

operating activities		
Subtotal of cash inflow arising from operating activities	97,526,276.02	120,189,436.11
Cash paid for purchasing commodities and receiving labor service	5,792,314.81	8,322,444.30
Cash paid to/for staff and workers	3,166,849.75	5,577,101.48
Taxes paid	11,555,523.30	6,560,587.94
Other cash paid concerning operating activities	127,611,991.39	75,777,962.88
Subtotal of cash outflow arising from operating activities	148,126,679.25	96,238,096.60
Net cash flows arising from operating activities	-50,600,403.23	23,951,339.51
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	576.00	
Net cash received from disposal of subsidiaries and other units		1,000,000.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	576.00	1,000,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	2,763,012.20	304,712.00
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	2,763,012.20	304,712.00

Net cash flows arising from investing activities	-2,762,436.20	695,288.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment	303,628.60	
Cash received from loans	120,000,000.00	19,600,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		1,062,033,333.35
Subtotal of cash inflow from financing activities	120,303,628.60	1,081,633,333.35
Cash paid for settling debts	574,300,000.00	50,600,000.00
Cash paid for dividend and profit distributing or interest paying	7,203,237.97	45,555,697.47
Other cash paid concerning financing activities		500,000,000.00
Subtotal of cash outflow from financing activities	581,503,237.97	596,155,697.47
Net cash flows arising from financing activities	-461,199,609.37	485,477,635.88
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-132.65	11,212.34
V. Net increase of cash and cash equivalents	-514,562,581.45	510,135,475.73
Add: Balance of cash and cash equivalents at the period -begin	524,937,734.32	14,802,258.59
VI. Balance of cash and cash equivalents at the period -end	10,375,152.87	524,937,734.32

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

This Period

In RMB

Item	This Period										
	Owners' equity attributable to parent company									Minority interests	Total owners' equity
	Share	Other equity instrument	Capital reserve	Less: Invento	Other compre	Reasonable	Surplus reserve	Provision of	Retained profit		

	capital	Prefer red stock	Perpet ual capita l securi ties	Other		ry shares	hensive income	reserve		general risk			
I. Balance at the end of the last year	283,161,227.00				146,283,642.90				77,391,593.25		-195,429,900.95		311,406,562.20
Add: Changes of accounting policy													
Error correction of the last period											2,530,667.50		2,530,667.50
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	283,161,227.00				146,283,642.90				77,391,593.25		-192,899,233.45		313,937,229.70
III. Increase/Decrease in this year (Decrease is listed with "-")					303,628.60						5,457,710.33		5,761,338.93
(i) Total comprehensive income											5,457,710.33		5,457,710.33
(ii) Owners' devoted and decreased capital					303,628.60								303,628.60
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					303,628.60								303,628.60
(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		-187,441,523.12		319,698,568.63

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company										Minority interest s	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	283,161,227.				109,496				77,391,		-188,698,387.8		281,351

	00				,837.33				593.25		4		,269.74
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	283,16 1,227. 00				109,496 ,837.33				77,391, 593.25		-188,69 8,387.8 4		281,351 ,269.74
III. Increase/ Decrease in this year (Decrease is listed with “-”)					36,786, 805.57						-4,200,8 45.61		32,585, 959.96
(i) Total comprehensive income											-4,200,8 45.61		-4,200,8 45.61
(ii) Owners’ devoted and decreased capital					36,786, 805.57								36,786, 805.57
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					36,786, 805.57								36,786, 805.57
(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				146,283,642.90			77,391,593.25		-192,899,233.45		313,937,229.70	

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

This Period

In RMB

Item	This Period										
	Share capital	Other equity instrument			Capital 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				146,283,642.90				77,391,593.25	-209,420,732.28	297,415,730.87
Add: Changes of accounting policy										2,530,667.50	2,530,667.50
Error											

correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				146,283,642.90				77,391,593.25	-206,890,064.78	299,946,398.37
III. Increase/Decrease in this year (Decrease is listed with "-")					303,628.60					-1,216,848.62	-913,220.02
(i) Total comprehensive income										-1,216,848.62	-1,216,848.62
(ii) Owners' devoted and decreased capital					303,628.60						303,628.60
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					303,628.60						303,628.60
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											

3. Remedying loss with surplus reserve											
4. 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	-208,106,913.40	299,033,178.35

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital 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				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				109,496,837.33				77,391,593.25	-199,878,673.79	270,170,983.79
III. Increase/Decrease in this year (Decrease is listed with "-")					36,786,805.57					-7,011,390.99	29,775,414.58
(i) Total comprehensive income										-7,011,390.99	-7,011,390.99

(ii) Owners' devoted and decreased capital					36,786,805.57						36,786,805.57
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					36,786,805.57						36,786,805.57
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. 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	283,161,				146,283,6				77,391,59	-206,89	299,946,3

period	227.00				42.90				3.25	0,064.78	98.37
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III. Company profile

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

Shenzh Zhongheng Hwafa 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., Huaafa (N) Road, Futian District, Shenzhen

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227

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 disply, LCD (operates in branch), radio-recorder, sound equipment, electronic eatch, 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 elctronic producs 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 directrly under the central government.

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

The financial statement has been deliberated and approved by BOD on 21 April 2017. According to Article of Association, the statement shall be submit for deliberation in shareholders general meeting.

4. Scope of consolidate financial statement

Consolidate scope in the Period including: parent company – Shenzhen Zhongheng Hwafa Company Limited, subsidiary including Shenzhen Hwafa Perpoerty Leasing Management Co., Ltd. (no annual inspection in 2011, and business license revoke on 1 April 2014), Shenzhen Zhongheng Hwafa perperty Co., Ltd., Wuhan Hengfa Technology Co., Ltd., Shenzhen Hwafa Hengtian Co., Ltd. and Shenzhen Hwafa Hengtai Co., Ltd. more of subsidiaries found in “Note IX. 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

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

No

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 2016 and the operation results as well as cash flow for the year of 2016.

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. Financial instruments

(1) Categories and recognition of financial instruments

The financial instruments are classified as the financial assets, liabilities and equity instruments. As the Company becomes one party of the financial instrument contract, the instrument is recognized as one financial asset, liability or equity instruments.

In the initial recognition, the financial assets are classified as, the financial assets measured on fair value and with its changes reckoned into the current loss/gain, long-term invest-bonds, account receivables, and financial assets available for sale. Categories of the financial assets besides account receivables are dependent on the holding intention and purpose of the Company and its subsidiaries for the financial assets. In the initial recognition, the financial liabilities are classified as the financial liabilities measured on the fair value and with its changes reckoned into the current loss/gain, other financial liabilities.

The financial assets measured by fair value and with its variation reckoned into current gains/losses including the transaccional financial assets held for sale in short period, and the financial assets initially recognized as financial assets measured by fair value and with its variation reckoned into current gains/losses; receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition; held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity.

(2) Measurement of financial instruments

In the initial recognition, the financial instruments are measured on fair value; and the follow-up measurements are: financial assets and financial assets available for sale that measured by fair value and with alteration reckoned into current gains/losses together with the financial liabilities that measured by fair value with alteration reckoned into current gains/losses should measured by fair value; the held-to-maturity securities, loans, account receivable and other financial liability are measured by amortized cost; as for the equity instrument investment without quote in an active market and with its fair value can not be reliably measured, and those derivative financial assets or liability that paid with equity instrument, which have hook with such instrument, should measured by cost. The loss/gain from the fair value changes in the follow-up measurement of the financial assets and liabilities, besides one related to the hedge, is dealt with in the following methods: ① The financial assets or liabilities measured on the fair value and with its changes reckoned into the current loss/gain, are reckoned into the fair value loss/gain; ② The fair value change of the financial assets available for sale, is reckoned into the other comprehensive income.

(3) Recognition of the fair value for the financial assets and liabilities

For those financial instruments existing in active markets, market quotation in the active market is used to confirm their fair values; fair value of the financial instruments which have no active market is confirmed by adoption of estimation technology. The estimation technology mainly including market approach, income approach and cost method

(4) Recognition basis and measurement method for the transfer of financial assets/liabilities

As for the financial assets with all risks and compensations on their patent transferred, or all risks and compensations neither maintained nor transferred but the control over the assets given up, the recognition of the financial asset may terminate. For the financial assets are qualified for the recognition of termination conditions, the measurement may be taken on the financial assets transfer, namely the difference is reckoned into the current loss/gain, between the book value of the transferred financial assets and, the total of the consideration value received from the transfer and the fair value change accumulative sum originally booked into the capital reserve. If the partial transfer satisfies the criteria for derecognition, the entire carrying value of the transferred financial asset shall proportionally allocated between the derecognized portion and the retained portion according to their respective relative fair value.

When all or part of the current obligation to a financial liability has been terminated, the entire or part of such financial liability shall be derecognized.

(5) Impairment loss on financial assets

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

Where there is objective evidence that an impairment loss on available-for-sale financial assets occurs, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current

period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

For investments in equity instruments, the specific quantitative criteria for the Company to determine “serious” or “not temporary” decrease in their fair value, cost computing method, method for determining closing fair value, and basis for determining the continuous decrease period are set out below:

Specific quantitative criterion on “serious” decrease in their fair value	Decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criterion on “not temporary” decrease in their fair value	Fall for 12 consecutive months
Cost computing method	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.
Method for determining closing fair value	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Basis for determining the continuous decrease period	The rebound in the continuous fall or the period with the trend of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

11. 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
Age portfolio	Aging of accounts

Withdrawing bad debt provision by aging method in portfolio:

☒ Applicable ☐ Not applicable

Account ages	Accrued proportion of accounts receivable	Accrued proportion of other accounts receivable
Within one year (one year included)	0.00%	0.00%
1—2 years	5.00%	5.00%
2—3 years	10.00%	10.00%

Over three years	30.00%	30.00%
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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 prevision 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

12. 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, products in process, inventory goods, consumable low-value product, homemade semi-finished products and commissioned processing materials 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

13. Classify to assets available for sale

The non-current assets meet the following conditions shall classify as assets availabel for sale: 1. resolution of disposal on such non-current assts are being made; 2. Signing an irrevocable transfer agreement with acquiring party; and 3. the transfer will complete in one year.

14. 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.

15. 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, the specific depreciation period is 5 to 50 years, the estimated residual rate is 10.00%, and the annual depreciation rate is 1.80% -18.00%; the leased land use rights in the investment property and the land use rights to be transferred after appreciation adopt straight-line amortization, the specific amortization period is 50 years, the estimated residual rate is 10.00%, and the annual amortization rate is 1.80%

16. Fixed assets

(1) Recognition

The fixed assets refers to the tangible assets that possess the features as follows: 1. they are held for the sake of producing commodities, rendering labor service, renting or business management; and 2.their useful life is in excess of one fiscal year with over 2000 Yuan in value. 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%

17. Project in progress

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

No

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.

18. 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.

19. Intangible assets

(1) Accounting method, service life and impairment test

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.

20. 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 recognised 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 recognised 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.

21. 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.

22. 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.

23. 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.

24. Share-based payment

The Company's share-based payment includes the equity-settled share-based payments and the cash-settled share-based payments. The equity-settled share-based payments in exchange for the provision of services by employees shall be measured by the fair value of the employee's equity instruments. When there is an active market, it is determined by the quotation in the active market; if there is no active market, it is determined by the valuation technique, including the price used in the market transactions conducted by the parties who are familiar with the situation and voluntarily make transactions, the current fair value of other financial instruments substantially the same, the discount cash flow method, and the option pricing model.

At each balance sheet date, correct the stock options amount of estimated available rights according to the newest achieved follow-up information such as the change in the number of available rights, the completion of performance indicators, etc., and confirm the cost should be apportioned at each period on the basis of this. As for the option charges that span multiple accounting periods, it is generally possible to apportion according to the proportion of the waiting period of this option in a certain accounting period accounted for the entire waiting period.

25. 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 are 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

26. 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 recognised as government grant related to assets which will be recognised as deferred income. Deferred income is averagely allocated against the estimated service life of asset since the asset is available for use, and recorded in profit or loss for the current period.

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

The government grants other than the government grants related to assets are recognized as government grants related to income. Government grants related to income shall be treated as follows: those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss for the current period when such expenses are recognized; and those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

27. 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 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 assts in previous accounting period shall be recognized. If there has no enough taxable amounts, obtained in future period, to deducted the deferred income tax assets, book value of the deferred income tax assets shall be kept in decreased.

(3) The taxable temporary differences related to the investments of subsidiary companies and associated enterprises shall recognized as deferred income tax liability, unless the Company can control the time of the reverse of temporary differences and the temporary differences are unlikely to be reversed in the expected future. As for the deductible temporary difference related to the investment of the subsidiary companies and associated enterprises, deferred income tax assets shall be recognized while the temporary differences are likely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

28. Leasing

(1) Accounting treatment for operating lease

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

(2) Accounting treatment for finance lease

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.

29. Other important accounting policy and estimation

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

30. Changes in important accounting policies and estimates

(1) Changes in important accounting policies

☒ Applicable ☐ Not applicable

Content and reason of changes in accounting policies	Approval procedure	Note
According to the Provisions of Accounting Treatments on VAT Cai Kuai [2016] No.22 issued by Ministry of Finance on 3 December 2016, relevant business occurred since 1 May 2016 will implement the new provision		The follow taxes (house duty, land use tax, stamp tax, vehicle and vessel tax and resource tax etc.) arising from operation activities will listed under "taxes and surcharge" from "administrative expenses" since 1 May 2016. the taxes occurred before 1 May 2016 will not adjust and comparative data either

Tax and surcharge in consolidate profit statement increased 2,664,333.31 Yuan for the Year;

Administrative expenses in consolidate profit statement decreased 2,664,333.31 Yuan for the Year;

Tax and surcharge in parent company's profit statement increased 1,293,535.18 Yuan for the Year;

Administrative expenses in parent company's profit statement decreased 1,293,535.18 Yuan for the Year;

(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	6%, 17%
Urban maintenance and construction tax	Transfer tax payable	7%
Corporate income tax	Taxable income	25%
Business tax	Taxable income	5%
Educational surtax	Transfer tax payable	3%

Local educational surtax	Transfer tax payable	2%, 1.5%
Property tax	70% of original value of the property	1.2%

Explain the different taxation entity of the enterprise income tax

Taxation entity	Income tax rate
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VII. Notes to main items in consolidated financial statement

1. Monetary fund

In RMB

Item	Closing balance	Opening balance
Cash on hand	235,039.12	382,669.21
Bank deposit	91,075,765.36	632,464,286.95
Other monetary fund	2,021,905.33	29,268,508.03
Total	93,332,709.81	662,115,464.19

Other explanation

Other monetary funds are bank acceptance deposits.

2. Note receivable

(1) Category

In RMB

Item	Closing balance	Opening balance
Bank acceptance bill	30,321,803.17	54,346,509.74
Commercial acceptance bill	22,341,297.72	
Total	52,663,100.89	54,346,509.74

(2) Note receivable pledged at period-end

In RMB

Item	Amount pledged
Bank acceptance bill	18,280,643.56
Total	18,280,643.56

(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	32,575,746.11	
Commercial acceptance bill	21,838,816.32	
Total	54,414,562.43	

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 with single significant amount and withdrawal bad debt provision separately	7,649,789.11	5.00%	7,649,789.11	100.00%		7,649,789.11	6.22%	7,649,789.11	100.00%	
Account receivable with bad debt provision accrual by portfolio	139,832,638.85	91.36%	24,580.65	0.02%	139,808,058.20	110,105,447.88	89.58%	139,455.74	0.13%	109,965,992.14
Accounts with single significant amount and bad debts provision accrued individually	5,576,978.19	3.64%	5,576,978.19	100.00%		5,160,953.41	4.20%	5,160,953.41	100.00%	
Total	153,059,406.15	100.00%	13,251,347.95		139,808,058.20	122,916,190.40	100.00%	12,950,198.26		109,965,992.14

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	Reasons
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	100.00%	Un-recyclable
Hongkong Haowei	1,870,887.18	1,870,887.18	100.00%	Un-recyclable

Industry Co. Ltd.				
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.	672,769.28	672,769.28	100.00%	Un-recyclable
Total	7,649,789.11	7,649,789.11	--	--

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	139,341,025.80		
1-2 year	491,613.05	24,580.65	5.00%
Total	139,832,638.85	24,580.65	

Explanation on portfolio basis:

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 year-end

Debtor	Book balance	Bad debt	Accrual ratio	Reasons
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100	Uncollectible
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100	Uncollectible
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100	Uncollectible
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100	Uncollectible
Vietnam International Shipping International Co., Ltd.	323,405.97	323,405.97	100	Uncollectible
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100	Uncollectible

China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100	Uncollectible
SkyWorth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100	Uncollectible
Other	1,951,354.35	1,951,354.35	100	Uncollectible
Total	5,576,978.19	5,576,978.19		

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

Bad debt provision accrual was 301,149.69 Yuan; the amount collected or switches back amounting to 0 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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(3) Top five receivables collected by arrears party at ending balance

Total year-end balance of top five receivables by arrears party amounting to 120,720,685.90 Yuan, takes 78.88 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 1,225,326.15 Yuan.

4. Prepayments

(1) Prepayments listed by account age

In RMB

Account age	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within one year	12,760,284.18	97.59%	1,201,255.38	38.85%

1-2 year	17,494.85	0.13%	515,157.07	16.66%
2-3 year	297,942.90	2.28%	1,252,009.66	40.49%
Over 3 years			123,598.99	4.00%
Total	13,075,721.93	--	3,092,021.10	--

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

Prepayments of 75,835.47 Yuan for Dongguan assembly electronics co., ltd., unsettlement for the materils are not delivery;
prepayment of 69,900.00Yuan for Shenzhen xinyuyue electronics co., ltd. unsettlement for the materils are not delivery

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

Total year-end balance of top five advance payment by prepayment object amounted to 12,175,387.08 Yuan, takes 93.12% percent of the total advance payment at year-end.

Other explanation:

Nil

5. Interest receivable

(1) Category

In RMB

Item	Closing balance	Opening balance
Wuhan Hengsheng Photoelectric Industry Co., Ltd.		1,838,752.40
Total		1,838,752.40

6. 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	7,572,254.02	41.36%	6,042,827.38	79.80%	1,529,426.64	6,303,454.02	30.57%	5,662,187.38	89.83%	641,266.64

Other account receivable with bad debt provision accrual by portfolio	2,384,045.02	13.02%	57,893.17	2.43%	2,326,151.85	8,844,219.47	42.90%	173,338.04	1.96%	8,670,881.43
Other account receivable with single minor amount but withdrawal single item bad debt provision	8,351,898.56	45.62%	8,273,100.16	99.06%	78,798.40	5,469,385.44	26.53%	5,469,385.44	100.00%	
Total	18,308,197.60	100.00%	14,373,820.71		3,934,376.89	20,617,058.93	100.00%	11,304,910.86		9,312,148.07

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
Portman	4,021,734.22	4,021,734.22	100.00%	Un-recyclable
Zhao Baomin	564,646.35	564,646.35	100.00%	Un-recyclable
Shenzhen Jifang Investment Co., Ltd.	1,268,800.00	380,640.00	30.00%	Partially recyclable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-recyclable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-recyclable
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	641,266.64			Deposit without accrual
Total	7,572,254.02	6,042,827.38	--	--

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	1,998,536.62		0.00%
1-2 year	158,753.40	7,937.67	5.00%
2-3 year	90,355.00	9,035.50	10.00%
Over three years	136,400.00	40,920.00	30.00%

Total	2,384,045.02	57,893.17	
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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 year-end

Debtor	Book balance	Bad debt	Accrual ratio (%)	Reasons
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100	Uncollectible
Shenzhen Lotus Island Restaurant Co., Ltd.	236,293.80	236,293.80	100	Uncollectible
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100	Uncollectible
China Great Wall Computer Shenzhen Company Limited	168,436.33	168,436.33	100	Uncollectible
Shenzhen Hongya Electronic Co., Ltd.	156,390.00	156,390.00	100	Uncollectible
Shangxi Shengyi Technology Co., Ltd.	156,239.32	156,239.32	100	Uncollectible
Changchun Artificial Resin Co., Ltd.	147,486.96	147,486.96	100	Uncollectible
Shenzhen Xinlan Technology Co., Ltd.	138,038.00	138,038.00	100	Uncollectible
Fujian Zhangzhou Weili Electronic Enterprise Co., Ltd.	112,335.62	112,335.62	100	Uncollectible
Chuangjing Studio	192,794.00	192,794.00	100	Uncollectible
Individuals borrow	1,799,073.12	1,799,073.12	100	Uncollectible
Labor union	332,402.55	332,402.55	100	Uncollectible
Staff canteen etc.	856,753.66	856,753.66	100	Uncollectible
Other	3,340,933.86	3,340,933.86	100	Uncollectible
Shenzhen Poly Property Group Co., Ltd.	78,798.40			
Total	8,351,898.56	8,273,100.16	—	—

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

Bad debt provision accrual was 3,073,222.6 Yuan; the amount collected or switches back amounting to 4,312.80 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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(3) Classify according to nature

In RMB

Nature	Ending book balance	Opening book balance
Margin and deposit	1,793,485.04	1,050,465.04

Borrow money	2,719,549.04	2,230,773.98
Intercourse funds	7,503,053.91	8,555,223.82
Rent receivable	6,195,824.01	8,780,596.09
Other	96,285.60	
Total	18,308,197.60	20,617,058.93

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

In RMB

Company	Nature	Ending balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
Portman	Lease receivable	4,021,734.22	Over three years	22.26%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd.	Lease receivable	1,268,800.00	Within 1 year and 1-2 year	7.02%	380,640.00
Wuhan Power Supply Company of Hubei Provincial Electric Power Co., Ltd.	Electricity fees	800,000.00	Within 1 year	4.43%	
Fujian Jieliang Electronic Co., Ltd.	Margin	641,266.64	Within 1 year	3.55%	
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Deposit	564,646.35	Within 1 year and 1-2 year	3.13%	564,646.35
Total	--	7,296,447.21	--	40.39%	4,967,020.57

7. Inventory

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

No

(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	29,871,068.31	1,089,943.56	28,781,124.75	17,302,057.71	1,179,084.70	16,122,973.01

Goods in process				307,753.41		307,753.41
Inventory goods	15,940,570.96	914,927.55	15,025,643.41	9,312,241.13	630,705.46	8,681,535.67
Homemade semi-finished products	2,757,682.20	41,816.29	2,715,865.91	1,783,967.55	33,070.70	1,750,896.85
Low priced and easily worn articles	404,377.39	24,626.66	379,750.73	320,542.85	51,575.88	268,966.97
Total	48,973,698.86	2,071,314.06	46,902,384.80	29,026,562.65	1,894,436.74	27,132,125.91

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

Items	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Switch back or Written-off	Other	
Raw materials	1,179,084.70	98,563.06		187,704.20		1,089,943.56
Inventory goods	630,705.46	284,222.09				914,927.55
Homemade semi-finished products	33,070.70	8,745.59				41,816.29
Low priced and easily worn articles	51,575.88	17,131.38		44,080.60		24,626.66
Total	1,894,436.74	408,662.12		231,784.80		2,071,314.06

(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

8. Classified as assets held for sale

In RMB

Item	Ending book value	Fair value	Expected disposal expenses	Expected disposal time
Gongming Huafa Electronic City	0.00			
Total	0.00			--

Other explanation:

On August 26, 2015, the Company signed the "Cooperation Agreement on Urban Renewal Project of Update Units at Huafa Industrial Park, Gongming Street, Guangming New District, Shenzhen", "Agreement on the Housing Acquisition and Removal Compensation and Settlement", and "Cooperative Operation Contract of Renovation Project at Huafa Industrial Park, Gongming Street, Guangming New District" with Shenzhen Hwafa and Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Zhongheng Group"), Shenzhen Vanke Real Estate Co., Ltd. and Shenzhen Guangming Vanke Real Estate Development Co., Ltd., according to the agreement of the Company and Zhongheng Group, the Company has authorized Zhongheng Group to proceed with this project cooperation on behalf of the Company, the Company could obtain the consideration for demolition compensation of 500 million yuan and the commercial area of 100,000 square meters; and after the completion of liquidation and settlement of the target project, the third party intermediary appointed by Zhongheng Group made distribution of earnings for the common benefit liquidation of the target project, if the common benefits had profits, the Company could share in the proportion of 50.50% of the interests of the occupied land, if there was a loss in the common benefits, the Company did not have to bear. This project was approved to shift to liquidation of fixed assets by the company because it was in the state of closure due to the litigation with Vanke.

9. Non-current assets due within one year

In RMB

Item	Closing balance	Opening balance
Decoration fee	12,191.49	
Total	12,191.49	

Other explanation:

Decoration fee will amortized in one year, and transfer to non-current assets due within one year

10. 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	107,661,686.94			107,661,686.94

2.Current increased	26,000,000.00			26,000,000.00
(1) outsourcing				
(2) inventory\fixed assets\construction in process transfer-in	26,000,000.00			26,000,000.00
(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	77,641,780.28			77,641,780.28
2.Current increased	1,874,681.64			1,874,681.64
(1) accrual or amortization	1,874,681.64			1,874,681.64
3.Current decreased				
(1) disposal				
(2) other transfer-out				
4.Closing balance	79,516,461.92			79,516,461.92
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	54,145,225.02			54,145,225.02
2. Opening Book value	30,019,906.66			30,019,906.66

(2) Investment real estate measure on fair value

☐ Applicable ☒ Not applicable

11. Fixed assets

(1) Fixed assets

In RMB

Items	House and building	Machine equipment	Transportation equipment	Office equipment	Instrument equipment	Tool equipment	Mold equipment	Total
I. Original book value:								
1. Opening balance	91,554,098.85	76,468,545.61	4,056,422.87	5,594,918.62	2,754,225.58	3,535,518.29	11,343,547.07	195,307,276.89
2. Current increased	54,700.00	771,067.08	1,471,730.77	1,334,434.13	39,042.74	853,403.87	1,932,889.76	6,457,268.35
(1)purchasing	54,700.00	771,067.08	1,471,730.77	1,334,434.13	39,042.74	853,403.87	1,932,889.76	6,457,268.35
(2)construction in progress transfer-in								
(3) increased by combination								
3. Current decreased	26,000,000.00	170,413.00	315,000.00	28,410.50	37,606.83	4,716.45	669,603.44	27,225,750.22

(1) disposal or scrapping		170,413.00	315,000.00	28,410.50	37,606.83	4,716.45	669,603.44	1,225,750.22
(2) transfer-in investment properties	26,000,000.00							26,000,000.00
4.Closing balance	65,608,798.85	77,069,199.69	5,213,153.64	6,900,942.25	2,755,661.49	4,384,205.71	12,606,833.39	174,538,795.02
II. Accumulative depreciation								
1.Opening balance	10,973,812.06	52,887,651.05	2,948,087.90	5,010,770.08	2,364,796.62	2,166,482.87	8,348,250.81	84,699,851.39
2.Current increased	2,567,854.86	4,823,933.68	491,124.18	212,548.56	95,166.82	404,258.51	1,233,523.55	9,828,410.16
(1) accrual	2,567,854.86	4,823,933.68	491,124.18	212,548.56	95,166.82	404,258.51	1,233,523.55	9,828,410.16
3.Current decreased	651,300.36	153,281.70	276,571.32	25,569.45	33,846.14	4,244.81	389,359.77	1,534,173.55
(1) disposal or scrapping		153,281.70	276,571.32	25,569.45	33,846.14	4,244.81	389,359.77	882,873.19
(2) transfer-in investment properties	651,300.36							651,300.36
4.Closing balance	12,890,366.56	57,558,303.03	3,162,640.76	5,197,749.19	2,426,117.30	2,566,496.57	9,192,414.59	92,994,088.00
III. Depreciation reserves								
1.Opening balance								
2.Current increased								
(1) accrual								
3.Current decreased								
(1) disposal or scrapping								

4.Closing balance								
IV. Book value								
1. Ending Book value	52,718,432.29	19,510,896.66	2,050,512.88	1,703,193.06	329,544.19	1,817,709.14	3,414,418.80	81,544,707.02
2. Opening Book value	80,580,286.79	23,580,894.56	1,108,334.97	584,148.54	389,428.96	1,369,035.42	2,995,296.26	110,607,425.50

(2) Fixed assets leasing-out by operational lease

In RMB

Item	Ending book value
House and building	957,878.33

12. 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 project of Huafa Building	654,356.00		654,356.00	654,356.00		654,356.00
Total	654,356.00		654,356.00	654,356.00		654,356.00

13. Disposal of fixed assets

In RMB

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

Other explanation:

Transfer to disposal of fixed assets from assets available for sale

14. Intangible assets

(1) Intangible assets

In RMB

Item	Land use right	Patent right	Non-patented technology	Computer software	Total
I. Original book value					
1.Opening balance	55,187,826.36			661,878.97	55,849,705.33
2.Current increased					
(1) purchasing					
(2) internal R&D					
(3) increased by combination					
3.Current decreased					
(1) disposal					
4.Closing balance	55,187,826.36			661,878.97	55,849,705.33
II. Accumulated amortization					
1.Opening balance	9,125,026.65			352,288.19	9,477,314.84
2.Current increased	1,444,408.80			49,885.92	1,494,294.72
(1) accrual	1,444,408.80			49,885.92	1,494,294.72
3.Current decreased					
(1) disposal					
4.Closing	10,569,435.45			402,174.11	10,971,609.56

balance					
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	44,618,390.91			259,704.86	44,878,095.77
2. Opening Book value	46,062,799.71			309,590.78	46,372,390.49

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

15. Long-term deferred expenditure

In RMB

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Closing balance
Golf membership fee	241,666.63		50,000.04		191,666.59
Decoration fee	33,091.53		20,900.04	12,191.49	
Total	274,758.16		70,900.08	12,191.49	191,666.59

Other explanation

Other decreased refers to the non-current assets due within one year

16. Deferred income tax asset /deferred income tax liability

(1) Deferred income tax assets un-offset

In RMB

Item	Closing balance	Opening balance
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	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Provision for impairment of assets	26,543,004.31	6,635,751.08	22,996,373.35	5,749,168.34
Estimated liabilities	2,604,411.81	651,102.95	2,604,411.81	651,102.95
Other	4,754,489.08	1,188,622.27		
Total	33,901,905.20	8,475,476.30	25,600,785.16	6,400,271.29

(2) 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		8,475,476.30		6,400,271.29

(3) Deferred income tax asset without confirmed

In RMB

Item	Closing balance	Opening balance
Deductible loss	1,006,234.22	1,006,234.22
Provision for impairment of assets	3,153,478.41	3,153,172.51
Total	4,159,712.63	4,159,406.73

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

In RMB

Year	Closing amount	Opening amount	Note
2017	480,885.89	480,885.89	
2018	525,348.33	525,348.33	
Total	1,006,234.22	1,006,234.22	--

Other explanation:

Nil

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

In RMB

Item	Closing balance	Opening balance
Pledge loan	6,500,000.00	21,000,000.00
Guaranteed loan	20,000,000.00	19,600,000.00
Collateral loan	54,710,467.81	78,879,107.41
Mortgage borrowing	100,000,000.00	
Total	181,210,467.81	119,479,107.41

Explanation on category of short-term borrowing:

Nil

18. Note payable

In RMB

Category	Closing balance	Opening balance
Commercial acceptance bill	16,714,584.01	53,614,420.20
Total	16,714,584.01	53,614,420.20

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

19. Account payable**(1) Account payable**

In RMB

Item	Closing balance	Opening balance
Within one year (one year included)	61,929,564.68	35,930,211.26
Over 1 year	11,784,860.09	18,311,444.60
Total	73,714,424.77	54,241,655.86

(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
LG	1,906,267.50	Unsettled

Dongjin Electronics (Nanjing) Plasma Co., Ltd.	617,963.45	Unsettled
Total	5,383,116.92	--

Other explanation:

Nil

20. Account received in advance

(1) Account received in advance

In RMB

Item	Closing balance	Opening balance
Within one year (one year included)	1,067.00	1,140,236.50
Over 1 year	47,779.60	7,233.02
Total	48,846.60	1,147,469.52

21. Salary payable

(1) Salary payable

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
I. Short-term compensation	4,736,709.29	57,878,359.22	58,067,443.47	4,547,625.04
II. Post-employment welfare- defined contribution plans	-5,093.82	4,639,594.05	4,639,594.05	-5,093.82
Total	4,731,615.47	62,517,953.27	62,707,037.52	4,542,531.22

(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	3,822,231.19	51,083,877.26	51,363,446.04	3,542,662.41
2. Welfare for workers and staff		4,580,840.82	4,580,840.82	
3. Social insurance	23,041.98	1,707,696.19	1,707,696.19	23,041.98

Including: Medical insurance	23,041.98	1,435,272.63	1,435,272.63	23,041.98
Work injury insurance		141,971.93	141,971.93	
Maternity insurance		130,451.63	130,451.63	
4. Housing accumulation fund	24,310.00	405,280.42	405,280.42	24,310.00
5. Labor union expenditure and personnel education expense	867,126.12	100,664.53	10,180.00	957,610.65
Total	4,736,709.29	57,878,359.22	58,067,443.47	4,547,625.04

(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	4,439,964.74	4,439,964.74	-5,093.82
2. Unemployment insurance		199,629.31	199,629.31	
Total	-5,093.82	4,639,594.05	4,639,594.05	-5,093.82

Other explanation:

Nil

22. Tax payable

In RMB

Item	Closing balance	Opening balance
Value-added tax	5,921,066.33	3,113,697.74
Enterprise income tax	8,460,507.90	12,546,524.05
Individual income tax	72,577.79	35,377.25
Urban maintenance and construction tax	444,600.28	39,559.71
Business tax	958.14	1,252,259.98
House property tax	763,249.59	526,275.00
Land use tax	324,212.71	323,677.55

Education surcharge	191,311.22	15,747.38
Local education surcharge	101,317.51	13,485.06
Dike fee	1,149.33	1,149.33
Stamp tax	20,009.90	19,902.00
Disposal fund of waste electrical products	467,070.00	-19,670.00
Total	16,768,030.70	17,867,985.05

Other explanation:

23. Interest payable

In RMB

Item	Closing balance	Opening balance
Interest payable of short-term loans	123,641.69	
Total	123,641.69	

Interest over due without paid:

In RMB

Borrower	Overdue amount	Reasons
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Other explanation:

24. Other payable

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

In RMB

Item	Closing balance	Opening balance
Margin and deposit	5,957,390.38	10,061,229.53
Lease management fee	2,003,231.87	1,698,564.47
Payables on equipment		332,322.49
Intercourse funds	5,330,161.96	18,190,118.93
Sale and repair	1,302,101.54	837,903.65
Other	2,457,149.41	1,545,559.25
Total	17,050,035.16	32,665,698.32

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Shenzhen Huayongxing Environmental	1,000,000.00	Deposit

Protection Technology Co., Ltd.		
Linghang Technology (Shenzhen) Co., Ltd.	656,345.28	Unsettled
Shenzhen SED Property Development Co., Ltd.	634,723.75	Unsettled
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Unsettled
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Deposit
Total	3,428,298.86	--

Other explanation

25. Long-term loans

(1) Classification of long-term loans

In RMB

Item	Closing balance	Opening balance
Mortgage loan		554,700,000.00
Total		554,700,000.00

Explanation on category of long-term loans:

Nil

Other explanation, including interest rate section:

Nil

26. Accrued liabilities

In RMB

Item	Closing balance	Opening balance	Causes
Pending action	2,604,411.81	2,604,411.81	Business and labor disputes
Total	2,604,411.81	2,604,411.81	--

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

(1) On November 24, 2015, Shenzhen Intermediate People's Court adjudicated the dispute case that Shaanxi Linghua complained about the Company's work contract ((2013) SZFSZZ No. 1491): Shaanxi Linghua should pay the damages for breach of contract of 1,778,081.05 yuan to the Company within 10 days from the date the adjudication takes effect, Shaanxi Linghua should pay the remaining payment of 869,458.96 yuan to the Company within 10 days from the date the adjudication takes effect, and compensate for the loss of interest. The Company applied for retrial to Guangdong Higher People's Court. On December 3, 2016, Guangdong Higher People's Court made a ruling on the application ((2016) YMSNo. 3280), and rejected the Company's retrial application. Up to December 31, 2016, the Company accrued the litigation cost of RMB 2,360,203.26 and recognized it as an estimated liability. As it has not yet been implemented or determined, it shall be written back in the actual execution.

(2) According to the Enforcement Notice ((2008) SFFZZ No.522-529) of Shenzhen Intermediate People's Court, Shenzhen Labor Dispute Arbitration Commission issued SLZC [2007] No. 1069-1077, No. 1079, No. 1081, and No. 1085-1087 arbitration awards for

the labor dispute case of Cai Yaoqiang and other thirteen people, which has taken legal effect. According to the Basic Information Credit Report of Enterprises, the Company has total unexecuted labor dispute subject of RMB 38,386.00, and the Company recognizes it as the estimated liability.

27. 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 31 December 2016, 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; pmortgagee is China Merchants Securities Assets Managment Co., Ltd. Shares in judicial freeze amounted as 116,489,894 shares.

28. Capital surplus

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	49,781,739.88	303,628.60		50,085,368.48
Total	146,283,642.90	303,628.60		146,587,271.50

Other explanation, including changes and reasons of changes:

Due to the income from sales of odd lots in the Period

29. 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

30. Retained profit

In RMB

Item	This period	Last period
Retained profit at the end of the previous period before adjustment	-195,429,900.95	-188,698,387.84
Total undistributed profit at the beginning of adjustment period (+,-)	2,530,667.50	0.00
Retained profit at period-begin after adjustment	-192,899,233.45	-188,698,387.84
Add: net profit attributable to owners of the parent company	5,457,710.33	-6,731,513.11
Retained profit at period-end	-187,441,523.12	-195,429,900.95

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

31. Operating income and cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Main business	570,057,375.54	524,715,312.30	440,956,342.98	407,404,193.78
Other business	49,110,395.20	10,021,300.72	58,499,438.13	10,596,873.30
Total	619,167,770.74	534,736,613.02	499,455,781.11	418,001,067.08

32. Tax and surcharges

In RMB

Item	Current Period	Last Period
City maintenance and construction tax	1,237,422.94	1,697,868.43
Educational surtax	532,299.17	836,317.19
House property tax	2,379,135.20	442,258.57
Land use tax	651,551.53	239,994.10
Vehicle use tax	1,050.62	

Stamp tax	314,848.62	
Local education development fee	315,891.10	376,455.72
Business tax	705,358.40	2,057,554.12
Other		118,646.63
Total	6,137,557.58	5,769,094.76

Other explanation:

33. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation	3,961,051.20	4,353,576.68
Transportation fee	3,734,511.93	2,972,576.15
Commodity inspection fee	835,099.19	547,057.32
Customs fee	73,375.06	151,446.37
Commodity loss	577,556.46	548,612.19
After sales service fee	1,750,857.26	1,824,961.06
Entertainment expense	134,299.80	261,660.20
Other	348,519.92	767,815.23
Total	11,415,270.82	11,427,705.20

Other explanation:

Nil

34. Administrative expenses

In RMB

Item	Current Period	Last Period
Salary	10,789,526.57	7,072,225.28
Depreciation charge	2,727,784.79	5,150,256.15
Social insurance premium	6,752,570.66	7,179,586.17
Entertainment expense	2,789,553.98	2,550,204.97
Taxes and surcharges	1,053,920.89	3,539,287.24
Employee benefits	1,582,132.90	1,504,949.44
Travel expenses	3,242,531.84	1,797,446.40
Amortization of intangible assets	1,494,294.72	1,494,294.72
Transportation fee	1,564,024.45	1,277,700.01

Consulting fee	5,469,220.77	930,988.04
Security fee	1,103,220.31	973,495.28
Repairs fee	1,380,527.36	1,157,265.00
Audit fee	734,235.85	767,169.81
Office allowance	2,282,069.51	3,969,741.51
Communication fee	364,141.24	419,908.23
Amortization of low cost and short lived articles	540,722.73	314,699.85
Securities information disclosure fee	404,595.80	725,725.60
Litigation fee	460,211.00	28,478.00
Lease fee	4,499,772.41	953,438.81
Employee education funds	79,339.92	93,459.92
Water and electricity fee	101,827.25	75,728.54
Other expenses	845,270.65	715,359.16
Total	50,261,495.60	42,691,408.13

Other explanation:

35. Financial expenses

In RMB

Item	Current Period	Last Period
Interest costs	9,256,353.17	53,144,384.74
Less: interest income	865,609.05	2,028,034.77
Exchange loss	2,967,605.72	4,115,403.91
Less: exchange gains	8,734,892.51	9,137,919.35
Handing expense	427,320.01	337,361.99
Asset management fee	1,960,000.00	1,960,000.00
Other expense	2,120.00	2,520.00
Total	5,012,897.34	48,393,716.52

Other explanation:

Nil

36. Losses on assets impairment

In RMB

Item	Current Period	Last Period
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I. Bad debt losses	3,370,059.54	1,346,128.24
II. Inventory falling price loss	176,877.32	
Total	3,546,936.86	1,346,128.24

Other explanation:

Nil

37. Gains on investment

In RMB

Item	Current Period	Last Period
Investment income from disposal of long-term equity investment		643.49
Other	333,974.06	25,246,527.78
Total	333,974.06	25,247,171.27

Other explanation:

Nil

38. Non-operating income

In RMB

Item	Current Period	Last Period	Amount reckoned in current non-recurring gains/losses
Total income from disposal of non-current assets	122,730.30	453,321.89	122,730.30
Including: gains from disposal of fixed assets	122,730.30	453,321.89	122,730.30
Receive donations	4,000.00		4,000.00
Government subsidy	1,419,888.89	1,691,800.00	1,419,888.89
Unable to pay	379,187.99	623,987.65	379,187.99
Penalty revenue	3,526,305.00	377,580.00	3,526,305.00
Fine income	81,319.60		81,319.60
Other		17,159.45	
Total	5,533,431.78	3,163,848.99	5,533,431.78

Government subsidy reckoned into current gains/losses:

In RMB

Item	Issuing subject	Offering causes	Nature	Subsidy impact current gains/losses	The special subsidy (Y/N)	Amount in the Period	Amount in last period	Assets-related/income-related
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				(Y/N)				
Stabilization subsidy	Human Resources & Social Security Bureau of Caidian District, Wuhan	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	183,500.00	221,800.00	Income-related
Export bonus	Commercial Bureau of Caidian District, Wuhan	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	20,000.00	1,470,000.00	Income-related
Enterprise development subsidy	Economic & Information Bureau of Caidian District, Wuhan	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	100,000.00		Income-related
Excellent enterprise award for year of 2015	Caidian Bureau of Finance, Wuhan	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	200,000.00		Income-related
Enterprise development	Caidian Bureau of	Subsidy	Subsidy for R&D,	N	Y	863,469.00		Income-related

fund (manufacturing project of home appliance parts)	Finance, Wuhan		technical innovation and reforming					
Water conservation subsidy	Office of Water Conservation of Wuhan	Reward	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	10,000.00		Income-related
Maternity insurance benefits	Shenzhen Municipal Bureau of Human Resources & Social Security	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	42,919.89		Income-related
Total	--	--	--	--	--	1,419,888.89	1,691,800.00	--

Other explanation:

Nil

39. Non-operating expenditure

In RMB

Item	Current Period	Last Period	Amount included in current non-recurring profits or losses
Total losses on disposal of non-current assets	40,598.22	4,270.45	40,598.22
Including: loss on disposal of fixed assets	40,598.22	4,270.45	40,598.22
External donation		50,000.00	

Penalty expenditure	401,518.25	263,228.96	401,518.25
Loss of creditor's rights transfer	4,754,489.08		4,754,489.08
Other expenses	44,787.59	15,348.71	44,787.59
Total	5,241,393.14	332,848.12	5,241,393.14

Other explanation:

Nil

40. Income tax expenses

(1) Statement of income tax expense

In RMB

Item	Current Period	Last Period
Current income tax expense	5,300,506.90	4,254,015.63
Deferred income tax expense	-2,075,205.01	-148,336.70
Total	3,225,301.89	4,105,678.93

(2) Adjustment on accounting profit and income tax expenses

In RMB

Item	Current Period
Total profit	8,683,012.22
Income tax based on statutory/applicable rate	2,170,753.06
Cost, expenses and loss which are not deductible	3,129,753.84
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	-2,075,205.01
Income tax expense	3,225,301.89

Other explanation

41. 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	58,857,368.87	281,084,189.31
Collection management fee and utilities etc.	887,774.50	9,551,004.25

Repayment from employees	2,519,419.93	3,275,328.00
Margin, deposit	1,195,207.00	2,282,518.00
Interest income	198,375.93	189,282.37
Refund	1,484,810.16	
Claim deduction etc.	70,996.80	
Government grants	1,419,888.89	
Receive grant	4,000.00	
Capital occupation fee	1,838,752.40	
Total	68,476,594.48	296,382,321.93

Explanation on other cash received in relation to operation activities:

(2) Other cash paid in relation to operation activities

In RMB

Item	Current Period	Last Period
Unit intercourse account	67,264,966.80	254,308,002.31
Advances to employees	3,149,396.42	5,589,087.29
Litigation fee	489,061.00	28,478.00
Margin, deposit	1,665,134.00	3,943,642.37
Entertainment expense	2,974,661.79	2,922,346.11
Water and electricity	101,827.25	18,973,213.75
Travel expenses	3,356,481.54	1,924,876.24
Transportation fee	3,918,442.17	2,972,576.15
Transportation fee	1,632,669.14	1,133,172.27
Repairs	1,419,253.95	982,930.48
Audit fees, consulting fees	9,261,709.50	2,453,883.45
Security	1,212,962.31	973,495.28
Financial institutions handling fee	426,098.13	2,299,846.99
Office expenses	2,171,388.26	3,724,297.73
Communication fee	381,223.14	434,204.60
Lease fee	4,507,704.41	1,244,881.70
Other	1,410,801.99	1,132,757.53
Refund	1,114,064.48	
Asset management fee	1,960,000.00	
Commodity inspection fee	812,042.67	

After sales service fee	1,447,902.00	
Fine	401,518.25	
Securities information disclosure fee	404,595.80	
Total	111,483,905.00	305,041,692.25

Explanation on other cash paid in relation to operation activities:

(3) Cash received from other investment activities

In RMB

Item	Current Period	Last Period
The balance of equity money received from subsidiary disposal higher than the monetary fund held on disposal date		899,643.49
Total		899,643.49

Explanation on cash received from other investment activities:

(4) Other cash received in relation to financing activities

In RMB

Item	Current Period	Last Period
Recover principal		1,000,000,000.00
Receipt of funds occupation fee, income		62,033,333.35
Total		1,062,033,333.35

Explanation on other cash received in relation to financing activities:

(5) Other cash paid related with financing activities

In RMB

Item	Current Period	Last Period
Principal payment		500,000,000.00
Total		500,000,000.00

Explanation on other cash paid related with financing activities:

42. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

In RMB

Supplementary information	This Period	Last Period
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1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	5,457,710.33	-4,200,845.61
Add: Assets impairment provision	3,546,936.86	1,346,128.24
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	11,051,791.44	15,327,915.18
Amortization of intangible assets	1,494,294.72	1,494,294.72
Amortization of long-term deferred expenses	70,900.08	70,900.08
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-101,056.08	-449,051.44
Loss from discarding fixed assets as useless (gain is listed with “-”)	18,924.00	
Financial expenses (gain is listed with “-”)	11,476,211.74	53,144,384.74
Investment loss (income is listed with “-”)	-333,974.06	-25,247,171.27
Decrease of deferred income tax assets (increase is listed with “-”)	-2,075,205.01	-148,336.70
Decrease of inventory (increase is listed with “-”)	-19,947,136.21	3,747,924.64
Decrease of operating receivable accounts (increase is listed with “-”)	-65,334,769.96	120,929,685.96
Increase of operating payable accounts (decrease is listed with “-”)	35,982,075.57	7,470,187.45
Net cash flow arising from operating activities	-18,693,296.58	173,486,015.99
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	91,310,804.48	632,846,956.16
Less: Balance of cash at year-begin	632,846,956.16	22,392,147.12
Less: Balance of cash equivalent at year-end	12,704,508.49	
Net increasing of cash and cash equivalents	-528,831,643.19	610,454,809.04

(2) Constitution of cash and cash equivalent:

In RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

I . Cash	91,310,804.48	632,846,956.16
Including: Cash on hand	235,039.12	382,669.21
Bank deposit available for payment at any time	91,075,765.36	632,464,286.95
II. Cash equivalent	12,704,508.49	
Notes receivable due within three months	12,704,508.49	
III. Balance of cash and cash equivalent at period-end	104,015,312.97	632,846,956.16

Other explanation:

Monetary fund at year-end-other monetary fund refers to the bank acceptance bond 2,021,905.33 Yuan, which is not belonging to the cash and cash equivalent.

42. Assets with ownership or use right restricted

In RMB

Item	Ending book value	Restriction reasons
Monetary Fund	2,021,905.33	Bank acceptance bill
Notes receivable	18,280,643.56	Bank loan secured
Fixed assets	47,662,693.18	Bank loan secured
Intangible assets	44,618,390.91	Bank loan secured
Accounts receivable	6,728,712.37	Loans from Hai'er Financial Company secured
Investment real estate	28,796,525.38	Bank loan secured
Total	148,108,870.73	--

Other explanation:

Nil

44. Item of foreign currency

(1) Item of foreign currency

In RMB

Items	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary Fund	--	--	16,502.99
Including: USD	2,374.77	6.9370	16,473.78
HKD	32.66	0.8945	29.21
Accounts receivable	--	--	46,955,995.68

Including: USD	6,768,919.66	6.9370	46,955,995.68
Advance account			8,873,087.08
Including: USD	1,279,095.73	6.9370	8,873,087.08
Short term loan			34,710,467.81
Including: USD	5,003,671.30	6.9370	34,710,467.81
Accounts payable			1,172,353.00
Including: USD	169,000.00	6.9370	1,172,353.00

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 Leasing Company	Shenzhen	Shenzhen	Property management	60.00%		Investment establishment
Huafa Property Company	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment
Hengfa Technology Company	Wuhan	Wuhan	Production and sales	100.00%		Investment establishment
Hengfa Hengtian Company	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment
Hengfa Hengtai Company	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 a agent or consignor:

Nil

Other explanation:

Nil

IX. The risk associated with financial instruments

The Group's main financial instruments include loans, receivables, payables, tradable financial assets, trading financial liabilities, etc., please refer to the details of each financial instrument in Note 5. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within the limits.

1. Various risk management objectives and policies

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

(1) Market risk

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

1) Exchange rate risk

The Group's exchange rate risk is mainly related to US dollars and Hong Kong dollars. Except the Group's second level subsidiary, Hengfa Technology Company's monitor business has day-to-day operations in US dollars, other principal business activities of the Group settle accounts in RMB. On December 31, 2016, except for the US dollar balance of assets and liabilities in below table and the sporadic Hong Kong dollar balance, the Group's assets and liabilities are all RMB balance. The exchange rate risk arising from the assets and liabilities of the US dollar, Hong Kong dollar balance may have an impact on the Group's operating results.

Item	2016-12-31 (RMB conversion)	2015-12-31 (RMB conversion)
Monetary Fund - USD	16,473.78	78,163.93
Monetary Fund - HKD	29.21	858.74
Accounts receivable - USD	46,955,995.68	49,546,374.57
Advance account - USD	8,873,087.08	464,330.52
Accounts payable - USD	1,172,353.00	
Short term borrowings - USD	34,710,467.81	28,879,107.41

The Company eyes on the influence from variation of exchange

2) Interest rate risk

The interest rate risk of the Group arises from bank loans. The financial liabilities of floating interest rate make the Group face cash flow interest rate risk, and the financial liabilities of fixed rate make the Group face the interest rate risk of fair value. The Group determines the relative proportion of fixed rate and floating interest rate contracts based on the prevailing market environment. On December 31, 2016, the Group's interest-bearing debt was mainly the floating interest rate loan contract denominated in Renminbi and US dollars, amounting to RMB181,210,467.81 (December 31, 2015: RMB674,179,107.41).

The Group's risk of changes in the cash flow of financial instruments due to changes in interest rates is mainly related to the floating interest rate bank loans. The Group's policy is to maintain the floating interest rate of these loans so as to eliminate the fair value risk of the interest rate changes.

3) Price risk

The Group sells monitors and so on at market prices and is therefore affected by such price fluctuations.

(2) Credit risk

Credit risk refers to the risk that a party of the financial instrument does not fulfill its obligations and causes property loss to another party. On December 31, 2016, the maximum credit risk exposure that may cause financial losses to the Group is mainly attributable to the failure of the other party to fulfill its obligations resulting in the losses of the Group's financial assets and the Group's financial guarantees, including:

The carrying amount of the financial assets recognized in the consolidated balance sheet; for the financial instruments measured at fair value, the book value reflects its risk exposures but not the maximum risk exposure, and its maximum risk exposure changes with the future changes in fair value.

In order to reduce the credit risk, the Group has set up a special department to determine the credit line, carry out the credit approval, and implement other monitoring procedures to take necessary measures to recover the overdue credit. In addition, the Group reviews the recovery of each individual receivable at every balance sheet date to accrue sufficient provision for bad debts of uncollectible funds. As a result, the Group's management believes that the Group's credit risk has been greatly reduced.

The Group's working capital is deposited in banks with higher credit ratings, so the credit risk of working capital is low.

The Group has adopted necessary policies to ensure that all customers have good credit records. In addition to the top five account receivables, the Group has no other significant credit risk.

The total amount of the top five account receivables is 120,720,685.90 yuan.

(3) Liquidity risk

The liquidity risk is the risk that the Group is unable to fulfill its financial obligations on the due date. The Group's approach to manage liquidity risk is to ensure that there is sufficient financial liquidity to fulfill its due debts but not cause unacceptable losses or damages to the corporate reputation. The Group regularly analyzes the structure and duration of liabilities to ensure there are sufficient funds. The management of the Group monitors the use of bank loans and ensures the compliance with loan agreement, and conducts financing consultations with financial institutions in order to maintain a certain line of credit and reduce the liquidity risk.

The financial assets and financial liabilities held by the Group based on the maturity of the undiscounted outstanding contractual

obligations are analyzed as follows

Amount on December 31, 2016

Item	Within 1 year	1-2 year	2-3 year	Over 3 year	Total
Financial assets					
Monetary Fund	93,332,709.81				93,332,709.81
Notes receivable	52,663,100.89				52,663,100.89
Accounts receivable	139,808,058.20				139,808,058.20
Other receivables	3,548,868.49	158,753.40	90,355.00	136,400.00	3,934,376.89
Advance account	12,760,284.18	17,494.85	297,942.90		13,075,721.93
Financial liabilities					
Short term borrowings	181,210,467.81				181,210,467.81
Notes payable	16,714,584.01				16,714,584.01
Accounts payable	61,929,564.68	216,432.57	206,601.49	11,361,826.03	73,714,424.77
Other payables	13,621,736.30			3,428,298.86	17,050,035.16
Advance receivable	1,067.00	47,779.60			48,846.60
Employee salary payable	4,542,531.22				4,542,531.22

2. Sensitivity analysis

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

(1) Sensitivity analysis of foreign exchange risk

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

On the basis of the above assumptions, in case that other variable don't change, the after-tax effect of the possible and reasonable changes in the exchange rate on the current profits and losses are as follows

Item	Exchange rate fluctuation	2016		2015	
		Impact on net profit	Impact on owner's equity	Impact on net profit	Impact on owner's equity
All foreign currency	5% appreciation of the RMB	-998,138.25	-998,138.25	-795,398.26	-795,398.26
All foreign currency	5% devaluation of the RMB	998,138.25	998,138.25	795,398.26	795,398.26

X. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuhan Zhongheng New Technology Industry Group Co., Ltd.	Wuhan	Production and sales, real estate development and sales, housing leasing and management	34,500,000.00	41.14%	41.14%

Explanation on parent company of the enterprise

Registered capital and its changes

Controlling shareholder	Opening balance	Increase in the year	Decrease in the year	Closing balance
Wuhan Zhongheng Group	34,500,000			34,500,000

Equity or interest held and their changes

Controlling shareholder	Share-holding amount		Share-holding ratio (%)	
	Closing balance	Opening balance	Closing ratio	Opening ratio
Wuhan Zhongheng Group	116,489,894.00	116,489,894.00	41.14	41.14

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation:

Nil

2. Subsidiary of the Enterprise

Found in "Composition of Enterprise Group".

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 Photoelectric Industry Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hongkong 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
Hongkong 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	Amount of this period	Trading limit approved	Whether over the approved limited or not	Amount of last period
Hongkong Yutian International Investment Co., Ltd.	Purchase good	160,560,343.18	346,850,000.00	N	127,963,832.98
Wuhan Hengsheng Photoelectric Industry Co., Ltd.	Purchase good	48,070,877.55	180,362,000.00	N	2,729,748.60

Goods sold/labor service providing

In RMB

Related party	Content	Amount of this period	Amount of last period
Hongkong Yutian International Investment Co., Ltd.	Sales good	193,821,823.74	163,903,060.99
Wuhan Hengsheng Photoelectric Industry Co., Ltd.	Sales good	1,907,193.07	191,218.42
Shenzhen Zhongheng Huafa Science and Technology Co.,	Provide labor		476,979.50

Ltd.			
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Explanation on goods purchasing, labor service providing and receiving

Nil

(2) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	House building		1,731,066.00

As a lessee for the Company:

In RMB

Lessor	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period

Explanation on related lease

(3) Related guarantee

As the guarantor

In RMB

Secured party	Amount guarantee	Start	End	Completed or not (Y/N)
Hengfa Technology Company	30,000,000.00	2016-09-19	2018-09-19	No
Hengfa Technology Company	50,000,000.00	2016-11-01	2017-11-01	No

As the secured party

In RMB

Guarantor	Amount guarantee	Start	End	Completed or not (Y/N)
Li Zhongqiu	15,000,000.00	2016-05-19	2017-05-19	No
Li Zhongqiu	5,000,000.00	2016-12-12	2017-12-12	No
Li Zhongqiu	55,000,000.00	2016-07-25	2017-07-24	No
Li Zhongqiu	10,000,000.00	2016-08-11	2017-08-10	No
Li Zhongqiu	20,000,000.00	2016-08-11	2017-08-10	No
Li Zhongqiu	15,000,000.00	2016-08-11	2017-08-10	No

Explanation on related guarantee

Nil

(4) Remuneration of key manager

In RMB

Item	Current Period	Last Period
Total	1,394,600.00	1,951,600.00

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

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Accounts receivable		41,299,300.89		47,219,865.22	
Advance payment	Hongkong Yutian International Investment Co., Ltd.	8,873,087.08		520,885.50	
Interest receivable	Wuhan Hengsheng Photoelectric Industry Co., Ltd.			1,838,752.40	

(2) Payable item

In RMB

Item	Related party	Ending book balance	Opening book balance
Other payables	Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	6,288.00	8,663,196.37
Accounts payable	Wuhan Hengsheng Photoelectric Industry Co., Ltd.	7,173,172.20	924,354.64

6. Commitments of related party

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

XI. Commitment or contingency

1. Important commitment

Important commitment on balance sheet date

The Company has no major commitment need to disclosed by end of 31 December 2016.

2. Contingency

(1) Contingency on balance sheet date

I. Commitment or contingency

(i) Commitments

The irrevocable operating lease contract signed by the Company ended as balance sheet date is as:

The Company entered into a House-Leasing Contract with Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd., term of lease from 18 August 2015 to 17 August 2020

Minimum lease for irrevocable operating lease contract	Minimum lease
1 st year after balance sheet date	3,847,599.84
2 nd year after balance sheet date	3,847,599.84
3 rd year after balance sheet date	3,847,599.84
4 th year after balance sheet date	2,426,125.45
Total	13,968,924.97

(ii) Contingency

1. Pending arbitration with Shenzhen Vanke

In August 2015, Shenzhen Hwafa 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 Huaafa Industrial Park, Gongming Street, Guangming New District, Shenzhen". As Shenzhen Hwafa and Wuhan Zhongheng planned to cooperate with Shenzhen Vanke Real Estate CO., Ltd. (hereinafter referred to as "Shenzhen Vanke") on the Huaafa urban renewal project (hereinafter referred to as "Huaafa Renovation Project") at Gongming Street, Guangming New District, Shenzhen, both parties appointed that Shenzhen Hwafaentrusted 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 Hwafa and Wuhan Zhongheng, and paid the compensation for demolition.

On August 21, 2015, Shenzhen Hwafa, Wuhan Zhongheng and Shenzhen Vanke signed the "Cooperative Operation Contract of Renovation Project at Huaafa 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 Hwafa, 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 Hwafa 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 Hwafa 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 Hwafa 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 Hwafa renovation project) under the name of Shenzhen Hwafa and 116,489,894 shares (Note: of which 116,100,000 shares have been pledged) of Shenzhen Hwafa stock held by Wuhan Zhongheng were frozen.

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

In December 2016, Wuhan Zhongheng to Shenzhen Hwafa 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 Hwafa 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 Hwafa 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 Hwafa 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 Hwafa 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. Therefore, the deadline for giving a ruling in this time is likely to be further extended.

2. Contingent liability from other pending lawsuits and influence on financial

Litigious party	Types of litigation, time and explanation	Cause of	Reference	Amount	Note
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		action	number		
Defendant: Shenzhen Jifang Investment Co., Ltd., Shenzhen Jianianhua Foreign Trade Clothing City Co., Ltd.	-----2016.03.08 (People's Court of Futian District, Shenzhen Municipal) accepted ---2016.03.24 Bank account security- 550000 Yuan -----Hearing date: 2017.3.7 no verdict	Lease contract dispute	(2016)Yue 0304 Min Chu No.: 5870	Amount of prosecution: 733,800 Yuan	
Defendant: Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd.	---2016.03.23 (People's Court of Baoan District, Shenzhen Municipal) accepted (People's Court of Baoan District, Shenzhen Municipal) Bank account security- 8 million Yuan (in middle of payment) -----2017.3.20 hearing no verdict	Lease contract dispute	2016Yue 0306 Min Chu No. 6180	Amount of prosecution: 9,472,600 Yuan	
Defendant: 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.	----2016.03.24(People's Court of Baoan District, Shenzhen Municipal) accepted -----2016.04.11(People's Court of Baoan District, Shenzhen Municipal) Bank account security- 17 million Yuan -----2017.2.14 hearing no verdict	Lease contract dispute	2016Yue 0306 Min Chu No.6229	Amount of prosecution: 19,649,200 Yuan	

XII. Event occurring after balance sheet date

1. Other explanation on events occurring after the balance sheet date

Ended as the disclosure date for the Report, the Company has no events occurring after balance sheet date need to disclosed

XIII. Other important event

1. Error correction for previous period

(1) Retrospective restatement

In RMB

Correction content	Treatment procedure	Item with impact in statement in every comparative period	Cumulative impact
The rental for year of 2015 was mis-listed as cash deposit as collateral, and adjstuted to administrative expenses as rental charge		Management fees	99,643.33
The rental for year of 2015 was mis-listed as cash deposit as collateral, and adjstuted to administrative expenses as rental charge		Other receivables	-99,643.33
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back		Business taxes and surcharges	-3,473,866.67
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back		Tax payable – Business tax	-3,101,666.67
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green		Tax payable – Urban maintenance and construction tax	-217,116.67

Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back			
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back		Tax payable – Education surcharge	-93,050.00
The company collected the financing income of T2 class trust units in trust plan of 2015 CITIC Qianjing Green Xingcheng investment funds and accrued the business tax and additional tax which were identified not belonging to the business tax scope and were corrected and returned back		Tax payable – Local education surcharge	-62,033.33
The correction above mentioned have impact on income tax and retained profit of the Company		Income tax expense	843,555.84
The correction above mentioned have impact on income tax and retained profit of the Company		Tax payable – Corporate income tax	843,555.84
The correction above mentioned have impact on income tax and retained profit of the Company		Undistributed profit	2,530,667.50

XIV. 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	5,094,414.36	49.05%	5,094,414.36	100.00%		5,094,414.36	49.05%	5,094,414.36	100.00%	
Account receivable with bad debt provision accrual by portfolio						460,277.76	4.43%	138,083.33	30.00%	322,194.43
Accounts with single significant amount and bad debts provision accrued individually	5,292,435.32	50.95%	5,292,435.32	100.00%		4,832,157.56	46.52%	4,832,157.56	100.00%	
Total	10,386,849.68	100.00%	10,386,849.68			10,386,849.68	100.00%	10,064,655.25		322,194.43

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.	672,769.28	672,769.28	100.00%	Un-recyclable
Hongkong 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	5,094,414.36	5,094,414.36	--	--

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 year-end

Debtor	Book balance	Bad debt	Accrual ratio	Reasons
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100	Uncollectible
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100	Uncollectible
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100	Uncollectible
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100	Uncollectible
Vietnam International Shipping International Co., Ltd.	323,405.97	323,405.97	100	Uncollectible
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100	Uncollectible
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100	Uncollectible
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100	Uncollectible
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100	Uncollectible
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100	Uncollectible
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100	Uncollectible
TCL Electronics (Hong Kong) Co., Ltd.	145,087.14	145,087.14	100	Uncollectible
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100	Uncollectible
SkyWorth - RGB Electronic Co., Ltd.	133,485.83	133,485.83	100	Uncollectible
Other	1,666,811.48	1,666,811.48	100	Uncollectible
Total	5,292,435.32	5,292,435.32		

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

Bad debt provision accrual was 322,194.43 Yuan; the amount collected or switches back amounting to 0 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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(3) Top five receivables collected by arrears party at ending balance

Total year-end balance of top five receivables by arrears party amounting to 5,475,583.32 Yuan, takes 52.72 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 5,475,583.32 Yuan.

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	123,637,504.36	93.25%	10,601,686.53	8.57%	113,035,817.83	79,834,078.95	87.09%	10,221,046.53	12.80%	69,613,032.42
Other account receivable with bad debt provision accrual by portfolio	965,485.79	0.73%	13,050.45	1.35%	952,435.34	6,668,848.13	7.28%	168,615.32	2.53%	6,500,232.81
Other account receivable with single minor amount but withdrawal single item bad debt provision	7,988,484.16	6.02%	7,909,685.76	99.01%	78,798.40	5,160,853.27	5.63%	5,160,853.27	100.00%	0.00
Total	132,591,474.31	100.00%	18,524,422.74		114,067,051.57	91,663,780.35	100.00%	15,550,515.12		76,113,265.23

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
Wuhan Hengfa Technology Co. Ltd.	89,353,064.98			No bad debt risk
Shenzhen Zhongheng Huafa Property Co., Ltd.	22,153,326.21			No bad debt risk
Shenzhen Huafa Property Leasing Co., Ltd.	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	564,646.35	564,646.35	100.00%	Un-recyclable
Shenzhen Jifang Investment Co., Ltd.	1,268,800.00	380,640.00	30.00%	Partially recyclable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-recyclable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-recyclable
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	641,266.64			Deposit without accrual
Total	123,637,504.36	10,601,686.53	--	--

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	824,831.79		
1-2 year	44,299.00	2,214.95	5.00%
2-3 year	90,355.00	9,035.50	10.00%
Over three years	6,000.00	1,800.00	30.00%
Total	965,485.79	13,050.45	

Explanation on portfolio basis:

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 year-end

Debtor	Book balance	Bad debt	Accrual ratio (%)	Reasons
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100	Uncollectible
Shenzhen Lotus Island Restaurant Co., Ltd.	236,293.80	236,293.80	100	Uncollectible
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100	Uncollectible
China Great Wall Computer Shenzhen Company Limited	168,436.33	168,436.33	100	Uncollectible
Shenzhen Hongya Electronic Co., Ltd.	156,390.00	156,390.00	100	Uncollectible
Shangxi Shengyi Technology Co., Ltd.	156,239.32	156,239.32	100	Uncollectible
Changchun Artificial Resin Co., Ltd.	147,486.96	147,486.96	100	Uncollectible
Shenzhen Xinlan Technology Co., Ltd.	138,038.00	138,038.00	100	Uncollectible
Fujian Zhangzhou Weili Electronic Enterprise	112,335.62	112,335.62	100	Uncollectible

Co., Ltd.				
Chuangjing Studio	192,794.00	192,794.00	100	Uncollectible
Individuals borrow	1,799,073.12	1,799,073.12	100	Uncollectible
Labor union	332,402.55	332,402.55	100	Uncollectible
Staff canteen etc.	856,753.66	856,753.66	100	Uncollectible
Other	2,977,519.46	2,977,519.46	100	Uncollectible
Shenzhen Poly Property Group Co., Ltd.	78,798.40			
Total	7,988,484.16	7,909,685.76	——	——

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

Bad debt provision accrual was 1,972,747.59 Yuan; the amount collected or switches back amounting to 4,312.80 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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(3) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Margin and deposit	720,065.04	720,065.04
Borrow money	2,570,694.91	2,041,924.43
Intercourse funds	123,104,890.35	80,121,194.79
Rent receivable	6,195,824.01	8,780,596.09
Total	132,591,474.31	91,663,780.35

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

In RMB

Company	Nature	Ending balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
Wuhan Hengfa Technology Co. Ltd.	Intercourse funds	89,353,064.98	Within 1 year and 1-2 year	67.90%	
Shenzhen Zhongheng Huafa Property Co., Ltd.	Intercourse funds	22,153,326.21	Within 1 year and 1-2 year	16.84%	
Shenzhen Huafa Property Leasing Co.,	Intercourse funds	4,558,859.15	Over three years	3.46%	4,558,859.15

Ltd.					
Portman	Lease receivable / Intercourse funds	4,021,734.22	Over three years	3.06%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd.	Lease receivable	1,268,800.00	Within 1 year and 1-2 year	0.96%	380,640.00
Total	--	121,355,784.56	--	92.23%	8,961,233.37

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 Leasing Company	600,000.00			600,000.00		600,000.00
Huafa Property Company	1,000,000.00			1,000,000.00		
Hemgfa Technology company	183,608,900.00			183,608,900.00		
Huafa Hengtian Company	1,000,000.00			1,000,000.00		
Huafa Hengtai Company	1,000,000.00			1,000,000.00		
Total	187,208,900.00			187,208,900.00		600,000.00

4. Operating income and cost

In RMB

Items	Current Period		Last Period	
	Income	Cost	Income	Cost
Other business	43,547,414.64	6,585,571.92	54,055,168.03	8,764,361.27
Total	43,547,414.64	6,585,571.92	54,055,168.03	8,764,361.27

Other explanation:

Other business - by category

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Subtotal of other business	43,547,414.64	6,585,571.92	54,055,168.03	8,764,361.27
Property leasing	38,068,434.47	1,832,841.70	46,341,950.50	1,640,794.86
Utilities and others	5,478,980.17	4,752,730.22	7,713,217.53	7,123,566.41
Total	43,547,414.64	6,585,571.92	54,055,168.03	8,764,361.27

5. Investment gains

In RMB

Item	Current Period	Last Period
Other		25,246,527.78
Total		25,246,527.78

XV. 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	82,132.08	
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)	1,419,888.89	

Other non-operating income and expenditure except for the aforementioned items	-1,209,982.33	
Other gain/loss items satisfying the definition of nonrecurring gain/loss account	333,974.06	
Less: impact on income tax	278,229.19	
Total	347,783.51	--

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	1.72%	0.0193	0.0193
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	1.61%	0.0180	0.0180

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Section XII. Documents available for reference

- I. Text of the 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.