

Shenzhen SEG Co., Ltd.

2017 Q1 Report

April 2017

Chapter 1 Important Notice and Definition

The Board of Directors, the Board of Supervisors, the directors, the supervisors, and the senior executives guarantee that the quarterly report is authentic, accurate, and complete, and that it has no false records, misleading statements or major omissions, and they undertake joint and several legal liabilities.

All directors have attended the meeting of the Board of Directors and reviewed the quarterly report.

Chairman of the Board Wang Li, Chief Financial Officer Liu Zhijun, and the responsible person of the accounting institution (accountant in charge) Ying Huadong hereby declare that the Financial Statements enclosed in this quarterly report are true, accurate and complete.

Definition

Definition	Refers to	Description
This Company, the Company	refers to	Shenzhen SEG Co., Ltd.
Shenzhen SEG Group Co., Ltd.	refers to	Shenzhen SEG Group Co., Ltd.
Suzhou SEG	refers to	Suzhou SEG Electronics Market Management Co., Ltd.
SEG Industry	refers to	Shenzhen SEG Industrial Investment Co., Ltd.
Nanning SEG	refers to	Nanning SEG Digital Plaza Management Co., Ltd.
SEG Longyan Technology	refers to	Shenzhen SEG Longyan Energy Technology Co., Ltd.
SEG Real Estate Investment	refers to	Shenzhen SEG Real Estate Investment Co., Ltd.
SEG Kangle	refers to	Shenzhen SEG Kangle Enterprise Development Co., Ltd.
SEG Property Development	refers to	Shenzhen SEG Property Development Co., Ltd.
SegMaker	refers to	Shenzhen SegMaker Co., Ltd.
SEG E-commerce	refers to	Shenzhen SEG E-commerce Co., Ltd.
SEG Credit	refers to	Shenzhen SEG Credit Co., Ltd.
Shenzhen Branch of Huarong Asset	refers to	Shenzhen Branch of China Huarong Asset Management Co., Ltd.
SEG Lianzhong	refers to	Shenzhen SEG Lianzhong Internet Technology Co., Ltd.
Shenzhen SASAC	refers to	State-owned Assets Supervision and Administration Commission of Shenzhen
CSRC	refers to	China Securities Regulatory Commission
Unless otherwise specified, the amount referred to in the report	refers to	Amount in RMB

Chapter 2 Basic Information about the Company

I. Major accounting data and financial indexes

Are retrospective adjustments made to previous financial statements of the Company due to accounting policy changes or accounting errors?

Yes No

	Amount of the report period	Amount of the same period of the previous year		Year-on-year increase/decrease in the report period
		Before adjustment	After adjustment	After adjustment
Operating income (Yuan)	317,456,442.86	191,126,945.65	438,455,160.52	-27.60%
Net profit attributable to shareholders of the listed company (Yuan)	31,609,057.25	17,696,110.04	91,324,739.57	--65.39%
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses (Yuan)	30,418,650.93	17,696,110.04	55,381,307.31	-45.07%
Net cash flow arising from operating activities (Yuan)	44,232,089.23	-30,744,760.42	-81,678,997.79	--
Basic EPS (Yuan/Share)	0.0256	0.0225	0.0739	-65.36%
Diluted EPS (Yuan/Share)	0.0256	0.0225	0.0739	-65.36%
Weighted average ROE	1.50%	1.19%	4.08%	-2.58%
	Amount at the end of the report period	Amount at the end of the previous year		Year-on-year increase/decrease in the report period
		Before adjustment	After adjustment	After adjustment
Total assets (Yuan)	7,385,516,773.94	2,548,276,265.32	6,972,216,296.97	5.93%
Net assets attributable to shareholders of the listed company (Yuan)	1,782,928,320.23	1,548,200,647.55	2,417,833,544.09	-26.26%

According to the *Reply from Shenzhen SASAC to Approve Shenzhen SEG Co., Ltd. to Issue Shares to Purchase Assets and Raising Supporting Funds from Shenzhen SEG Group Co., Ltd.*, (Z. J. X. K. [2017] No.21), the Company has issued 450,857,239 shares to the controlling shareholder Shenzhen SEG Group Co., Ltd. to purchase the assets of the said four object companies. Such a case of asset acquisition belongs to the merger of enterprises under the same control. Thus, according to the *No.20 – Enterprises Merge of Accounting Standards for Business Enterprises (ASBE)*, the Company's financial statements should be retroactively adjusted.

The cause why the net profit attributable to the owner of parent company decreased by 65.39% compared with that of last year (after adjustment) is that SEG Real Estate transferred 48 sets of real estate and received the non-operating revenue of 60.59 million Yuan whereas there was no such revenue in the report period. In addition, part of real estate development projects of SEG Real Estate has not yet reached the time-point for recognizing income in the report period. Therefore, the amount of pre-sales already received has not been transferred into income for accounting in this report period, affecting the profit of the current period to some extent. In the future, along side with the recognition of the said business income step by step, the performance of the Company will be improved effectively.

The net profit attributable to the parent company in the report period (after deducting non-recurring items) decreased by 45.07%, compared with that in the same period of last year (after adjustment). The causes are as follows. 1. In the same period of last year, there was considerable profit and loss from carrying over the house payment of Huizhou Qunxing real estate project of SEG Real Estate, whereas in the report period, such house payment became less because the sales of that project entered into the ending stage. In addition, although the New City Plaza project of SEG Real Estate cannot satisfy the conditions of recognizing income in the report period, it is estimated that from the fourth quarter of the year 2017, this project will start partly carrying over the profit and loss from house payment. 2. Impacted by macro-economy and because of the interest-rate reduction, the net profit of SEG Credit's business decreased by 9 million Yuan. 3. Nantong SEG Times Plaza did not start operation until the end of the year 2016 but the expenses of market promotion in the earlier stage of operation was quite large, resulting in the net profit of the Company decreased by 2.95 million Yuan.

Items and amount of non-recurring gains and losses

Applicable Not Applicable

Unit: Yuan

Item	Amount from the beginning of year to the end of the period	Remarks
Profit or loss from disposing non-current assets (including the charge against the provisions for asset impairment withdrawn)	-11,548.10	
Subsidy from government calculated into the profit or loss of current period (excluding the government subsidy that closely relates to the Company's business and is enjoyed according to the unified standard quota of the state or on the basis of fixed quantity)	474,999.99	Funds from the construction-supporting project of Nantong SEG Electronics Market
Other non-operating incomes and expenses except for the above-mentioned	1,229,947.96	Mainly the income from liquidated damages
Less: Amount affected by income tax	411,639.86	

Amount affected by the equity of the minority shareholders (after-tax)	91,353.67	
合计 Total	1,190,406.32	--

An explanation shall be made with regard to the Company's considerations for defining non-recurring profit and loss according to the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit and Loss* and the reason of classifying the non-recurring profit and loss listed in this announcement as recurring.

Applicable Not applicable

In the Company's report period, no such cases exist that should be defined as recurring profit and loss, according to the classification standard of non-recurring profit and loss defined and listed in the above-mentioned *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit and Loss*.

II. Total number of shareholders and shares held by top 10 shareholders at the end of the report period

1. Total number of ordinary shareholders and preferred shareholders restored with voting rights and shares held by top 10 shareholders

Unit: Share

Total number of ordinary shareholders at the end of the report period		73,299	Total number of preferred shareholders restored with the voting rights (if any)		0	
Shares held by top 10 shareholders						
Name of shareholder	Nature of shareholder	Proportion of shareholding	Shares held	Quantity of restricted shares held	Information on pledged or frozen shares	
					Share status	Quantity
Shenzhen SEG Group Co., Ltd.	State-owned legal person	55.70%	688,216,905	450,857,239		
China Construction Bank – Baoying resource optimization hybrid securities investment fund	Others	1.52%	18,842,044	0		
Liu Guocheng	Domestic natural person	0.55%	6,804,502	0		
Zhang Jiao	Domestic natural	0.33%	4,046,989	0		

	person				
Liu Guohong	Overseas natural person	0.27%	3,295,658	0	
Gong Qianhua	Domestic natural person	0.24%	2,940,000	0	
Zeng Ying	Domestic natural person	0.19%	2,300,000	0	
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	0.18%	2,271,900	0	
NORGES BANK	Foreign legal person	0.15%	1,890,226	0	
China Hi-tech Group Corporation	State-owned legal person	0.12%	1,500,000	0	

Information on top 10 shareholders of non-restricted shares

Name of shareholder	Quantity of unrestricted ordinary shares held	Type of share	
		Type of share	Quantity
Shenzhen SEG Group Co., Ltd.	237,359,666	RMB ordinary shares	237,359,666
China Construction Bank – Baoying resource optimization hybrid securities investment fund	18,842,044	RMB ordinary shares	18,842,044
Liu Guocheng	6,804,502	Domestically listed foreign shares	6,804,502
Zhang Jiao	4,046,989	RMB ordinary shares	4,046,989
Liu Guohong	3,295,658	Domestically listed foreign shares	3,295,658
Gong Qianhua	2,940,000	Domestically listed foreign shares	2,940,000
Zeng Ying	2,300,000	Domestically listed foreign shares	2,300,000
China Securities Finance	2,271,900	RMB ordinary	2,271,900

Corporation Limited		shares	
NORGES BANK	1,890,226	Domestically listed foreign shares	1,890,226
China Hi-tech Group Corporation	1,500,000	RMB ordinary shares	1,500,000
Explanations on the association relationship or concerted action among the above-mentioned shareholders	Shenzhen SEG Group Co., Ltd. has no association relationship with other shareholders and is not a person acting in concert with other shareholders as specified in the <i>Management Methods for Disclosure of Information on Changes of Shareholding Status of Shareholders of Listed Companies</i> . It is unclear whether other shareholders are persons acting in concert.		
Information on top 10 ordinary shareholders participating in securities margin trading (if any)	In the foregoing top 10 shareholders, Zhang Jiao holds 0 share of the Company in the ordinary account and 4,046,989 shares in the margin trading investor credit account, which are 4,046,989 shares in total.		

Did top 10 ordinary shareholders of the Company or top 10 ordinary shareholders of non-restricted shares conduct agreed repurchase transactions in the report period?

Yes No

The Company's top 10 ordinary shareholders or the top 10 shareholders of non-restricted shares did not conduct any agreed repurchase transaction in the report period.

2. Total number of preferred shareholders and shares held by top 10 preferred shareholders

Applicable Not applicable

Chapter 3 Important Matters

I. Changes in main financial data and financial indicators of the report period and reasons

√ Applicable □ Not applicable

(I) Items in Consolidated Balance Sheet Statement

Unit: Yuan

Item	Closing balance	Opening balance	Difference	+/- % year-on-year
Loans to other banks	-	40,000,000.00	-40,000,000.00	-100.00%
Notes receivable	150,000.00	100,792.00	49,208.00	48.82%
Interest receivable	-	287,698.63	-287,698.63	-100.00%
Other non-current assets	-	13,804,660.46	-13,804,660.46	-100.00%
Short-term borrowing	485,000,000.00	355,000,000.00	130,000,000.00	36.62%
Payroll payable	18,354,882.09	38,282,699.37	-19,927,817.28	-52.05%
Dividends payable	3,162,970.78	15,132,970.78	-11,970,000.00	-79.10%
Other payables	1,539,360,478.91	872,477,573.33	666,882,905.58	76.44%
Share capital	1,235,656,249.00	784,799,010.00	450,857,239.00	57.45%
Capital reserve	-	995,524,226.66	-995,524,226.66	-100.00%
Surplus reserve	-	121,803,040.24	-121,803,040.24	-100.00%

1. The loans to other banks decreased by 40,000,000 Yuan compared with that of last year with a fall of 100%. The main cause is the Company's holding subsidiary SEG Credit took back in the report period the loans to other banks for the development of its own small credit business.

2. The notes receivable increased by 49,208 Yuan compared with that of last year, with a rise of 48.82%. The main cause is the Company increased in the report period the rents received from clients paid by the bank's acceptance bill.

3. The interest receivable decreased by 287,698.63 Yuan compared with that of last year, with a fall of 100%. The main cause is the Company received in the report period the interests of financing from banks, which had not received yet by the beginning of the year.

4. The other non-current assets decreased by 13,804,660.46 Yuan compared with that of last year, with a fall of 100%. The main causes are 1) Dongmen Branch of Mellow Orange Business Hotel of SEG Baohua, the Company's holding subsidiary, opened, and the decoration expenses in the earlier stage has been transferred into long-term unamortized expenses for business accounting; 2) The decoration and transformation engineering of electronics market has been finished, so the expenses of decoration engineering has also been transferred into long-term unamortized expenses for business accounting.

5. The short-term borrowing increased by 130,000,000 Yuan compared with that of last year, with a rise of

36.62%. The main cause is the Company increased bank loans in the report period.

6. The payroll payable decreased by 19,927,817.28 Yuan compared with that of last year, with a fall of 52.05%. The main cause is the Company paid in the report period for part of salaries and bonus withdrawn in last year.

7. The dividends payable decreased by 11,970,000 Yuan compared with that of last year, with a fall of 79.1%. The main cause is SEG credit paid in the report period the minority shareholders for dividends of 11,970,000 Yuan.

8. The other payables increased by 666,882,905.58 Yuan compared with that of last year, with a rise of 76.44%. The main cause is the Company formed in the report period a consideration in cash of 666,882,905.58 Yuan, which is payable but has not been paid, derived from introducing shares to the holding shareholder SEG Group to acquire assets of the latter because of implementing major asset restructuring.

9. The share capital increased by 450,857,239 Yuan compared with that of last year, with a rise of 57.45%. The main cause is the Company introduced in the report period 450,857,239 shares to SEG Group to acquire underlying asset because of implementing major asset restructuring.

10. The capital reserve decreased by 995,524,226.66 Yuan compared with that of last year, with a fall of 100%. The main cause is the Company introduced in the report period the shares to the holding shareholder SEG Group to acquire the equity of the four object companies because of implementing major asset restructuring, belonging to the merge of enterprises under the same control. The Company's financial statements are adjusted retroactively. The opening balance of capital reserve comprises the capital stock and considerations which are not adjusted retroactively. The capital stock added on introduction basis and its considerations have been booked into account, thus this item decreased after adjustment.

11. The surplus reserve decreased by 121,803,040.24 Yuan compared with that of last year, with a fall of 100%. The main cause is the Company introduced in the report period the shares to the holding shareholder SEG Group to acquire the equity of the four object companies because of implementing major asset restructuring, belonging to the merge of enterprises under the same control. According to *ASBE*, the Company took the book portion of owner's equity of the object companies as the initial cost of investment in long-term equity, and the difference between the long-term investment in equity and the sum of the book value of shares issued and considerations is to write down the capital reserve, and this item decreased after adjustment because the capital reserve is less than the difference and not enough for such a writing-down.

(II) Items in Consolidated Profit Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the same period of last year (after adjustment)	Difference	+/- % year-on-year
Service charges and commissions income	320,245.33	2,204,500.00	-1,884,254.67	-85.47%
Interest expenses	0.00	445,888.89	-445,888.89	-100.00%
Operating tax and surcharges	6,678,270.88	30,507,163.47	-23,828,892.59	-78.11%
Loss from asset impairment	0.00	192,094.76	-192,094.76	-100.00%
Income from investment	544,597.03	1,445,145.44	-900,548.41	-62.32%

Non-operating revenue	1,841,331.56	60,886,048.66	-59,044,717.10	-96.98%
Income tax	18,096,458.88	46,992,683.69	-28,896,224.81	-61.49%
Net profit attributable to owners of the parent company	31,609,057.25	91,324,739.57	-59,715,682.32	-65.39%
Profit and loss of minority shareholders	8,597,963.44	26,805,401.86	-18,207,438.43	-67.92%
Other comprehensive incomes	-43,532.53	-129,709.91	86,177.38	-66.44%

1. The Service charges and commissions income decreased by 1,884,254.67 Yuan compared with that of last year, with a fall of 85.47%. The main cause is the consulting business of SEG Credit declined in the report period.

2. The interest expenses decreased by 445,888.89 Yuan compared with that of last year, with a fall of 100%. The main cause is SEG Credit decreased in the report period the borrowings from banks compared with that of last year and correspondingly reduced the expenses of borrowing interests.

3. The operating tax and surcharges decreased by 23,828,892.59 Yuan compared with that of last year, with a fall of 78.11%. The main cause is the Company paid for VAT in the report period, whereas in the same period of last year, the Company paid for business tax for the business of real estate development, electronics market and property management and finance business before the reform of replacing business tax with VAT. VAT is one kind of taxes excluded in price and is not listed in the profit statement, while the business tax is one kind of taxes included in the calculated price and booked in the item of tax and surcharges.

4. The loss from asset impairment decreased by 192,094.76 Yuan compared with that of last year, with a fall of 100%. The main cause is SEG Credit withdrew provisions for losses from loans, but nothing happened in this item in the report period.

5. The income from investment decreased by 900,548.41 Yuan compared with that of last year, with a fall of 62.32%. The main cause is the yield rate of the Company's bank financing became lower.

6. The non-operating revenue decreased by 59,044,717.10 Yuan compared with that of last year, with a fall of 96.98%. The main cause is SEG Real Estate received the non-operating revenue of 60.59 million Yuan after transferred 48 sets of real estate in the same period of last year, whereas there was no such revenue in the report period.

7. The income tax decreased by 28,896,224.81 Yuan compared with that of last year, with a fall of 61.49%. The main cause is SEG Real Estate received the non-operating revenue of 60.59 million Yuan after transferred 48 sets of real estate in the same period of last year, thus the expenses of income tax increased correspondingly. However, no such expenses from income tax from selling real estate happened in the report period.

8. The net profit attributable to owners of the parent company decreased by 59,715,682.32 Yuan compared with that of last year, with a fall of 65.39%. The main cause is SEG Real Estate received the non-operating revenue of 60.59 million Yuan after transferred 48 sets of real estate in the same period of last year, but no such incomes happened in the report period. In addition, part of real estate development projects of SEG Real Estate has not yet reached the time-point for recognizing income in the report period. Therefore, the amount of pre-sales already received has not been transferred into income for accounting in this report period, affecting the profit of the current period to some extent. In the future, along side with the recognition of the said business income step by step, the performance of the Company will be improved effectively.

9. The profit and loss of minority shareholders decreased by 18,207,438.43 Yuan compared with that of last year, with a fall of 67.92%. The main cause is the profit from selling real estate of SEG Real Estate and that from

small credit business of SEG Credit dropped dramatically in the report period.

10. The other comprehensive incomes increased by 86,177.38 Yuan compared with that of last year. The main cause is the share price of Youhao Group plummeted significantly compared with that calculated as the financial asset available for sale according to fair value in the same period of last year. However, the range of price drop became smaller in the report period.

(III) Items in Consolidated Cash Flow Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the same period of last year (after adjustment)	Difference	+/- % year-on-year
Tax refunds	0.00	15,225,827.36	-15,225,827.36	-100.00%
Other cash received from operating activities	151,852,405.60	233,315,459.69	-81,463,054.09	-34.92%
Cash paid for goods and service	252,581,380.78	428,469,612.42	-175,888,231.64	-41.05%
Net increase in loans to customers and advances	-445,447.60	10,708,000.00	-11,153,447.60	-104.16%
Taxes paid	77,195,936.81	49,395,417.67	27,800,519.14	56.28%
Cash received from withdrawal of investment	598,000,000.00	349,300,000.00	248,700,000.00	71.20%
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	12,781,888.65	3,915,829.59	8,866,059.06	226.42%
Cash paid for investment	514,980,001.00	317,800,000.00	197,180,001.00	62.05%
Borrowings received	370,000,000.00	550,920,000.00	-180,920,000.00	-32.84%
Cash paid for debt repayment	223,435,625.02	359,000,000.00	-135,564,374.98	-37.76%
Cash paid for dividend and profit distribution or interest payment	39,883,427.10	58,875,564.11	-18,992,137.01	-32.26%
Other cash paid for financing activities	5,180,964.31	75,642,660.55	-70,461,696.24	-93.15%

1. The tax refunds decreased by 15,225,827.36 Yuan compared with that of last year, with a fall of 100%. The main cause is SEG E-commerce received in the same period of last year the tax refunds of the said amount from export for supply-chain business. The Company completed the procedures of equity transfer in 2016, so the cash flow of SEG E-commerce was no longer consolidated into the Company's Cash Flow Statement in the report period.

2. The other cash received from operating activities decreased by 81,463,054.09 Yuan compared with the same period of last year, with a fall of 34.92%. The main cause is the settlement amount of SEG E-commerce for supply-chain business was 104.1 million Yuan in the same period of last year, whereas the Company completed the procedures of equity transfer in 2016, so the cash flow of SEG E-commerce was no longer consolidated into

the Company's Cash Flow Statement in the report period.

3. The cash paid for goods and service decreased by 175,888,231.64 Yuan compared with that of last year, with a fall of 41.05%. The main cause is SEG E-commerce received 149.79 million Yuan of the payment for goods from domestic trade in the same period of last year, while the Company completed the procedures of equity transfer in 2016, so the cash flow of SEG E-commerce was no longer consolidated into the Company's Cash Flow Statement in the report period. The trade business of SEG Industrial shrank and the payment for goods dropped, leading to this item decreased by 235.2 million Yuan.

4. The net increase in loans to customers and advances decreased by 11,153,447.60 Yuan compared with that of last year, with a fall of 104.16%. The main cause is the scale of loans issued by SEG Credit declined.

5. The taxes paid increased by 27,800,519.14 Yuan compared with that of last year, with a rise of 56.28%. The main cause is SEG Real Estate increased the pre-sale of real estate as well as the pre-payment of tax.

6. The cash received from withdrawal of investment increased by 248,700,000.00 Yuan compared with that of last year, with a rise of 71.2%. The main cause is the increase of principals of bank financing withdrawn by the Company in the report period.

7. The net cash received from disposal of fixed assets, intangible assets and other long-term assets increased by 8,866,059.06 Yuan compared with that of last year, with a rise of 226.42%. The main cause is the increase of expenses of fixed assets purchased by the Company and the subsidiaries and of decoration at operating sites.

8. The cash paid for investment increased by 197,180,001.00 Yuan compared with that of last year, with a rise of 62.05%. The main cause is the amount of the Company's financing in banks increased in a rolling type in the report period.

9. The borrowings received decreased by 180,920,000.00 Yuan compared with that of last year, with a fall of 32.84%. The main cause is the bank loans received by the Company became less in the report period.

10. The cash paid for debt repayment decreased by 135,564,374.98 Yuan compared with that of last year, with a fall of 37.76%. The main cause is the bank loans due repaid by Company reduced in the report period.

11. The cash paid for dividend and profit distribution or interest payment decreased by 18,992,137.01 Yuan compared with that of last year, with a fall of 32.26%. The main cause is the dividends distributed by the company to the minority shareholders decreased.

12. Other cash paid for financing activities decreased by 70,461,696.24 Yuan compared with that of last year, with a fall of 93.15%. The main cause is SEG E-commerce repaid the associated enterprises for borrowings and interests of 45.45 million Yuan in the same period of last year, whereas the cash flow of SEG E-commerce was no longer consolidated into the Company's Cash Flow Statement in the report period. Besides, SEG Real Estate repaid Zhuhai Minghao Group for the borrowing of 30 million Yuan in the same period of last year.

II. Progress and impacts of significant events and analysis of solutions

√ Applicable □ Not applicable

(I) Major assets restructuring

1. The Company launched a major assets restructuring plan in November 2015. According to the disclosed major assets restructuring report, the Company plans to acquire 100% of the equity of SegMaker held by SEG Group, 55% of the equity of SEG Kangle, 100% of the equity of SEG Property Development, and 79.02% of the equity of SEG Real Estate Investment by issuance of shares (86.90%) and payment of cash (13.10%). In order to

promote the integrated performance, the Company plans to raise supporting funds of no more than 100% of the transaction price of assets to be purchased (or RMB 2 billion) through private placement to no more than 10 specific investors.

2. On January 17, 2017, the Company's application for issuing shares and paying cashes to acquire assets and raise supporting funds & connected transaction has been approved by the *Approval on Shenzhen SEG Co., Ltd.'s Issuing Shares to Shenzhen SEG Group Co., Ltd. to Acquire Assets and Raise Supporting Funds* (Z. J. X. K. [2017] No. 21).

3. On January 19, 2017, SEG Group transferred the subject assets related to share issuance and cash payment for assets acquisition. After the completion of alteration, the Company holds 100% of the equity of SegMaker, 55% of the equity of SEG Kangle, 100% of the equity of SEG Property Development, and 79.02% of the equity of SEG Real Estate.

4. On January 21, 2017, Da Hua Certified Public Accountants (Special General Partnership) hired by the Company verified newly-added capital stock of RMB 450,857,239 arising from share issuance of the Company, and issued a verification report (D. H. Y. Zi. [2017] No. 000044).

5. On February 15, 2017, the Company received the *Confirmation of Acceptance of the Application for Stock Registration* issued by Shenzhen Branch of China Securities Depository and Clearing Company Limited. 450,857,239 A shares were issued by the Company through private placement. The newly-added stocks are restricted outstanding shares and listed from March 6, 2017. As a result, SEG Group holds 688,216,905 shares of the Company, accounting for 55.7%.

The Company will accelerate fund raising with relevant intermediaries and timely perform the obligation of information disclosure based on the progress.

After the said private placement, the core assets of SEG Group were injected into the listed company, reducing horizontal competition to the greatest extent. The listed company after restructuring will be based on electronics markets, commercial (industrial park) real estate, maker business, and CdTe film solar business, promote interactive development with multiple business models, comprehensively integrate business resources, build SEG new industrial eco-circle, create a diversified and strategic emerging industry development platform, and develop into a leader in high-end manufacturing and services.

In terms of transformation of the existing specific main business, the Company will be based on electronics markets, combine service advantages and customer resources of electronics markets, step up efforts to develop the maker business, culture and education, intelligent technology, sports and entertainment, virtual experience, e-sports, financial services, strategic emerging industries, high-end manufacturing and services, optimize and integrate the business chain systems, and implement industrial transformation and upgrading.

(II) Lawsuits

1. Lawsuits of Nanning SEG

The Company received the summon and civil complaint from the People's Court of Xingning District on September 26, 2016, which required the Company to appear at the court and respond to lawsuits (2016) G. 0102 M. C. No. 3653 (cause: dispute over the house leasing contract) and 2016) G. 0102 M. C. No. 3654 (dispute over the property service contract) against the Company on November 20, 2016. The case is pending as of the disclosure date of the report.

2. Arbitration and Lawsuit of Suzhou SEG

Zongheng International Electronic Expo City (Suzhou) Co., Ltd. ("Zongheng International") breached the *Suzhou SEG Electronics Market Project Cooperation Agreement* signed with Suzhou SEG on June 5, 2009. According to the dispute resolution terms in Article 7 (4) of the cooperation agreement, the Company applied for

arbitration to Beijing Arbitration Commission (case number: (2016) J. Z. A. Zi. No. 2294). Besides, a loan dispute arose between Suzhou SEG and Zongheng International, and Suzhou SEG filed a lawsuit against Zongheng International to the court (case number: 2016 S. 0505 M. C. No. 5176). As Suzhou SEG and Zongheng International reached a settlement intention on March 8, 2017, Suzhou SEG has suspended the arbitration and revoked the lawsuit against Zongheng International.

3. Lawsuits of SEG Industry

SEG Industry filed lawsuits to Futian District People's Court against Shenzhen Wonder Industrial Co., Ltd., Shenzhen Yixin Zhongtian Technology Co., Ltd., and their debt guarantors for their breach of the contract, at the same time, has applied to the court for preservation of properties of Shenzhen Wonder Industrial Co., Ltd., Shenzhen Yixin Zhongtian Technology Co., Ltd., and their debt guarantors. Futian District People's Court thought that the conditions of prosecution are met and put the cases on record (case number: (2017) Y. 0304 M. C. No. 5092, (2017) Y. 0304 M. C. No. 5088). The Company has disclosed relevant issues on designated information disclosure media on March 1, 2017. As of the day when this report is disclosed, the hearing had not yet been held.

(III) Hongtu SEG Intelligent Industrial Investment Fund

Hongtu SEG Intelligent Industrial Investment Fund jointly initiated and established by the Company and Shenzhen Capital Group Co., Ltd. and Shenzhen Guiding Fund has a scale of RMB 300 million. Its main target of investment includes: Hongtu SEG Fund mainly for new intelligent electronic information industry, wearable intelligent devices, intelligent equipment, 3D printing, robot, VR/AR industry and Internet of things, Internet/mobile Internet +, cloud computation and projects with potentials for growth in relevant emerging industries of Shenzhen. As of the disclosure date of the report, the fund limited partnership ("Shenzhen Hongtu SEG Intelligent Industrial Investment Fund (Limited Partnership)") has been incorporated and relevant registration and record formalities are in progress.

Overview of Important Events	Disclosure Date	Inquiry Index for the Websites Disclosing the Temporary Reports
1. Matters concerning the progress of major assets restructuring	January 18, 2017	<i>Announcement on Approval of the CSRC on Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions</i> disclosed on http://www.cninfo.com.cn
	January 18, 2017	<i>Report of Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions (Draft)</i> disclosed on http://www.cninfo.com.cn
	January 25, 2017	<i>Announcement on Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Subject Asset Transfer of Connected Transactions</i> disclosed on http://www.cninfo.com.cn
2. Matters concerning the acquisition of the business license of SEG Lianzhong	February 11, 2017	<i>Announcement on the Acquisition of the Business License of Shenzhen SEG Lianzhong Internet Technology Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
3. Matters concerning the conclusion of the strategic cooperation agreement between SEG Real Estate Investment and Shenzhen Branch of Huarong Asset	March 1, 2017	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement between SEG Real Estate Investment and Shenzhen Branch of Huarong Asset Management Co., Ltd.</i> disclosed on http://www.cninfo.com.cn

4. Matters concerning the court's acceptance of the lawsuit filed by SEG Industry	March 1, 2017	<i>Announcement on the Receipt of the Court's Notice on Acceptance of the Lawsuit Filed by the Controlling Subsidiary</i> disclosed on http://www.cninfo.com.cn
5. Matters concerning the progress of major assets restructuring	March 4, 2017	<i>Announcement on Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Implementation of Connected Transactions & Offering of New Shares</i> disclosed on http://www.cninfo.com.cn
6. Matters concerning SEG Longyan Technology's bidding for the land in Shenzhen-Shanwei Special Cooperation Zone	March 14, 2017	<i>Announcement on Shenzhen SEG Longyan Energy Technology Co., Ltd.'s Bidding for the Land</i> disclosed on http://www.cninfo.com.cn

III. Commitments not fulfilled in the report period by the actual controller of the Company, shareholders, buyers, or other related parties

Applicable Not applicable

IV. Estimation of operating results of January-June 2017

Warning of negative estimated accumulated net profit from the beginning of the year to the end of the next report period or large fluctuation over the same period of the previous year and causes

Applicable Not applicable

Estimation of operating results: they will sharply increase compared with the same period of last year (before adjustment).

Type of data filled in the performance forecast: exact number

	Amount from the beginning of year to the end of the next report period	Amount of the same period of the previous year before retroactive adjustment	Increase or decrease	
Accumulated net profit estimated (ten thousand Yuan)	4,700	2,685.63	Increase	75.01%
Basic EPS (Yuan/Share)	0.0380	0.0342	Increase	11.22%
Explanation of performance forecast	<p>1. The Company carried out major asset restructuring in the first quarter of 2017. The four object enterprises including SEG Real Estate, SEG Kangle, SegMaker and SEG Property completed the procedures of transferring assets on January 19, 2017. Accordingly, in 2017 the Company will book the underlying assets of the above-mentioned four enterprises into the consolidated financial statements. Therefore, the relevant profit and loss of these four subject enterprises from January to June, 2017 are added into this estimation of the performance.</p> <p>2. The net profit attributable to the listed company in the first half of the year 2017 (after deducting non-recurring profit and loss) will decrease by around 20%, compared with that in the same period of last year (after adjustment). The main cause is that in the same period of last year,</p>			

	<p>there was considerable profit and loss from carrying over the house payment of Huizhou Qunxing real estate project of SEG Real Estate, whereas in the report period, such house payment became less because the sales of that project entered into the ending stage; in addition, in the first half of the year 2017, the New City Plaza project of SEG Real Estate cannot satisfy the conditions of recognizing income, and it is estimated that from the fourth quarter of the year 2017, this project will start partly carrying over the profit and loss from house payment.</p> <p>3. The financial data of the above performance forecast has not been audited and will be subject to that in 2017 semi-annual report to be disclosed at the scheduled time.</p>
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V. Securities investment

√ Applicable □ Not applicable

Stock type	Stock code	Short form of the security	Initial investment cost (Yuan)	Initial share quantity (shares)	Initial share-holding proportion	Ending share-holding quantity (shares)	Ending share-holding proportion	Closing book value (Yuan)	Gains and losses in the report period (Yuan)	Accounting item	Source of capital
Share	600778	Youhao Group	90,405.00	60,683	0.04%	60,683	0.04%	625,034.90		Available-for-sale financial assets	Original share
Share	000068	Huakong SEG	204,864,058.29	191,278,346	19.00%	191,278,346	19.00%	171,620,501.70	-2,931,731.52	Long-term equity investment	Original share
Share	832770	SEG Navigations	8,275,321.43	7,500,000	11.38%	7,500,000	11.38%	13,515,392.83		Available-for-sale financial assets	Original share
Total			213,229,784.7	198,839,029	--	198,839,029	--	185,760,929.4	-2,931,731.52	--	--

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Stock type	Stock code	Short form of the security	Initial investment cost (Yuan)	Shares held at the beginning of period	Shareholding ratio at the beginning of period	Shares held at the period end	Shareholding ratio at the end of period	Closing book value (Yuan)	Gains and losses in the report period (Yuan)	Accounting item	Source of shares
Disclosure date of the announcement of the Board of Directors on the approval of securities investment											
Disclosure date of the announcement of the general meeting on the approval of securities investment (if any)											

VI. Derivative investment

Applicable Not applicable

No derivative investment is involved in the report period.

VII. Registration form for investigations, communication and interviews in the report period

Applicable Not applicable

Time	Means	Type	Investigation Index
January 5, 2017	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
January 10, 2017	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
January 16, 2017	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress status that has been disclosed.

February 8, 2017	Phone call	Individual	Inquire about the main business, transformation, and private placement of the Company. The Company has given a reply according to the actual progress disclosed.
February 22, 2017	On-site survey	Organization	Inquire about the main business, transformation, and private placement of the Company. The Company has given a reply according to the actual situation and disclosed such information on irm.cninfo.com.cn .
February 28, 2017	Phone call	Individual	Inquire about the number of shareholders as of February 28. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
March 10, 2017	Phone call	Individual	Inquire about the main business, transformation, and private placement of the Company. The Company has given a reply according to the actual progress disclosed.
March 15, 2017	Phone call	Individual	Inquire about the number of shareholders as of March 15. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
March 23, 2017	Phone call	Individual	Inquire about the disclosure date of the annual report. The Company has replied that the annual report will be disclosed on April 18, 2017.

VIII. Illegal external guarantee

Applicable Not applicable

No illegal external guarantee is involved in the report period.

IX. Non-operating capital occupation on the listed company by the controlling shareholders and related parties

Applicable Not applicable

No non-operating capital occupation on the listed company by the controlling shareholders and related parties is involved in the report period.