

SHENZHEN ZHONGHENG HUAFU CO., LTD.

SEMI-ANNUAL REPORT 2017

August 2017

Section I. Important Notice, Contents and Paraphrase

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

Li Zhongqiu, Principal of the Company, Yang Bin, person in charger of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2017 Semi-Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

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

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

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

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Paraphrase

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

Section II Company Profile and Main Financial Indexes

I. Company profile

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

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Yang Bin	Niu 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	Huafainvestor@126.com.cn	Huafainvestor@126.com.cn

III. Others

1. Way of contact

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

Applicable Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2016.

2. Information disclosure and preparation place

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

Applicable Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2016

IV. Main accounting data and financial indexes

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

Yes No

	Current period	Same period last year	Changes over last year (+,-)
Operating income (RMB)	439,480,144.17	309,538,525.56	41.98%
Net profit attributable to shareholders of the listed company(RMB)	2,146,472.00	7,272,956.22	-70.49%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	1,477,201.29	6,182,473.52	-76.11%
Net cash flow arising from operating activities(RMB)	-35,397,366.92	-25,424,349.57	-39.23%
Basic earnings per share (RMB/Share)	0.0076	0.0257	-70.43%
Diluted earnings per share (RMB/Share)	0.0076	0.0257	-70.43%
Return on Equity	0.67%	2.31%	-1.64%
	Period-end	Period-end of last year	Changes over period-end of last year(+,-)
Total assets (RMB)	683,400,353.73	632,475,542.40	8.05%
Net assets attributable to shareholder of listed company (RMB)	321,845,040.63	319,698,568.63	0.67%

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-33,321.94	
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)	802,269.68	
Other non-operating income and expenditure except for the aforementioned items	123,413.20	
Less: Impact on income tax	223,090.23	
Total	669,270.71	--

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 industrial production and property management. Among them, the industrial production includes injection molding, foam pieces (light-weight packaging materials), and liquid crystal display business. Industry business of the Company mainly refers to the supporting products and service provided for home appliance industry; and property management business is mainly the lease of its own property.

II. Major changes in main assets

1. Major changes in main assets

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

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

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

No

All industrial land of the company located in Shenzhen are included in the first-batch plan of 2010 Shenzhen urban renewal unit planning, in the future, the development and management of its own land resources will become the company's long-term and stable source of income for its progressive development and the new profits growth point.

Section IV Discussion and Analysis of Operation

1. Introduction

In the first half of 2017, the domestic appliance industry grew to some extent but was lack of power, as the traditional manufacturing industry, the production and assembly of liquid crystal display, injection molding and foam parts have already entered the mature stage and the demand became saturated. During the reporting period, the company overcame difficulties, positively responded and protected the substantial growth of operating income, but the industrial profit margins were greatly compressed. During the reporting period, the company achieved operating income of RMB 439,480,100, with a year-on-year growth of 41.98%; operating profit of RMB 1,977,900, with a year-on-year decrease of 75.88%; net profit of RMB 2,146,700, with a year-on-year decrease of 70.49%.

● Injection molding business achieved operating income of RMB 131,993,300 in the first half of the year, with an increase of 45.01% on a year-on-year basis, the growth was rather fast. The main reasons included the increase in new high-end products for customers, the rise in raw material prices, the re-stocking of air conditioning industry, the peak selling season of real estate, and the continuous high temperature weather in this summer and so on. Under the environment of constant increase in human costs, the injection molding division improved the technical strength and quality according to the market conditions of home appliance so that the orders increased rapidly; meanwhile, it strengthened the internal management, introduced the competition mechanism, paid attention to the staff training, and practically completed the staff logistics and security work, fully mobilized the enthusiasm of staff, enhanced the quality of staff, and strengthened the sense of belonging of the staff; the company developed the effective quality prevention and corrective measures, strengthened the fine management, improved the product quality, and won the trust of customers, and enhanced the competitiveness to gain more product shares with high gross margins.

● Polystyrene business achieved operating income of RMB 42,092,000 in the first half of the year, with an increase of 36.59% on a year-on-year basis, the growth was rather fast. With the severe challenges of more intense market competition in appliance industry, constant rising in production costs, great compression on profit margins, the polystyrene division took the market demand as guiding, actively cooperated with customers to improve product mix, constantly explored and innovated, constantly updated devices, paid great attention to eco-environment protection while improving the output and quality, strengthened the sustainable production and management philosophy, and formed its own unique competitive advantages. In the future, the company will further improve the product quality, reduce the raw material loss, decrease the production costs, and ensure its own advantages and market shares by innovative design and product optimization.

● LCD business achieved operating income of RMB 244,178,800 in the first half of the year, an increase of 48.41% on a year-on-year basis. The first main reason was that the overseas market orders increased in the first half of this year, the shipments to overseas markets in the first half of the year accounted for more than 20% of the overall shipments. The second main reason was that the market demand for large-size LCD in domestic internet bars declined a lot, and many brand customers transformed to the industry customers and some low-cost sizes for keeping the market shares, which just met the product sizes produced by the factory, resulting in the increase in orders.

• Property leasing business achieved operating income of RMB 19,602,000, a decrease of 5.66% over the same period last year. Most sites of the company's own property Huafa building have been rented, but Huafa Building has been included in the urban renewal, due to the tenancy term and other factors, the company's overall rental income declined compared with the same period of last year.

II. Main business analysis

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

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

In RMB

	Current period	Same period last year	y-o-y changes	Reasons
Operating revenue	439,480,144.17	309,538,525.56	41.98%	Sales increased in the period
Operating cost	398,913,925.08	264,288,398.24	50.94%	The purchasing increased in the period
Sales expenses	7,363,051.86	5,283,735.71	39.35%	Human and transportation costs increased for the growth of sales
Administrative expenses	24,085,956.74	27,295,883.47	-11.76%	
Financial expenses	4,914,890.46	2,312,379.13	112.55%	Exchange earnings declined over last period
Income tax expenses	723,746.91	2,384,214.46	-69.64%	Current income tax expenses decreased over same period of last year
Net cash flow from operating activities	-35,397,366.92	-25,424,349.57	39.23%	Intercourse funds received from enterprise declined
Net cash flow from investment activities	-3,903,702.73	-3,790,585.96	2.98%	
Net cash flow from financing activities	7,520,619.22	-544,260,367.28	101.38%	Long-term loans are paid in last period
Net increase of cash and cash equivalent	-32,170,554.64	-573,490,540.29	94.39%	Long-term loans are paid in last period

Major changes on profit composition or profit resources in reporting period

Applicable Not applicable

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

Constitution of main business

In RMB

	Operating	Operating cost	Gross profit ratio	Increase/decrease	Increase/decrease	Increase/decrease

	revenue			of operating revenue y-o-y	of operating cost y-o-y	of gross profit ratio y-o-y
According to industries						
Display	244,178,831.40	238,599,523.48	2.28%	48.41%	53.60%	-3.30%
Plastic injection hardware	131,993,291.50	120,353,683.56	8.82%	45.01%	50.16%	-3.13%
Foam	42,091,942.44	37,498,945.77	10.91%	36.59%	45.78%	-5.62%
According to products						
Display	244,178,831.40	238,599,523.48	2.28%	48.41%	53.60%	-3.30%
Plastic injection hardware	131,993,291.50	120,353,683.56	8.82%	45.01%	50.16%	-3.13%
Foam	42,091,942.44	37,498,945.77	10.91%	36.59%	45.78%	-5.62%
According to region						
Hong Kong	145,590,841.04	142,179,084.27	2.34%	28.19%	32.92%	-3.48%
Central China	272,673,224.30	254,273,068.54	6.75%	57.80%	64.85%	-3.98%

III. Analysis of the non-main business

□Applicable √ Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	Period-end		Period-end last year		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	66,352,098.10	9.71%	65,403,374.30	10.55%	-0.84%	
Account receivable	223,831,614.45	32.75%	182,542,130.75	29.45%	3.30%	
Inventory	52,166,592.59	7.63%	37,519,314.34	6.05%	1.58%	
Investment real estate	53,277,285.84	7.80%	29,404,574.44	4.74%	3.06%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fix assets	79,839,263.86	11.68%	108,018,926.67	17.43%	-5.75%	
Construction in	654,356.00	0.10%	654,356.00	0.11%	-0.01%	

process						
Short-term loans	192,108,516.60	28.11%	85,012,392.00	13.72%	14.39%	
Long-term loans		0.00%	50,850,000.00	8.20%	-8.20%	

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 analysis

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The Company has no securities investment in the Period.

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

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

2. Sales of major equity

Applicable Not applicable

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

Applicable Not applicable

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

In RMB

Company name	Type	Main business	Industry	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Hengfa Technology Company	Subsidiary	Production sales	R&D, production and sales of the products as well as import & export business etc.	181,643,111.00	516,043,802.24	213,759,366.19	419,071,090.14	2,143,271.75	2,239,178.76
Huafa Property Company	Subsidiary	Property management	Leasing and management of own property	1,000,000.00	3,523,916.50	-814,969.45	1,040,734.04	70,209.17	70,209.17
Huafa Lease Company	Subsidiary	Property management	Leasing and management of own property	1,000,000.00	1,900,692.20	-5,026,990.71			
Huafa Hengtian Company	Subsidiary	Property management	Leasing and management of own property	1,000,000.00	997,307.29	997,307.29	0.00	-776.57	-776.57
Huafa Hengtai Company	Subsidiary	Property management	Leasing and management of own	1,000,000.00	998,036.07	998,036.07	0.00	-775.94	-775.94

			property						
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Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Explanation

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Prediction of business performance from January – September 2017

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

Applicable Not applicable

X. Risks and countermeasures

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

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

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

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

Section V. Important Events

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

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2016	AGM	0.03%	2017-05-16	2017-05-17	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1203526132?announceTime=2017-05-17

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Whether the financial report has been audited or not

Yes No

Not audited

V. Explanation from Board of Directors and Supervisory Committee for "Qualified Opinion" that issued by CPA

Applicable Not applicable

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

Applicable Not applicable

VII. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

VIII. Lawsuits

Significant lawsuits and arbitrations

Applicable Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (in 10 thousand Yuan)	Predicted liabilities (Y/N)	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
In September 2016, Wuhan Zhongheng Group Co., Ltd. and the Company and Shenzhen Vanke were applied for arbitration due to the dispute case of “Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District”.	46,460	N	Open a court session on 13 May 2017	Without judgment	Not applicable	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1203671874?announceTime=2017-07-01
In March 2016, Huafa Property suit against the Shenzhen Jifang Investment Co., Ltd. for site occupation, without rental, and utilities paid for a	1,416.67	N	In November 2016, the Company win in the ruling judged by Shenzhen Arbitration	Court decision as Jifang Company has to paid 27.9023 million Yuan (including rental, administrative fee, compensation, penalty, lawyer’s	Implementing	2016-11-08	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202817664?announceTi

long-time			Commission	fee and arbitration fees) in total for the Company			me=2016-11-08
In March 2016, the Company and Huafa Science & Technology suit against the follow companies, including Shenzhen Huayongxing Environmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electronic Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd and Shenzhen Kangzhengxin Technology Co., Ltd., for arrears of rent. and refuse to move the site, forcibly occupied switch board room and other power unit under the name of the Company	1,964.92	N	Open a court session on 14 February 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
The Company and Huafa Property suit against Shenzhen Jifang investment Co., Ltd. and Shenzhen Jianianhua Foreign Trade Clothing City Co., Ltd. for refusing to paid the	73.38	N	2017-2-13	Without judgment	Not applicable	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-0

rents and administrative fee without justified reasons							9-14 07:41
In March 2016, the Company and Huafa Property suit against Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd. for contract violation and refuse to move the site	947.26	N	Open a court session on 20 March 2017	Huayongxing and Yidaxin prosecute an appeal	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 Huafa Property suit against Dai Qiangbo for arrears of rent and occupied the leased premises, and refuse to move out; Dai Zhijun, Xie Lihua and Dai Tianyi bear joint liability for debts of Dai Qiangbo	68	N	The Company win in the ruling judged by People's Court of Futian District, Shenzhen Municipal on 13 Feb.2017	Court decision as Dai Qiangbo has to paid the rental and utilities of 327300 Yuan to Huafa Property; paid the late rental, and 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.	Implementing		

Other lawsuits

□Applicable √ Not applicable

IX. Penalty and rectification

√Applicable □ Not applicable

Name	Type	Reason	Type of investigation and punishment	Conclusion (if applicable)	Date of disclosure	Index of disclosure
Shen Huafa	Other	I. Fail to consider and disclose the related transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by rule.	Other	Denounced on Shen Huafa	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1202994856?announceTime=2017-01-06
Li Zhongqiu	Actual controller	I. Fail to consider and disclose the related transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by rule.	Other	Denounced	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1202994856?announceTime=2017-01-06
Chen Zhigang	Director	I. Fail to consider and disclose the related	Other	Circulate a notice of criticism	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fu

		transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by rule.				lltext/bulletin_detail/true/1202994856?announceTime=2017-01-06
Tang Ganyu	Senior executive	I. Fail to consider and disclose the related transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by rule.	Other	Circulate a notice of criticism	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1202994856?announceTime=2017-01-06
Weng Xiaoqie	Senior executive	I. Fail to consider and disclose the related transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by	Other	Circulate a notice of criticism	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1202994856?announceTime=2017-01-06

		rule.				
Cao Li	Senior executive	I. Fail to consider and disclose the related transactions with the controlling shareholder's subsidiaries by rule. II. Fail to disclose the funds transactions by rule. III. Fail to consider and disclose the excessive related transactions by rule.	Other	Circulate a notice of criticism	2017-01-06	http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1202994856?announceTime=2017-01-06

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

Applicable Not applicable

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

Applicable Not applicable

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

XII. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether approved over the approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
HK Yutian	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	Synchronized with the market	10,807.57	10,807.57	45.29%	27,748	N	Telegraphic transfer	--	2017-04-25	http://www.cninfo.com.cn/finalpa

	der											ge/2017-04-25/1203374588.PDF	
Hengsheng Photoelectricity	Sharing the same controlling shareholder	Purchasing	Purchasing LCD monitors	Confirmed with 1% of current market average price in principle, and refer to both their bargaining power	5,228.69	5,228.69	21.91%	11,446.05	No	Telegraphic transfer	The average market price refers to the price of same specifications which is searched from through the world famous professional market survey company website http://www.witsview.com recognized authority in the industry and LCD professional market survey company	2017-04-25	http://www.cninfo.com.cn/finalpage/2017-04-25/1203374588.PDF

											y website http://w ww.wits view.co m		
Hengsheng Photoelectricity	Sharing the same controlling shareholder	Purchasing	Purchasing LCD monitors	According to the order price, deducted 1 Yuan each for operation charge	817.59	817.59	3.43%	7,283.85	No	Telegraphic transfer	--	2017-04-25	http://www.cninfo.com.cn/finalpage/2017-04-25/1203374588.PDF
HK Yutian	Sharing the same controlling shareholder	Sales	Sales LCD overall monitor machine set	According to the customer sales order price sure	9,954.30	9,954.3	40.76%	40,650.82	No	Telegraphic transfer	--	2017-04-25	http://www.cninfo.com.cn/finalpage/2017-04-25/1203374588.PDF
Total				--	--	26,808.15	--	87,128.72	--	--	--	--	--
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 \$ 15.7128 million approximately, 39.28% of the annual amount predicted at the beginning of the year; purchased LCD from Hengsheng Photoelectricity with \$7.7183 million approximately, 46.78% of the annual amount predicted at the beginning of the year; purchasing LCD from Hengsheng Photoelectricity with about \$1.2069 million, 11.49% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with \$ 14.4845 million approximately, 25.87% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price (if applicable)				N/A									

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No above mentioned transactions occurred

3. Main related transactions of mutual investment outside

Applicable Not applicable

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

4. Contact of related credit and debt

Applicable Not applicable

No contact of related credit and debt in the period

5. Other related transactions

Applicable Not applicable

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

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

Applicable Not applicable

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

XIV. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure	Guarantee limit	Actual date of happening (Date of signing)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party

	date		agreement)					(Y/N)
N/A								
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2017-04-25	30,000		5,560.85	Joint liability guarantee	1 year	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)		30,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		8,267.9		
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)		5,560.85		
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Total amount of guarantee of the Company(total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		30,000		Total amount of actual occurred guarantee in report period (A2+B2+C3)		8,267.9		
Total amount of approved guarantee at the end of report period (A3+B3+C2)		30,000		Total balance of actual guarantee at the end of report period (A4+B4+C4)		5,560.85		
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4+C4)				17.28%				
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				0				

Company exceed 50%(F)	
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. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XV. Social responsibility

1. Execution of social responsibility of targeted poverty alleviation

(1) Summary of targeted poverty alleviation

(2) Targeted poverty alleviation for first half Year

(3) Follow-up targeted poverty alleviation scheme

2. Material environmental protection

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

No

XVI Explanation on other significant events

Applicable Not applicable

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

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

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

On 12 September 2016, the Company received a “Notice of Arbitration No.: SHEN DP20160334” from SCIA, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. The arbitra court hold hearings on 12 November 2016 and 13 May 2017. The judgement will postpone to 16 August 2017. Progress of the case found more in the Notices released on juchao website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017 and on 1 July 2017 respectively.

(II) 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. Assets frozen from 27 September 2016 to 26 September 2018. Details are set out in the announcement published at Juchao information website (www.cninfo.com.cn) on 27 October 2017.

(III) 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 31 December 2017. And 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. Ended as the period-end, the pledge did not removed. Found more in notice released on juchao website (www.cninfo.com.cn) dated 5 July 2017

(IV) 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 Huafa 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.

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

(vi) Mr. Li Yongping, the director and vice-president of the company, has applied for resigning the director, vice-president and the committee member of the special committee under the board of directors of the company due to the mandatory retirement age (60 years old), recommended by the company's second largest shareholder, SEG (Hong Kong) Co., Ltd., the company's first extraordinary general meeting of shareholders in 2017 considered and approved Mr. Zhang Guangliu to be the director of the company, and elected Mr. Zhang Guangliu as the vice-president of the company's 9th Board of Directors by the 3rd extraordinary meeting of the board of directors of the company in 2017, see details on the relevant announcement the company issued at www.cninfo.com.cn on July 19, 2017.

(vii) The company's planning for major assets restructuring

The company was planning for major asset reorganization which involved the sale of the stock right of the wholly-owned subsidiary - Wuhan Hengfa Technology Co., Ltd. and the small land and plant located at Wuhan plant under the name of the Company, due to the uncertainties in relevant matters, the company's stock was suspended since the opening on May 31, 2017 in order to maintain the investor interests and avoid significant impact on the company's share price. On June 22, 2017, the 4th meeting of the 9th session of the Board of Directors of the Company considered and approved the Proposal on the Consideration of Preplanning on Sale of Major Assets and the Summary and other proposals related to this transaction. On July 3, 2017, the company received the "Reorganization Inquiry Letter" (Non-permitted Reorganization Inquiry Letter No. [2017] 13, hereinafter referred to as "Inquiry Letter") issued by the Shenzhen Stock Exchange, requiring the company to submit the written document before July 6, 2017. The company immediately organized relevant parties and intermediaries to implement and reply the questions involved in the Inquiry Letter term by term. As the relevant data and matters involved in the Inquiry Letter still needed further verification and improvement and also needed the intermediaries to issue the verification opinions, the company applied to the Shenzhen Stock Exchange for postponing the reply to the Inquiry Letter in order to sufficiently complete the reply and protect the legitimate rights and interests of all shareholders, after the questions concerning the Inquiry Letter being replied and approved by the Shenzhen Stock Exchange, the company would promptly announce and apply for resumption of stock in accordance with the relevant provisions

(viii) Changes in the ownership structure of controlling shareholders

Li Zhongqiu, the original shareholder of the controlling shareholder - Wuhan Zhongheng Group, transferred part of shares he held in Wuhan Zhongheng Group to Li Li, and Wuhan Henghui Investment and Consulting Co., Ltd. transferred all shares it held in Wuhan Zhongheng Group to Li Li, after the transfer, Li Zhongqiu held 51% equity stake of Wuhan Zhongheng Group, and Li Li held 49% equity stake of Wuhan Zhongheng Group, in the above natural person shareholders, Li Zhongqiu and Li Li have parent-child relationship and belong to concerted action person.

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

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

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

2. Changes of restricted shares

 Applicable Not applicable

II. Securities issuance and listing

 Applicable Not applicable

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

In Share

Total common stock shareholders in reporting	23,044	Total preference shareholders with voting rights recovered at	0
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period-end			end of reporting period (if applicable) (found in note8)					
Particulars about common shares held above 5% by shareholders or top ten common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shareholders at the end of report period	Changes in report period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.14%	116,489,894	0	0	116,489,894	Pledged	116,489,894
							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			12,700,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249			5,355,249	Pledged	0
							Frozen	0
China Construction Bank Corporation – Internet connection media flexible mixed fund	Other	0.79%	2,233,878			2,233,878		
Xu Dogdong	Domestic nature person	0.60%	1,690,307			1,690,307		
China Construction Bank Corporation –Financing leading growth	Other	0.57%	1,611,254			1,611,254		

mix fund								
Zhou Hongbing	Domestic nature person	0.43%	1,221,800			1,221,800		
Bank of Communications – Financing Industrial Prosperity Security Fund	Other	0.41%	1,150,439			1,150,439		
Zhong Jiachao	Domestic nature person	0.38%	1,068,500			1,068,500		
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3)	N/A							
Explanation on associated relationship among the aforesaid shareholders	Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. The Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.							
Particular about top ten shareholders with un-restrict common shares held								
Shareholders' name	Amount of un-restrict common shares held at Period-end	Type of shares						
		Type	Amount					
Wuhan Zhongheng Group	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 (Hong Kong) Co., Ltd.	5,355,249	Domestically listed foreign shares	5,355,249					
China Construction Bank Corporation – Internet connection media flexible mixed fund	2,233,878	RMB common share	2,233,878					
Xu Dongdong	1,690,307	RMB common	1,690,307					

		share	
China Construction Bank Corporation –Financing leading growth mix fund	1,611,254	RMB common share	1,611,254
Zhou Hongbing	1,221,800	RMB common share	1,221,800
Bank of Communications – Financing Industrial Prosperity Security Fund	1,150,439	RMB common share	1,150,439
Zhong Jiachao	1,068,500	RMB common share	1,068,500
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict common shareholders and top 10 shareholders	Among the top ten unrestricted shareholders, the Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.		
Explanation on top 10 common shareholders involving margin business (if applicable) (see note 4)	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.

IV. Change of controlling shareholder or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

Changes of actual controller in reporting period

Applicable Not applicable

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

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors and Senior Executives

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

Applicable Not applicable

Found more in annual report 2016 for the changes of shares held by directors, supervisors and senior executives

II. Changes of directors, supervisors and senior executives

Applicable Not applicable

Name	Title	Type	Date	Reasons
Li Yongping	Director, deputy president	Leave the office	2017-07-18	Reaches the mandatory age for retirement
Zhang Guangliu	Director, deputy president	Election	2017-07-18	Election

Section IX Corporate Bond

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

No

Section X. Financial Report

I. Audit report

Whether the semi-annual report was audited or not

Yes No

The financial report of this semi-annual report was unaudited

II. Financial statement

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

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD

2017-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	66,352,098.10	93,332,709.81
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	38,299,308.80	52,663,100.89
Accounts receivable	223,831,614.45	139,808,058.20
Accounts paid in advance	5,571,250.65	13,075,721.93
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	17,763,398.92	3,934,376.89
Purchase restituted finance asset		
Inventories	52,166,592.59	46,902,384.80
Divided into assets held for sale		

Non-current asset due within one year	1,741.47	12,191.49
Other current assets		
Total current assets	403,986,004.98	349,728,544.01
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	53,277,285.84	54,145,225.02
Fix assets	79,839,263.86	81,544,707.02
Construction in progress	654,356.00	654,356.00
Engineering material		
Disposal of fixed asset	92,857,471.69	92,857,471.69
Productive biological asset		
Oil and gas asset		
Intangible assets	44,167,184.84	44,878,095.77
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	166,666.57	191,666.59
Deferred income tax asset	8,452,119.95	8,475,476.30
Other non-current asset		
Total non-current asset	279,414,348.75	282,746,998.39
Total assets	683,400,353.73	632,475,542.40
Current liabilities:		
Short-term loans	192,108,516.60	181,210,467.81
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	8,373,065.43	16,714,584.01

Accounts payable	116,266,306.30	73,714,424.77
Accounts received in advance	1,678,293.04	48,846.60
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	3,775,280.25	4,542,531.22
Taxes payable	15,534,826.76	16,768,030.70
Interest payable	185,285.99	123,641.69
Dividend payable		
Other accounts payable	21,029,326.92	17,050,035.16
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	358,950,901.29	310,172,561.96
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	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	2,604,411.81
Total liabilities	361,555,313.10	312,776,973.77
Owner's equity:		
Share capital	283,161,227.00	283,161,227.00

Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	77,391,593.25	77,391,593.25
Provision of general risk		
Retained profit	-185,295,051.12	-187,441,523.12
Total owner's equity attributable to parent company	321,845,040.63	319,698,568.63
Minority interests		
Total owner's equity	321,845,040.63	319,698,568.63
Total liabilities and owner's equity	683,400,353.73	632,475,542.40

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	12,014,665.36	10,375,152.87
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		
Account paid in advance	2,500,000.00	2,500,000.00
Interest receivable		
Dividends receivable		
Other receivables	112,395,792.64	114,067,051.57
Inventories	14,806.50	14,806.50

Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	126,925,264.50	126,957,010.94
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	28,189,106.32	28,796,525.38
Fix assets	5,499,002.42	6,491,983.71
Construction in progress	654,356.00	654,356.00
Project materials		
Disposal of fixed assets	92,857,471.69	92,857,471.69
Productive biological assets		
Oil and natural gas assets		
Intangible assets	4,952,309.97	4,988,546.40
Research and development costs		
Goodwill		
Long-term deferred expenses	166,666.57	191,666.59
Deferred income tax assets	9,194,186.97	9,217,543.32
Other non-current assets		
Total non-current assets	328,121,999.94	329,806,993.09
Total assets	455,047,264.44	456,764,004.03
Current liabilities:		
Short-term borrowings	120,000,000.00	120,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	9,740,367.33	10,745,840.16
Accounts received in advance	1,353,927.00	44,162.00
Wage payable	891,561.16	857,735.20

Taxes payable	9,642,210.73	10,094,737.11
Interest payable		
Dividend payable		
Other accounts payable	11,942,971.48	13,383,939.40
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	153,571,037.70	155,126,413.87
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	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	2,604,411.81
Total liabilities	156,175,449.51	157,730,825.68
Owners' equity:		
Share capita	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	77,391,593.25	77,391,593.25

Retained profit	-208,268,276.82	-208,106,913.40
Total owner's equity	298,871,814.93	299,033,178.35
Total liabilities and owner's equity	455,047,264.44	456,764,004.03

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	439,480,144.17	309,538,525.56
Including: Operating income	439,480,144.17	309,538,525.56
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	437,502,286.20	301,336,765.71
Including: Operating cost	398,913,925.08	264,288,398.24
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	2,317,887.45	2,156,369.16
Sales expenses	7,363,051.86	5,283,735.71
Administration expenses	24,085,956.74	27,295,883.47
Financial expenses	4,914,890.46	2,312,379.13
Losses of devaluation of asset	-93,425.39	
Add: Changing income of fair value(Loss is listed with "-")		
Investment income (Loss is listed with "-")		
Including: Investment income on affiliated company and joint venture		

Exchange income (Loss is listed with “-”)		
Other income		
III. Operating profit (Loss is listed with “-”)	1,977,857.97	8,201,759.85
Add: Non-operating income	927,283.49	1,518,636.51
Including: Disposal gains of non-current asset	1,549.73	116,007.01
Less: Non-operating expense	34,922.55	63,225.68
Including: Disposal loss of non-current asset	34,871.67	18,924.00
IV. Total Profit (Loss is listed with “-”)	2,870,218.91	9,657,170.68
Less: Income tax expense	723,746.91	2,384,214.46
V. Net profit (Net loss is listed with “-”)	2,146,472.00	7,272,956.22
Net profit attributable to owner’s of parent company	2,146,472.00	7,272,956.22
Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee		

accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,146,472.00	7,272,956.22
Total comprehensive income attributable to owners of parent Company	2,146,472.00	7,272,956.22
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0076	0.0257
(ii) Diluted earnings per share	0.0076	0.0257

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

Legal representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institution: Wu Aijie

4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	19,368,319.99	21,050,313.65
Less: Operating cost	2,104,257.94	2,177,884.29

Taxes and surcharge	1,295,896.25	1,097,952.84
Sales expenses		
Administration expenses	13,448,031.17	15,433,330.85
Financial expenses	2,847,630.46	5,221,263.90
Losses of devaluation of asset	-93,425.39	
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
Other income		
II. Operating profit (Loss is listed with “-”)	-234,070.44	-2,880,118.23
Add: Non-operating income	50,111.89	41,539.00
Including: Disposal gains of non-current asset	1,278.00	
Less: Non-operating expense	50.88	18,924.00
Including: Disposal loss of non-current asset		18,924.00
III. Total Profit (Loss is listed with “-”)	-184,009.43	-2,857,503.23
Less: Income tax expense	-22,646.01	-714,375.81
IV. Net profit (Net loss is listed with “-”)	-161,363.42	-2,143,127.42
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	-161,363.42	-2,143,127.42
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	245,041,670.12	178,719,535.63
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	1,905,715.83	6,735,237.88
Subtotal of cash inflow arising from operating activities	246,947,385.95	185,454,773.51
Cash paid for purchasing commodities and receiving labor service	216,567,324.72	130,584,597.67
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	36,300,498.57	30,682,437.45
Taxes paid	9,434,091.06	14,888,534.34
Other cash paid concerning operating activities	20,042,838.52	34,723,553.62

Subtotal of cash outflow arising from operating activities	282,344,752.87	210,879,123.08
Net cash flows arising from operating activities	-35,397,366.92	-25,424,349.57
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	75,901.58	158,656.34
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	75,901.58	158,656.34
Cash paid for purchasing fixed, intangible and other long-term assets	3,979,604.31	3,949,242.30
Cash paid for investment		
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	3,979,604.31	3,949,242.30
Net cash flows arising from investing activities	-3,903,702.73	-3,790,585.96
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		

Cash received from loans	99,600,311.57	57,020,825.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	99,600,311.57	57,020,825.00
Cash paid for settling debts	87,960,209.96	595,950,388.73
Cash paid for dividend and profit distributing or interest paying	4,119,482.39	5,330,803.55
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	92,079,692.35	601,281,192.28
Net cash flows arising from financing activities	7,520,619.22	-544,260,367.28
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-390,104.21	-15,237.48
V. Net increase of cash and cash equivalents	-32,170,554.64	-573,490,540.29
Add: Balance of cash and cash equivalents at the period-begin	104,015,312.97	632,846,956.16
VI. Balance of cash and cash equivalents at the period-end	71,844,758.33	59,356,415.87

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	10,850,641.39	11,823,161.27
Write-back of tax received		
Other cash received concerning	37,579,467.16	31,580,866.37

operating activities		
Subtotal of cash inflow arising from operating activities	48,430,108.55	43,404,027.64
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	2,524,734.01	2,433,244.76
Taxes paid	2,236,783.63	10,242,618.35
Other cash paid concerning operating activities	37,794,518.68	39,784,929.43
Subtotal of cash outflow arising from operating activities	42,556,036.32	52,460,792.54
Net cash flows arising from operating activities	5,874,072.23	-9,056,764.90
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		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		576.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,377,592.31	2,765,792.00
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	1,377,592.31	2,765,792.00

Net cash flows arising from investing activities	-1,377,592.31	-2,765,216.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	15,000,000.00	15,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	15,000,000.00	15,000,000.00
Cash paid for settling debts	15,000,000.00	518,550,000.00
Cash paid for dividend and profit distributing or interest paying	2,857,775.00	4,278,638.49
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	17,857,775.00	522,828,638.49
Net cash flows arising from financing activities	-2,857,775.00	-507,828,638.49
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	807.57	90.95
V. Net increase of cash and cash equivalents	1,639,512.49	-519,650,528.44
Add: Balance of cash and cash equivalents at the period -begin	10,375,152.87	524,937,734.32
VI. Balance of cash and cash equivalents at the period -end	12,014,665.36	5,287,205.88

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

This Period

In RMB

Item	Current period											
	Owners' equity attributable to parent company										Minority interests	Total owners' equity
	Share capital	Other equity instrument	Capital reserve	Less: Inventory	Other comprehensive	Reasonable	Surplus reserve	Provision of	Retained profit			

		Preferred stock	Perpetual capital securities	Other		Ordinary shares	Comprehensive income	Reserve		General risk			
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25		-187,441,523.12		319,698,568.63
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25		-187,441,523.12		319,698,568.63
III. Increase/Decrease in this year (Decrease is listed with "-")											2,146,472.00		2,146,472.00
(i) Total comprehensive income											2,146,472.00		2,146,472.00
(ii) Owners' devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of													

surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25			-185,295,051.12	321,845,040.63

Last Period

In RMB

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

			ties									
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. Remediating loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25		-187,441,523.12		319,698,568.63

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

Current amount

In RMB

Item	Current 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				146,587,271.50				77,391,593.25	-208,106,913.4	299,033,178.35

										0	
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-208,106,913.40	299,033,178.35
III. Increase/Decrease in this year (Decrease is listed with "-")										-161,363.42	-161,363.42
(i) Total comprehensive income										-161,363.42	-161,363.42
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											

2. Surplus reserves converted to capital (share capital)												
3. 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	-208,268,276.82	298,871,814.93	

Amount 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				146,283,642.90				77,391,593.25	-209,420,732.28	297,415,730.87
Add: Changes of accounting policy											
Error correction of the last period										2,530,667.50	2,530,667.50
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					303,628.6					-1,216.8	-913,220.

year (Decrease is listed with “-”)					0					48.62	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. Remediating loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the											

report period											
(VI)Others											
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-208,106,913.40	299,033,178.35

III. Company profile

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

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

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

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227.00

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

The Company belongs to the computer, telecommunication and manufacturing of other electronic equipment. Business scope: producing and sales of vary colour TV set, liquid crystal 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 electronic products and supporting parts, plating and surface treatment and tin wire, development and operation of real estate (Shen Fang Di Zi No.: 7226760) and property management. Funded affiliated companies in Wuhan and Julin. Setting up branches in capital of the province (Lhasa City excluded) in China and municipality directly under the central government.

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

The financial statement has been deliberated and approved by BOD on 25 August 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 Huafa Company Limited, subsidiary including Shenzhen Huafa Perpoerty Leasing Management Co., Ltd. (no annual inspection in 2011, and business license revoke on 1 April 2014), Shenzhen Zhongheng Huafa perperty Co., Ltd., Wuhan Hengfa Technology Co., Ltd., Shenzhen Huafa Hengtian Co., Ltd. and Shenzhen Huafa Hengtai Co., Ltd. more of subsidiaries found in “Equity in other subjects”.

IV. Preparation basis of Financial Statements

1. Preparation basis

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

2. Going concern

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

V. Important accounting policy and estimation

Notes on specific accounting policies and accounting estimation:

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

1. Declaration of obedience to Accounting Standards for Business Enterprise

The Financial Statements of the Company are up to requirements of Accounting Standards for Business Enterprise and also a true and thorough reflection to the relevant information as the Company's financial position dated 30th June 2017 and the operation results as well as cash flow for the first half of 2017.

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 acquiree 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 be calculated by fair value on day of purchased. If the consolidation cost is larger than the fair value amount of identified net assets from acquiree's, the differences should be recognized as goodwill. If the consolidation cost is less than the fair value amount of identified net assets from acquiree's, the differences should be 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 transacitonal 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 amortized 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized 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 recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, 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 recognized in profit or loss, the previously recognized impairment loss is reversed and recognized 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 recognized, the increase in its fair value in a subsequent period is recognized 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 debts
Age portfolio	Aging of accounts

Withdrawing bad bed provision by aging method in portfolio:

Applicable Not applicable

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

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

Applicable Not applicable

Withdrawing bad bed provision by other methods in portfolio:

Applicable Not applicable

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

Reasons for individual bad debt 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 available for sale: 1. resolution of disposal on such non-current assets 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 and buildings	Straight-line depreciation	20-50	10.00%	1.80%-4.50%
Machinery 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

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 yea-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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

21. Long-term deferred expenditure

The Company's long-term deferred expenditure is 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 recognized as government grant related to assets which will be recognized 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 be recognized as the difference) the deferred income tax and deferred income tax liabilities shall be determined according to the applicable tax rate in period of assets expected to recover or liability expected to pay off.

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

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

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

(2) Changes in important accounting estimates

Applicable Not applicable

VI. Taxes**1. Major tax and tax rate**

Taxes	Taxation basis	Tax rate
VAT	Taxable income	6%, 17%
Urban maintenance and construction tax	Transfer tax payable	7%
Corporate income tax	Taxable income	25%
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

VII. Notes to major items in consolidated financial statements**1. Monetary fund**

In RMB

Item	Closing balance	Opening balance
Cash on hand	219,461.32	235,039.12
Bank deposit	59,375,612.16	91,075,765.36
Other monetary fund	6,757,024.62	2,021,905.33
Total	66,352,098.10	93,332,709.81

Other explanation

(1) Other monetary funds at period-end refers to the bank acceptance deposits.

(2) Among the monetary funds at period-end, capital restricted amounted to 6,757,024.62 Yuan. The amount restricted at period-begin amounted to 2,021,905.33 Yuan.

2. Note receivable**(1) Category**

In RMB

Item	Closing balance	Opening balance
Bank acceptance bill	15,192,326.33	30,321,803.17
Commercial acceptance bill	23,106,982.47	22,341,297.72
Total	38,299,308.80	52,663,100.89

(2) Note receivable pledged at period-end

In RMB

Item	Amount pledged at period-end
Bank acceptance bill	6,523,922.13
Total	6,523,922.13

(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	32,612,996.83	
Commercial acceptance bill	17,913,186.02	
Total	50,526,182.85	

(4) Notes transfer to account receivable for un-implementation from the drawer at period-end

In RMB

Item	Amount transferred to receivable at period-end
Other explanation	

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

In RMB

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

	Amount	Proportion	Amount	Accrual ratio	value	Amount	Proportion	Amount	Accrual ratio	
Account receivable with single significant amount and withdrawal bad debt provision separately	7,556,363.72	3.19%	7,556,363.72	100.00%		7,649,789.11	5.00%	7,649,789.11	100.00%	
Account receivable with bad debt provision accrual by portfolio	223,856,195.10	94.46%	24,580.65	0.01%	223,831,614.45	139,832,638.85	91.36%	24,580.65	0.02%	139,808,058.20
Accounts with single significant amount and bad debts provision accrued individually	5,576,978.19	2.35%	5,576,978.19	100.00%		5,576,978.19	3.64%	5,576,978.19	100.00%	
Total	236,989,537.01	100.00%	13,157,922.56		223,831,614.45	153,059,406.15	100.00%	13,251,347.95		139,808,058.20

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 provision	Accrual ratio	Accrual reasons
Shenzhen Portman Bowling Club Co., Ltd.	2,555,374.75	2,555,374.75	100.00%	Un-collectable
Hong Kong Haowei Industrial Co. Ltd.	1,870,887.18	1,870,887.18	100.00%	Un-collectable
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD	1,325,431.75	1,325,431.75	100.00%	Un-collectable
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Un-collectable
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Un-collectable
Total	7,556,363.72	7,556,363.72	--	--

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

√ Applicable □ Not applicable

In RMB

Account age	Closing balance		
	Account receivable	Bad debt provision	Accrual ratio
Sub-item of within one year			
Subtotal of within one year	223,364,582.05		
1-2 year	491,613.05	24,580.65	5.00%
Total	223,856,195.10	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

Debtor	Book balance	Bad debt provision	Accrual ratio (%)	Accrual reasons
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100.00	Un-collectable
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100.00	Un-collectable
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100.00	Un-collectable
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100.00	Un-collectable
Yuehai International Shipping International Co., Ltd.	323,405.97	323,405.97	100.00	Un-collectable
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100.00	Un-collectable
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100.00	Un-collectable
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100.00	Un-collectable
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100.00	Un-collectable
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100.00	Un-collectable
Beijing Xinfang				Un-collectable

Weiye Technology Co., Ltd.	193,000.00	193,000.00	100.00	
TCL ELECTRONICS (HONG KONG) CO., LTD.	145,087.14	145,087.14	100.00	Un-collectable
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100.00	Un-collectable
Shenzhen Sky Worth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100.00	Un-collectable
Other	1,951,354.35	1,951,354.35	100.00	Un-collectable
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 0.00 Yuan; the amount collected or switches back amounting to 93,425.39 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	Collection way
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(3) Account receivable actually charge off in the period

In RMB

Item	Amount charge off
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Including major account receivable charge off:

In RMB

Company	Account receivable nature	Amount charge off	Reasons	Charge off procedures	Account arising from related transactions (Y/N)
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Explanation on account receivable charge off

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

Total closing balance of top five receivables by arrears party amounting to 196,189,807.89 Yuan, takes 82.78 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 1,225,326.15Yuan.

The amount of top five receivables collected by arrears party at ending balance has increased over that of last period, mainly due to the growth of products sales revenue.

(5)Account receivable derecognition due to financial assets transfer**(6)Assets and liabilities resulted by account receivable transfer and continues involvement**

Other explanation:

4. Prepayments**(1) Prepayments listed by account age**

In RMB

Account age	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within one year	5,288,241.11	94.92%	12,760,284.18	97.59%
1-2 year	57,639.57	1.03%	17,494.85	0.13%
2-3 year	225,369.97	4.05%	297,942.90	2.28%
Total	5,571,250.65	--	13,075,721.93	--

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

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

Total year-end balance of top five advance payment by prepayment object amounted to 4,285,000.00 Yuan, takes 76.91 percent of the total advance payment at year-end.

Other explanation:

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

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	19,668,254.02	61.20%	6,042,827.38	30.72%	13,625,426.64	7,572,254.02	41.36%	6,042,827.38	79.80%	1,529,426.64
Other account	4,117,061.11	12.81%	57,893.11	1.41%	4,137,972.00	2,384,000.00	13.02%	57,893.17	2.43%	2,326,151.83

receivable with bad debt provision accrual by portfolio	7.05		7		.28	45.02				5
Other account receivable with single minor amount but withdrawal single item bad debt provision	8,351,898.56	25.99%	8,273,100.16	99.06%		8,351,898.56	45.62%	8,273,100.16	99.06%	78,798.40
Total	32,137,219.63	100.00%	14,373,820.71		17,763,398.92	18,308,197.60	100.00%	14,373,820.71		3,934,376.89

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 reasons
Shenzhen Jifang Investment Co., Ltd.	12,096,000.00			Without bad debt risks
Shenzhen Jifang Investment Co., Ltd.	1,268,800.00	380,640.00	30.00%	Partially recyclable
Portman	4,021,734.22	4,021,734.22	100.00%	Un-collectable
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	641,266.64			Without bad debt risks
Zhao Baomin	564,646.35	564,646.35	100.00%	Un-collectable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-collectable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-collectable
Total	19,668,254.02	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	3,826,013.05		
1-2 year	64,299.00	7,937.67	12.34%
2-3 year	90,355.00	9,035.50	10.00%

Over three years	136,400.00	40,920.00	30.00%
Total	4,117,067.05	57,893.17	

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:

Applicable Not applicable

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

Debtor	Book balance	Bad debt amount	Accrual ratio (%)	Accrual reasons
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100.00	Un-collectable
Shenzhen Lotus Island Restaurant Co., Ltd.	236,293.80	236,293.80	100.00	Un-collectable
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100.00	Un-collectable
China Great Wall Computer Shenzhen Company Limited	168,436.33	168,436.33	100.00	Un-collectable
Shenzhen Hongya Electronic Co., Ltd.	156,390.00	156,390.00	100.00	Un-collectable
Shangxi Shengyi Technology Co., Ltd.	156,239.32	156,239.32	100.00	Un-collectable
Changchun Artificial Resin Co., Ltd.	147,486.96	147,486.96	100.00	Un-collectable
Shenzhen Xinlan Technology Co., Ltd.	138,038.00	138,038.00	100.00	Un-collectable
Fujian Zhangzhou Weili Electronic Enterprise Co., Ltd.	112,335.62	112,335.62	100.00	Un-collectable
Chuangjing Studio	192,794.00	192,794.00	100.00	Un-collectable
Individuals borrow	1,799,073.12	1,799,073.12	100.00	Un-collectable
Labor union	332,402.55	332,402.55	100.00	Un-collectable
Staff canteen etc.	856,753.66	856,753.66	100.00	Un-collectable
Other	3,340,933.86	3,340,933.86	100.00	Un-collectable
Shenzhen Poly Property	78,798.40			Margin without

Group Co., Ltd.				accrual
Total	8,351,898.56	8,273,100.16	—	—

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

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

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

In RMB

Company	Amount switch-back or taken back	Collection way
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(3) Other account receivable actually charge off in the period

In RMB

Item	Amount charge off
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Including major other account receivable charge off:

In RMB

Company	Other account receivable nature	Amount charge off	Reasons	Charge off procedures	Account arising from related transactions (Y/N)
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Explanation on other account receivable charge off:

(4)Other account receivable classify according to nature

In RMB

Nature	Ending book balance	Opening book balance
Margin	720,065.04	1,793,485.04
Borrow money	1,687,485.10	2,719,549.04
Intercourse funds	9,829,847.66	7,503,053.91
Rent receivable	19,868,931.85	6,195,824.01
Other	30,889.98	96,285.60
Total	32,137,219.63	18,308,197.60

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

In RMB

Company	Nature	Closing balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
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Shenzhen Jifang Investment Co., Ltd.	Rent receivable	13,364,800.00	Within 1 year	41.59%	
Portman	Rent receivable	4,021,734.22	Over three years	12.51%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Leasing margin	740,909.97	Within 1 year	2.31%	
Zhao Baomin	Rent receivable	564,646.35	Over three years	1.76%	564,646.35
Traffic accident compensation	Intercourse funds	555,785.81	Over three years	1.73%	555,785.81
Total	--	19,247,876.35	--	59.89%	5,142,166.38

(6) Account receivables related to government subsidies

In RMB

Company	Government subsidies	Closing balance	Ending account age	Estimated time/amount of collection and basis

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

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

Other explanation:

6. Inventory

Whether the company needs to comply with the disclosure requirements of the real estate 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	27,425,146.08	1,089,943.56	26,335,202.52	29,871,068.31	1,089,943.56	28,781,124.75
Goods in process	65,822.68		65,822.68			0.00
Inventory goods	22,953,891.26	914,927.55	22,038,963.71	15,940,570.96	914,927.55	15,025,643.41
Low value consumables	933,846.23	24,626.66	909,219.57	404,377.39	24,626.66	379,750.73

Homemade semi-finished products	2,859,200.40	41,816.29	2,817,384.11	2,757,682.20	41,816.29	2,715,865.91
Total	54,237,906.65	2,071,314.06	52,166,592.59	48,973,698.86	2,071,314.06	46,902,384.80

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

No

(2) Provision for price fall-down

In RMB

Item	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Switch back or Written-off	Other	
Raw materials	1,089,943.56					1,089,943.56
Inventory goods	914,927.55					914,927.55
Low value consumables	24,626.66					24,626.66
Homemade semi-finished products	41,816.29					41,816.29
Total	2,071,314.06					2,071,314.06

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

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

In RMB

Item	Amount
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Other explanation:

7. Non-current assets due within one year

In RMB

Item	Closing balance	Opening balance
Decoration fee	1,741.47	12,191.49
Total	1,741.47	12,191.49

Other explanation:

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

√ Applicable □ Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. Original book value				
1. Opening balance	133,661,686.94			133,661,686.94
2. Current increased				
(1) outsourcing				
(2) inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3. Current decreased				
(1) disposal				
(2) Other transfer-out				
4. Closing balance	133,661,686.94			133,661,686.94
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	79,516,461.92			79,516,461.92
2. Current increased	867,939.18			867,939.18
(1) accrual or amortization	867,939.18			867,939.18
3. Current decreased				
(1) disposal				
(2) Other transfer-out				

4.Closing balance	80,384,401.10			80,384,401.10
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	53,277,285.84			53,277,285.84
2. Opening book value	54,145,225.02			54,145,225.02

(2)Investment real estate measure on fair value

Applicable Not applicable

(3)Investment real estate without property certification held

In RMB

Item	Book value	Reasons
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Other explanation

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

In RMB

Item	House and buildings	Machinery equipment	Transportation equipment	Tool equipment	Office equipment	Mold equipment	Instrument equipment	Total
I. Original book value:								
1. Opening balance	65,608,798.85	77,069,199.69	5,213,153.64	4,384,205.71	6,900,942.25	12,606,833.39	2,755,661.49	174,538,795.02

2.Current increased		1,899,888.15	1,333,235.05	315,125.87	58,908.93	942,051.20	135,923.08	4,685,132.28
(1)purchasing		1,899,888.15	1,333,235.05	315,125.87	58,908.93	942,051.20	135,923.08	4,685,132.28
(2)Constructi on in progress transfer-in								
(3) increased by combination								
3.Current decreased		280,526.00	152,298.00	1,181.28	2,101.06			436,106.34
(1) disposal or scrapping		280,526.00	152,298.00					432,824.00
4.Closing balance	65,608,798.85	78,688,561.84	6,394,090.69	4,698,150.30	6,957,750.12	13,548,884.59	2,891,584.57	178,787,820.96
II. Accumulative depreciation								
1.Opening balance	12,890,366.56	57,558,303.03	3,162,640.76	2,566,496.57	5,197,749.19	9,192,414.59	2,426,117.30	92,994,088.00
2.Current increased	2,650,840.26	2,163,890.44	304,424.38	260,214.75	147,151.49	764,354.05	35,839.44	6,326,714.81
(1)accrual	2,650,840.26	2,163,890.44	304,424.38	260,214.75	147,151.49	764,354.05	35,839.44	6,326,714.81
3.Current decreased		252,473.40	116,818.20	1,063.15	1,890.96			372,245.71
(1) disposal or scrapping		252,473.40	116,818.20	1,063.15	1,890.96			372,245.71
4.Closing	15,541,206.8	59,469,720.0	3,350,246.94	2,825,648.17	5,343,009.72	9,956,768.64	2,461,956.74	98,948,557.1

balance	2	7						0
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	50,067,592.03	19,218,841.77	3,043,843.75	1,872,502.13	1,614,740.40	3,592,115.95	429,627.83	79,839,263.86
2. Opening Book value	52,718,432.29	19,510,896.66	2,050,512.88	1,817,709.14	1,703,193.06	3,414,418.80	329,544.19	81,544,707.02

(2) Temporarily idle fixed assets

In RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Note
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(3) Fixed assets acquired by financing lease

In RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value
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(4) Fixed assets acquired by operating lease

In RMB

Item	Ending book value
House and buildings	931,635.11

(5) Certificate of title un-completed

In RMB

Item	Book value	Reasons
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Other explanation

10、Construction in process**(1) Construction in process**

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Renovation 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

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

In RMB

Item	Budget	Opening balance	Current increased	Fixed assets transfer-in in the Period	Other decrease in the Period	Closing balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including interest capitalized amount of the year	Interest capitalization rate of the year	Source of funds
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(3) The provision for impairment of construction projects

In RMB

Item	Current accrual amount	Accrual reason
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Other explanation

11. Disposal of fixed assets

In RMB

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

Other explanation:

12. Intangible assets**(1) Intangible assets**

In RMB

Item	Land use right	Patent right	Non-patented technology	Software expenses	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	10,569,435.45			402,174.11	10,971,609.56
2. Current	685,967.97			24,942.96	710,910.93

increased					
(1)accrual	685,967.97			24,942.96	710,910.93
3.Current decreased					
(1) disposal					
4.Closing balance	11,255,403.42			427,117.07	11,682,520.49
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	43,932,422.94			234,761.90	44,167,184.84
2. Opening book value	44,618,390.91			259,704.86	44,878,095.77

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

(2) Land use rights without certificate of ownership

In RMB

Item	Book value	Reasons
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Other explanation:

13. Long-term deferred expenditure

In RMB

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Closing balance
Golf membership fee	191,666.59		25,000.02		166,666.57
Total	191,666.59		25,000.02		166,666.57

Other explanation

14. Deferred income tax asset /deferred income tax liability**(1) Deferred income tax assets un-offset**

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Provision for impairment of assets	26,449,578.92	6,612,394.73	26,543,004.31	6,635,751.08
Accrual liability	2,604,411.81	651,102.95	2,604,411.81	651,102.95
Other	4,754,489.08	1,188,622.27	4,754,489.08	1,188,622.27
Total	33,808,479.81	8,452,119.95	33,901,905.20	8,475,476.30

(2) Deferred income tax liabilities un-offset

In RMB

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

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax asset		8,452,119.95		8,475,476.30

(4) Deferred income tax asset without confirmed

In RMB

Item	Closing balance	Opening balance
Deductible loss	936,025.05	1,006,234.22
Provision for impairment of assets	3,153,478.41	3,153,478.41
Total	4,089,503.46	4,159,712.63

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

In RMB

Year	Closing amount	Opening amount	Note
2015			
2016			
2017	410,676.72	480,885.89	
2018	525,348.33	525,348.33	
2019			
Total	936,025.05	1,006,234.22	--

Other explanation:

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

In RMB

Item	Closing balance	Opening balance
Pledge loan	6,500,000.00	6,500,000.00
Mortgage borrowing	110,000,000.00	100,000,000.00
Guaranteed loan	20,000,000.00	20,000,000.00
Collateral loan	55,608,516.60	54,710,467.81
Total	192,108,516.60	181,210,467.81

Explanation on category of short-term borrowing:

(2) Overdue short-term loans without payment

The overdue short-term loans without payment at period-end were 0.00 Yuan, including major loans as:

In RMB

Borrower	Closing balance	Lending rate	Overdue time	Overdue charge rate
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Other explanation:

16. Note payable

In RMB

Category	Closing balance	Opening balance
Bank acceptance	8,373,065.43	16,714,584.01
Total	8,373,065.43	16,714,584.01

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

17. Account payable

(1) Account payable

In RMB

Item	Closing balance	Opening balance
Within 1 year (one year included)	106,141,596.28	61,929,564.68
Over 1 year	10,124,710.02	11,784,860.09
Total	116,266,306.30	73,714,424.77

(2) Major account payable over one year

In RMB

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

Other explanation:

18. Account received in advance

(1) Account received in advance

In RMB

Item	Closing balance	Opening balance
Within 1 year (one year included)	1,674,598.44	1,067.00
Over 1 year	3,694.60	47,779.60
Total	1,678,293.04	48,846.60

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

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
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(3) Items have already cleared without completion from the construction contract at period-end

In RMB

Item	Amount
------	--------

Other explanation:

19. Salary payable**(1) Salary payable**

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
I. Short-term compensation	4,547,625.04	32,966,654.41	33,718,817.98	3,795,461.46
II. Post-employment welfare- defined contribution plans	-5,093.82	2,377,173.35	2,392,260.75	-20,181.21
Total	4,542,531.22	35,343,827.76	36,111,078.73	3,775,280.25

(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	3,542,662.41	29,015,314.91	29,836,231.63	2,721,745.69
2. Welfare for workers and staff		2,669,959.73	2,641,302.75	28,656.98
3. Social insurance	23,041.98	926,216.85	929,180.44	20,078.38
Including: Medical insurance	23,041.98	770,109.84	772,419.45	20,732.37
Work injury insurance		86,571.04	86,808.16	-237.12
Maternity		69,535.97	69,952.84	-416.87

insurance				
4. Housing accumulation fund	24,310.00	309,863.16	309,863.16	24,310.00
5. Labor union expenditure and personnel education expense	957,610.65	45,299.76	2,240.00	1,000,670.41
Total	4,547,625.04	32,966,654.41	33,718,817.98	3,795,461.46

(3) Defined contribution plans

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Basic endowment insurance	-5,093.82	2,334,402.36	2,349,283.87	-19,975.32
2. Unemployment insurance		42,770.99	42,976.88	-205.89
Total	-5,093.82	2,377,173.35	2,392,260.75	-20,181.21

Other explanation:

20. Tax payable

In RMB

Item	Closing balance	Opening balance
Value-added tax	6,167,030.04	5,921,066.33
Enterprise income tax	6,414,180.44	8,460,507.90
Individual income tax	324,480.28	72,577.79
Urban maintenance and construction tax	54,052.60	444,600.28
Business tax	0.00	958.14
House property tax	295,173.21	763,249.59
Land use tax	743,005.32	324,212.71
Education surcharge	127,271.02	191,311.22
Local education surcharge	72,755.02	101,317.51
Dike fee	1,149.33	1,149.33
Stamp tax	43,149.50	20,009.90
Disposal fund of waste electrical products	1,292,580.00	467,070.00
Total	15,534,826.76	16,768,030.70

Other explanation:

21. Interest payable

In RMB

Item	Closing balance	Opening balance
Interest payable of short-term loans	185,285.99	123,641.69
Total	185,285.99	123,641.69

Major interest overdue without payment

In RMB

Borrower	Overdue amount	Overdue reasons
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Other explanation:

22. Other payable

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

In RMB

Item	Closing balance	Opening balance
Margin and deposit	8,451,301.12	5,957,390.38
Lease management fee	753,558.41	2,003,231.87
Payables on equipment	32,665.00	
Intercourse funds	8,497,970.52	5,330,161.96
After sale and repairmen	1,917,385.00	1,302,101.54
Other	1,376,446.87	2,457,149.41
Total	21,029,326.92	17,050,035.16

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Margin
Linghang Technology (Shenzhen) Co., Ltd.	656,345.28	Unsettled
Shenzhen SED Property Development Co., Ltd.	787,057.45	Unsettled
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Unsettled
Shenzhen Yongdasheng Investment	558,970.00	Margin

Development Co., Ltd.		
Total	3,580,632.56	--

Other explanation

23. Accrual liability

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:

24. Share capital

In RMB

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

Other explanation:

Ended as 30 June 2017, 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 Management Co., Ltd. Shares in judicial freeze amounted as 116,489,894 shares.

25. Capital reserve

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Capital premium (equity premium)	96,501,903.02			96,501,903.02
Other capital reserve	50,085,368.48			50,085,368.48
Total	146,587,271.50			146,587,271.50

Other explanation, including changes and reasons of changes:

26. Surplus reserve

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:

27. Retained profit

In RMB

Item	Current period	Last period
Retained profit at the end of the previous period before adjustment	-187,441,523.12	-195,429,900.95
Total undistributed profit at the beginning of adjustment period (+,-)		2,530,667.50
Retained profit at period-begin after adjustment	-187,441,523.12	-192,899,233.45
Add: net profit attributable to owners of the parent company	2,146,472.00	5,457,710.33
Retained profit at period-end	-185,295,051.12	-187,441,523.12

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 0.00 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0.00 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0.00 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0.00 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0.00 Yuan

28. Operating income and operating cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Main business	418,264,065.34	396,452,152.81	286,371,182.79	261,215,066.60
Other business	21,216,078.83	2,461,772.27	23,167,342.77	3,073,331.64
Total	439,480,144.17	398,913,925.08	309,538,525.56	264,288,398.24

29. Tax and surcharges

In RMB

Item	Current Period	Last Period
City maintenance and construction tax	171,863.36	648,491.13
Educational surtax	99,530.65	279,899.79
House property tax	1,349,909.12	184,274.40
Land use tax	432,592.87	119,997.05
Vehicle use tax	3,555.62	
Stamp tax	245,831.90	
Business tax	0.00	741,511.13
Local education development fee	14,603.93	181,617.29
Other	0.00	578.37
Total	2,317,887.45	2,156,369.16

Other explanation:

30. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation	2,485,833.89	1,895,241.77
Transportation fee	2,120,964.03	1,626,969.69
Commodity inspection fee	425,265.68	417,538.75
Customs fee	10,754.07	50,422.80
Commodity loss	486,106.38	184,429.08
Other	1,834,127.81	1,109,133.62
Total	7,363,051.86	5,283,735.71

Other explanation:

31. Administrative expenses

In RMB

Item	Current Period	Last Period
Salary	4,544,763.62	4,515,773.03
Depreciation charge	2,821,716.89	2,634,069.61
Social insurance premium	1,744,892.34	3,582,840.30
Entertainment expense	1,480,848.53	1,402,388.24
Taxes and surcharges	0.00	1,587,116.48
Employee benefits	1,210,380.49	1,178,133.14

Travel expenses	2,451,878.65	2,012,899.56
Amortization of intangible assets	710,910.93	747,147.36
Transportation fee	552,799.31	836,651.41
Consulting fee	1,201,427.16	1,507,497.56
Security fee	1,010,168.29	545,366.05
Repairs fee	957,282.03	571,994.61
Audit fee	972,000.00	734,235.85
Office allowance	397,708.36	1,550,706.35
Communication fee	148,788.78	189,732.98
Amortization of low value consumables	174,265.51	210,497.70
Securities information disclosure fee	560,425.00	36,071.80
Litigation fee	10.00	264,923.00
Employee education funds	53,821.70	
Water and electricity fee	149,863.85	
Lease fee	2,246,800.90	
Gree fee	127,614.00	
Premium	50,736.43	
Other expenses	516,853.97	3,187,838.44
Total	24,085,956.74	27,295,883.47

Other explanation:

32. Financial expenses

In RMB

Item	Current Period	Last Period
Interest costs	4,180,114.84	5,330,803.55
Less: interest income	794,663.73	613,209.75
Add: Exchange loss	1,209,235.54	-3,716,468.30
Add: Other expense	320,203.81	1,311,253.63
Total	4,914,890.46	2,312,379.13

Other explanation:

33. Losses on assets impairment

In RMB

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

Other explanation:

34. 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	1,549.73	116,007.01	
Including: gains from disposal of fixed assets	1,549.73	116,007.01	
Receive donations	51,500.00		
Government subsidy	802,269.68	1,163,469.00	
Unable to pay	7,130.19	175,522.50	
Penalty revenue	48,833.89	41,539.00	
Fine income	16,000.00	22,099.00	
Total	927,283.49	1,518,636.51	

Government subsidy reckoned into current gains/losses:

In RMB

Item	Issuing subject	Offering causes	Nature	Subsidy impact current gains/losses (Y/N)	The special subsidy (Y/N)	Amount in the Period	Amount in last period	Assets-related/income-related
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 2016	Caidian Bureau of Finance, Wuhan	Reward	Subsidy obtained for conforms with the local	N	Y	200,000.00	200,000.00	Income-related

			support policy for investment incentive to encourage investment					
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	343,769.68	863,469.00	Income-related
Subsidized loan	Caidian Bureau of Finance, Wuhan	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	Y	258,500.00		Income-related
Total	--	--	--	--	--	802,269.68	1,163,469.00	--

Other explanation:

35 Non-operating expenditure

In RMB

Item	Current Period	Last Period	Amount reckoned in current non-recurring gains/losses
Total losses on disposal of non-current assets	34,871.67	18,924.00	34,871.67
Other	50.88		50.88
Total	34,922.55	63,225.68	34,922.55

Other explanation:

36 Income tax expenses**(1) Statement of income tax expense**

In RMB

Item	Current Period	Last Period
Current income tax expense	746,392.92	3,098,590.27
Deferred income tax expense	-22,646.01	-714,375.81
Total	723,746.91	2,384,214.46

(2) Adjustment on accounting profit and income tax expenses

In RMB

Item	Current Period
Total profit	2,870,218.91
Income tax based on statutory/applicable rate	717,554.73
Cost, expenses and loss which are not deductible	23,356.35
Impact of the deductible loss for deferred income tax assets, which has not recognized before used	-17,552.29
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	388.13
Income tax expense	723,746.91

Other explanation

37 Items of cash flow statement**(1) Other cash received in relation to operation activities**

In RMB

Item	Current Period	Last Period
Unit intercourse account	614,876.45	2,902,221.40
Collection management fee and utilities etc.	159,474.66	2,932,023.33
Repayment from employees	23,555.74	23,221.40
Margin	15,271.20	264,562.00
Interest income	290,268.10	613,209.75
Government subsidy	802,269.68	
Total	1,905,715.83	6,735,237.88

Explanation:

(2) Other cash paid in relation to operation activities

In RMB

Item	Current Period	Last Period
Unit intercourse account	412,358.54	8,763,196.37
Advances to employees	1,737,524.56	1,390,022.62
Litigation fee	2,200,000.00	264,923.00
Margin, deposit	441,370.00	6,601,906.95
Entertainment expense	1,220,133.12	1,477,186.54
Water and electricity	1,623,214.94	2,001,355.59
Travel expenses	1,394,764.69	2,034,807.36
Transportation fee	2,120,964.03	1,896,893.96
Transportation fee	739,779.60	967,138.76
Repairs	956,708.92	571,994.61
Audit fees, consulting fees	2,686,552.16	1,507,497.56
Security	218,400.00	545,366.05
Financial institutions handling fee	213,790.21	1,311,253.63
Office expenses	457,621.51	1,553,388.35
Communication fee	153,528.16	200,451.18
Lease fee	2,233,640.64	2,245,877.49
Other	1,232,487.44	1,390,293.60
Total	20,042,838.52	34,723,553.62

Explanation:

(3) Cash received from other investment activities

In RMB

Item	Current Period	Last Period
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Explanation:

(4) Cash paid related with other investment activities

In RMB

Item	Current Period	Last Period
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Explanation:

(5) Other cash received in relation to financing activities

In RMB

Item	Current Period	Last Period
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Explanation:

(6) Cash paid related with other financing activities

In RMB

Item	Current Period	Last Period
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Explanation:

38 Supplementary information to statement of cash flow**(1) Supplementary information to statement of cash flow**

In RMB

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	2,146,472.00	7,272,956.22
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	6,822,408.28	7,271,576.88
Amortization of intangible assets	710,910.93	747,147.36
Amortization of long-term deferred expenses	35,450.04	35,450.04
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	227,675.02	-97,083.01
Abandonment loss of fixed assets (gain is listed with “-”)	34,871.67	
Financial expenses (gain is listed with “-”)	5,488,969.99	5,330,803.55
Decrease of deferred income tax asset(increase is listed with “-”)		-714,375.81
Decrease of inventory (increase is listed with “-”)	-5,264,207.79	-10,387,188.43
Decrease of operating receivable accounts (increase is listed with “-”)	-74,799,461.03	-78,574,397.07
Increase of operating payable accounts	29,199,543.97	43,690,760.70

(decrease is listed with “-”)		
Net cash flow arising from operating activities	-35,397,366.92	-25,424,349.57
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	71,844,758.33	59,356,415.87
Less: Balance of cash equivalent at year-begin	104,015,312.97	632,846,956.16
Net increasing of cash and cash equivalents	-32,170,554.64	-573,490,540.29

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

In RMB

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

Other explanation:

(3) Net cash received from the disposal of subsidiaries

In RMB

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

Other explanation:

(4) Constitution of cash and cash equivalent

In RMB

Item	Closing balance	Opening balance
I . Cash	71,844,758.33	104,015,312.97
Including: Cash on hand	219,461.32	235,039.12
Bank deposit available for payment at any time	59,375,612.16	91,075,765.36
III. Balance of cash and cash equivalent at	71,844,758.33	104,015,312.97

period-end		
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Other explanation:

39. Notes for the statement of owners equity changes

Explain the items and adjusted amount which have adjusted in “Other” of last year’s ending balance:

40. Assets with ownership or use right restricted

In RMB

Item	Ending book value	Restriction reasons
Monetary Fund	4,557,024.62	Bank acceptance bill
Fixed assets	45,441,469.26	Bank loan secured
Intangible assets	38,980,112.97	Bank loan secured
Investment real estate	28,189,106.32	Bank loan secured
Account receivable	7,268,495.46	Loans from Hai'er Financial Company secured
Total	124,436,208.63	--

Other explanation:

41. Item of foreign currency

(1) Item of foreign currency

In RMB

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Including: USD	312,246.56	6.77	2,115,283.10
HKD	32.66	0.89	28.95
Including: USD	13,348,631.02	6.77	90,428,965.98
Short term loan			
Including: USD	5,254,163.46	6.77	35,593,804.94
Account payable			
Including: USD	1,738,127.25	6.77	11,774,769.24

Other explanation:

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

Applicable Not applicable

VIII. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Huafa Lease 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
Huafa Hengtian Company	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment
Huafa Hengtai Company	Shenzhen	Shenzhen	Property management	100.00%		Investment establishment

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

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:

Controlling basis for the structuring entity included in consolidated range:

Basis on determining to be a agent or consignor:

Other explanation:

(2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
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Explanation on holding ratio different from the voting right ratio for minority shareholders:

Other explanation:

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

In RMB

Subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability

In RMB

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

Other explanation:

(4) Major restriction in aspect of using the Group's assets and pay off the debts of the Group**(5) Financial supports or other supporting for the structured body included in consolidate financial statement range**

Other explanation:

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 VII. 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 30 June 2017, 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	2017-6-30 (RMB conversion)	2016-12-31(RMB conversion)
Monetary Fund - USD	312,246.56	16,473.78
Monetary Fund - HKD	32.66	29.21
Account receivable- USD	13,348,631.02	46,955,995.68
Advance account - USD	0.00	8,873,087.08
Account payable- USD	1,738,127.25	1,172,353.00
Short term borrowings - USD	5,254,163.46	34,710,467.81

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 30 June 2017, the Group's interest-bearing debt was mainly the floating interest rate loan contract denominated in Renminbi and US dollars, amounting to 192,108,516.60 Yuan (December 31, 2016: 181,210,467.81 Yuan).

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 196,189,807.89 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 dated 30 June 2017

Item	Within 1 year	1-2 years	2-3 years	Over three years	Total
Financial assets					
Monetary Fund	66,352,098.10				66,352,098.10
Notes receivable	38,299,308.80				38,299,308.80
Account receivable	223,831,614.45				223,831,614.45
Other account receivable	17,763,398.92				17,763,398.92
Advance account	5,571,250.65				5,571,250.65
Financial liabilities					
Short term borrowings	192,108,516.60				192,108,516.60
Notes payable	8,373,065.43				8,373,065.43

Account payable	116,266,306.30				116,266,306.30
Other payables	21,029,326.92				21,029,326.92
Advance receivable	1,678,293.04				1,678,293.04
Employee salary payable	3,775,280.25				3,775,280.25

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	Jan.- Jun. 2017		Jan.- Jun. 2016	
		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	1,694,088.89	1,694,088.89	1,298,817.96	1,298,817.96
All foreign currency	5% devaluation of the RMB	-1,694,088.89	-1,694,088.89	-1,298,817.96	-1,298,817.96

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 Science & Technology Industrial 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 Group

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation:

2 Subsidiary of the enterprise

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

3. Other related party

Other related party	Relationship with the Enterprise
Shenzhen Zhongheng Huafa Science and Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Yutian Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Yutian International Investment Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan New Oriental Real Estate Development Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Property Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Optical Valley Display System Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Xingye Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Dongfang Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Xiahua Zhongheng Electronics Co. Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Zhongheng Yutian Trade Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wuhan Yutian Hongguang Real Estate Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Huayu Investment Holding Co., Ltd.	Control by same controlling shareholder and ultimate controller
Yutian Investment Co., Ltd. (Famous Sky Capital Limited)	Control by same controlling shareholder and ultimate controller
Yutian International Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hong Kong Zhongheng Yutian Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Henghua Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Zhongheng Yongye Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yutian Hengrui Co., Ltd.	Control by same controlling shareholder and ultimate controller

Other explanation

4. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Related transaction	Current Period	Trading limit	Whether over the	Last Period
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			approved	approved limited or not	
Hong Kong Yutian International Investment Co., Ltd.	Purchase good	108,075,657.11	277,480,000.00	N	85,710,600.86
Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	Purchase good	60,462,785.68	187,299,000.00	N	27,331,191.04

Goods sold/labor service providing

In RMB

Related party	Related transaction	Current Period	Last Period
Hong Kong Yutian International Investment Co., Ltd.	Sales good	99,543,022.00	108,182,506.77
Wuhan Hengsheng Photoelectricity Industry Co., Ltd.	Sales good	1,237,955.69	1,325,408.25

Explanation on goods purchasing, labor service providing and receiving

(2) Related guarantee

As the guarantor

In RMB

Secured party	Amount guarantee	Valid from	Due date	Completed or not (Y/N)
Hengfa Technology Company	50,000,000.00	2016-11-01	2017-11-01	N
Hengfa Technology Company	30,000,000.00	2016-09-19	2018-09-19	N

As the secured party

In RMB

Guarantor	Amount guarantee	Valid from	Due date	Completed or not (Y/N)
Li Zhongqiu	5,000,000.00	2016-12-12	2017-12-12	N
Li Zhongqiu	55,000,000.00	2016-07-25	2017-07-24	Y
Li Zhongqiu	10,000,000.00	2016-08-11	2017-08-10	Y
Li Zhongqiu	20,000,000.00	2016-08-11	2017-08-10	Y
Li Zhongqiu	15,000,000.00	2016-08-11	2017-08-10	Y

Explanation on related guarantee

(3) Related party's fund loan

In RMB

Related party	Fund borrowed	Valid from	Due date	Note
Borrowing				
Lending				

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

In RMB

Related party	Transactions	Current Period	Last Period
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(5) Remuneration of key manager

In RMB

Item	Current Period	Last Period
Total remuneration	744,034.16	640,060.60

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

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Hong Kong Yutian International Investment Co., Ltd.	59,803,239.61		41,299,300.89	
Advance payment	Hong Kong Yutian International Investment Co., Ltd.			8,873,087.08	

(2) Payable item

In RMB

Item	Related party	Ending book balance	Opening book balance
Account payable	Wuhan Hengsheng Photoelectricity Industry Co.,	7,525,071.38	7,173,172.20

	Ltd.		
Account payable	Hong Kong Yutian International Investment Co., Ltd.	15,821,707.14	

6. Commitments of related party

7. Other

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 30 June 2017

2. Contingency

(1) Contingency on balance sheet date

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

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

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

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

Shenzhen HUAFA stock held by Wuhan Zhongheng were frozen.

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

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

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

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

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

The Company has no important contingency that need to disclosed

XII. Events after balance sheet date

1. Explanation on other events after balance sheet date

Till end of the financial report disclosed, the Company did not has major events after balance sheet date need to released

XIII. Principle notes of financial statements of parent company

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

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

√ Applicable □ Not applicable

In RMB

Account receivable (by unit)	Closing balance			
	Account receivable	Bad debt provision	Accrual ratio	Accrual reasons
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD	1,325,431.75	1,325,431.75	100.00%	Un-collectable
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Un-collectable
Hong Kong Haawei Industrial Co. Ltd.	1,870,887.18	1,870,887.18	100.00%	Un-collectable
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Un-collectable
Total	5,000,988.97	5,000,988.97	--	--

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

Applicable Not applicable

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 amount	Accrual ratio	Accrual reasons
Shenzhen Huixin Video Technology Co., Ltd.	381,168.96	381,168.96	100	Un-collectable
Shenzhen Wandelai Digital Technology Co., Ltd.	351,813.70	351,813.70	100	Un-collectable
Shenzhen Dalong Electronic Co., Ltd.	344,700.00	344,700.00	100	Un-collectable
Shenzhen Keya Electronic Co., Ltd.	332,337.76	332,337.76	100	Un-collectable
Yuehai International Shipping International Co., Ltd.	323,405.97	323,405.97	100	Un-collectable
Shenzhen Qunping Electronic Co., Ltd.	304,542.95	304,542.95	100	Un-collectable
China Galaxy Electronics (Hong Kong) Co., Ltd.	288,261.17	288,261.17	100	Un-collectable
Dongguan Weite Electronic Co., Ltd.	274,399.80	274,399.80	100	Un-collectable
Hong Kong New Century Electronics Co., Ltd.	207,409.40	207,409.40	100	Un-collectable
Shenyang Beitai Electronic Co., Ltd.	203,304.02	203,304.02	100	Un-collectable
Beijing Xinfang Weiye Technology Co., Ltd.	193,000.00	193,000.00	100	Un-collectable
TCL ELECTRONICS (HONG KONG) CO., LTD.	145,087.14	145,087.14	100	Un-collectable
Huizhou TCL Xinte Electronics Co., Ltd.	142,707.14	142,707.14	100	Un-collectable
Shenzhen Sky Worth – RGB Electronic Co., Ltd.	133,485.83	133,485.83	100	Un-collectable
Other	1,666,811.48	1,666,811.48	100	Un-collectable
Total	5,292,435.32	5,292,435.32		

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

Bad debt provision accrual was 0.00 Yuan; the amount collected or switches back amounting to 93,425.39 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	Collection way
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(3)Account receivable actually charge off in the period

In RMB

Item	Amount charge off
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Including major account receivable charge off:

In RMB

Company	Account receivable nature	Amount charge off	Reasons	Charge off procedures	Account arising from related transactions
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(Y/N)

Explanation on account receivable charge off

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

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

(5) Account receivable derecognition due to financial assets transfer**(6) Assets and liabilities resulted by account receivable transfer and continues involvement**

Other explanation:

2. 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	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	121,553,144.31	92.85%	10,601,686.53	57.23%	110,951,457.78	123,637,504.36	93.25%	10,601,686.53	57.23%	113,035,817.83
Other account receivable with bad debt provision accrual by portfolio	1,378,586.91	1.05%	13,050.45	0.07%	1,365,536.46	965,485.79	0.73%	13,050.45	0.07%	952,435.34

Other account receivable with single minor amount but withdrawal single item bad debt provision	7,988,484.16	6.10%	7,909,685.76	42.70%	78,798.40	7,988,484.16	6.02%	7,909,685.76	42.70%	78,798.40
Total	130,920,215.38	100.00%	18,524,422.74	100.00%	112,395,792.64	132,591,474.31	100.00%	18,524,422.74	100.00%	114,067,051.57

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 reasons
Hengfa Technology Company	97,326,031.14			Without bad debt risks
Shenzhen Jifang Investment Co., Ltd.	12,096,000.00			Without bad debt risks
Shenzhen Jifang Investment Co., Ltd.	1,268,800.00	380,640.00	30.00%	Partially recyclable
Huafa Lease Company	4,558,859.15	4,558,859.15	100.00%	Un-collectable
Portman	4,021,734.22	4,021,734.22	100.00%	Un-collectable
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	641,266.64			Without bad debt risks
Zhao Baomin	564,646.35	564,646.35	100.00%	Un-collectable
Traffic accident compensation	555,785.81	555,785.81	100.00%	Un-collectable
Hebei Botou Court	520,021.00	520,021.00	100.00%	Un-collectable
Total	121,553,144.31	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 account receivable	Bad debt provision	Accrual ratio
Sub-item of within one year			
Subtotal of within one year	1,237,932.91		
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	1,378,586.91	13,050.45	

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:

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 amount	Accrual ratio (%)	Accrual reasons
Jiantao (Fogang) Laminates Co., Ltd.	465,528.10	465,528.10	100	Un-collectable
Shenzhen Lotus Island Restaurant Co., Ltd.	236,293.80	236,293.80	100	Un-collectable
Shenzhen Mingli Co., Ltd.	170,394.84	170,394.84	100	Un-collectable
China Great Wall Computer Shenzhen Company Limited	168,436.33	168,436.33	100	Un-collectable
Shenzhen Hongya Electronic Co., Ltd.	156,390.00	156,390.00	100	Un-collectable
Shangxi Shengyi Technology Co., Ltd.	156,239.32	156,239.32	100	Un-collectable
Changchun Artificial Resin Co., Ltd.	147,486.96	147,486.96	100	Un-collectable
Shenzhen Xinlan Technology Co., Ltd.	138,038.00	138,038.00	100	Un-collectable
Fujian Zhangzhou Weili Electronic Enterprise Co., Ltd.	112,335.62	112,335.62	100	Un-collectable
Chuangjing Studio	192,794.00	192,794.00	100	Un-collectable
Individuals borrow	1,799,073.12	1,799,073.12	100	Un-collectable
Labor union	332,402.55	332,402.55	100	Un-collectable
Staff canteen etc.	856,753.66	856,753.66	100	Un-collectable
Other	2,977,519.46	2,977,519.46	100	Un-collectable
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 the period

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

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

In RMB

Company	Amount switch-back or taken back	Collection way
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Nil

(3)Other account receivable actually charge off in the period

In RMB

Item	Amount charge off
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Including major other account receivable charge off:

In RMB

Company	Other account receivable nature	Amount charge off	Reasons	Charge off procedures	Account arising from related transactions (Y/N)
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Other account receivable charge off:

Nil

(4)Other account receivable classify according to nature

In RMB

Nature	Ending book balance	Opening book balance
Margin deposit	720,065.04	720,065.04
Borrow money	1,687,485.10	2,570,694.91
Intercourse funds	109,015,166.21	123,104,890.35
Rent revenue	19,466,609.05	6,195,824.01
Other	30,889.98	
Total	130,920,215.38	132,591,474.31

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

In RMB

Company	Nature	Closing balance	Account age	Proportion in total other receivables at year-end	Ending balance of bad debt provision
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Hengfa Technology Company	Intercourse funds	97,326,031.14	Within 1 year	74.34%	
Shenzhen Jifang Investment Co., Ltd.	Lease receivable etc.	13,364,800.00	Within 1 year	10.21%	380,640.00
Huafa Lease Company	Intercourse funds	4,558,859.15	Over three years	3.48%	4,558,859.15
Portman	Lease receivable etc.	4,021,734.22	Over three years	3.07%	4,021,734.22
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Leasing margin	641,266.64	Within 1 year	0.49%	
Total	--	119,912,691.15	--	91.59%	8,961,233.37

3. Long-term equity investment

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	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

Invested unit	Opening balance	Increase during the period	Decrease during this period	Closing balance	Current accrual of the depreciation reserves	Closing balance of depreciation reserves
Huafa Lease Company	600,000.00			600,000.00		600,000.00
Huafa Property Company	1,000,000.00			1,000,000.00		
Hengfa Technology Company	183,608,900.00			183,608,900.00		
Huafa Trade Company				0.00		
Huafa Hengtian	1,000,000.00			1,000,000.00		

Company						
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 operating cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Other business	19,368,319.99	2,104,257.94	21,050,313.65	2,177,884.29
Total	19,368,319.99	2,104,257.94	21,050,313.65	2,177,884.29

Other explanation:

XIV. 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	-33,321.94	
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)	802,269.68	
Other non-operating income and expenditure except for the aforementioned items	123,413.20	
Less: impact on income tax	223,090.23	
Total	669,270.71	--

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

□ Applicable √ Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Diluted EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	0.67%	0.0076	0.0076
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	0.46%	0.0052	0.0052

Section XI. Documents available for reference

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