



Shenzhen SEG Co., Ltd.

2016 Annual Report

2017-028

April 2017

Chapter 1 Important Notice, Contents and Definitions

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

Chairman of the Board of Directors Wang Li, the 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 annual report are true, accurate and complete.

All the directors have attended this board meeting reviewing the annual report.

The future plans, development strategies, and forward-looking statements involved in the annual report do not constitute any tangible commitment to investors. Investors should pay attention to investment risks.

The Company plans not to distribute cash dividends or bonus shares nor transfer reserves into share capital.

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Definitions

Definition	Refers to	Description
This Company, the Company, the listed company, Shen SEG	Refers to	Shenzhen SEG Co., Ltd.
Shenzhen SEG Group Co., Ltd.	Refers to	Shenzhen SEG Group Co., Ltd.
Huakong SEG	Refers to	Shenzhen Huakong SEG Co., Ltd.
SEG Baohua	Refers to	Shenzhen SEG Baohua Enterprise Development Co., Ltd.
Xi'an SEG	Refers to	Xi'an SEG Electronics Market Co., Ltd.
Suzhou SEG	Refers to	Suzhou SEG Electronics Market Management Co., Ltd.
Xi'an Hairong SEG	Refers to	Xi'an Hairong SEG Electronics Market Co., Ltd.
Nanjing SEG	Refers to	Shenzhen SEG Electronics Market Management Co., Ltd.
Shanghai SEG	Refers to	Shanghai SEG Electronics Market Operation Management Co., Ltd.
Nantong SEG	Refers to	Nantong SEG Times Plaza Management Co., Ltd.
Changsha SEG	Refers to	Changsha SEG Development Co., Ltd.
Mellow Orange Hotel	Refers to	Shenzhen Mellow Orange Business Hotel Management Co., Ltd.
Longgang SEG	Refers to	Shenzhen SEG Electronics Market Management Co., Ltd.
SEG Industry	Refers to	Shenzhen SEG Industrial Investment Co., Ltd.
SEG E-Commerce	Refers to	Shenzhen SEG E-commerce Co., Ltd.
SEG Credit	Refers to	Shenzhen SEG Credit Co., Ltd.
SEG Navigations	Refers to	Shenzhen SEG GPS Scientific Navigations Co., Ltd.
Shunde SEG	Refers to	Shunde SEG Electronics Market Management Co., Ltd.
Wuxi SEG	Refers to	Wuxi SEG Electronics Market Co., Ltd.
Nanning SEG	Refers to	Nanning SEG Digital Plaza Management Co., Ltd.
Suzhou SEG Digital	Refers to	Suzhou SEG Digital Plaza Management Co., Ltd.
Xi'an Fengdong SEG	Refers to	Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.

Definition	Refers to	Description
Nantong SEG Operation	Refers to	Nantong SEG Commercial Operation Management Co., Ltd.
SEG Intelligent	Refers to	Suzhou SEG Intelligent Technology Co., Ltd.
SEG Investment	Refers to	Shenzhen SEG Investment Management Co., Ltd.
SEG CPARK	Refers to	SEG International CPARK Show Promotion Center
Longyan Application	Refers to	Shenzhen SEG Longyan New Energy Application and Development 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.
CEEC	Refers to	China International Consumer Electronics Exhibition/Exchange Center Co., Ltd.
Wangyu Technology	Refers to	Shanghai Wangyu Information Technology Co., Ltd.
SegMaker	Refers to	Shenzhen SegMaker Co., Ltd.
Tencent	Refers to	Shenzhen Tencent Computer System Co., Ltd.
Fujian Babycat	Refers to	Fujian Babycat Animation Technology Co., Ltd.
Tmall Company	Refers to	Zhejiang Tmall Technology Co., Ltd.
Futian Investment	Refers to	Shenzhen Futian Investment Co., Ltd.
Ourgame International	Refers to	Ourgame International Holdings Limited
Allied eSports	Refers to	Tianjin Allied eSports Internet Technology Co., Ltd.
Shum Yip Land	Refers to	Shum Yip Land Company Limited
Shenzhen SASAC	Refers to	State-owned Assets Supervision and Administration Commission of Shenzhen Municipality
CSRC	Refers to	China Securities Regulatory Commission
Shenzhen Securities Regulatory Bureau	Refers to	Shenzhen Securities Regulatory Bureau of China Securities Regulatory Commission
<i>Articles of Association</i>	Refers to	<i>Articles of Association of Shenzhen SEG Co., Ltd.</i>
Unless otherwise specified, the amount referred to in the report	Refers to	Amount in RMB

Chapter 2 Company Profile and Main Financial Indexes

I. Basic Information

Stock abbreviation	SHEN SEG, SHEN SEG B	Stock code	000058, 200058
Changed stock abbreviation (if any)	None		
Listed on	Shenzhen Stock Exchange		
Company name in Chinese	深圳赛格股份有限公司		
Company abbreviation in Chinese	深赛格		
Company name in English (if any)	SHENZHEN SEG CO., LTD.		
Company name abbreviations in English (if any)	None		
Legal representative	Wang Li		
Registered address	31/F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen		
Post code	518028		
Office address	31/F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen		
Post code	518028		
Website	http://www.segcl.com.cn		
E-mail	segcl@segcl.com.cn		

II. Contact Information

	Secretary of the Board of Directors	Securities affairs representative
Name	Zheng Dan	Zhang Xin
Contact address	31/F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen	31/F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen
Phone	0755-83747939	0755-83747939
Fax	0755-83975237	0755-83975237
E-mail	segcl@segcl.com.cn	segcl@segcl.com.cn

III. Information Disclosure and Filing Site

Media selected by the Company for information disclosure	<i>China Securities Journal, Securities Times, Securities Daily and Hong Kong Commercial Daily</i>
Website assigned by CSRC for publishing the annual report	http://www.cninfo.com.cn (Cninfo Website)
The place where the annual report is prepared and	Secretary's Office of Board of Directors, 31/F, Tower A, Stars Plaza,

kept	Huaqiang Road (N), Futian District, Shenzhen
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IV. Changes of Registration Information

Organization code	27925377-6
Changes of main business since the Company's listing (if any)	<p>Changes to business scope on July 6, 2005: Domestic commerce, goods supply and sale (excluding commodities under special operation, control and sale), industrial investment (licenses for specific projects shall be subject to application on a case-by-case basis), economic information consultancy, property lease, real estate agency, and operation of SEG professional electronics markets (the license for the professional market shall be further applied for).</p> <p>Alteration of registration information on September 28, 2016: The business scope of the Company is changed to investment in industrial projects (specific items to be declared separately); operation and management of electronics markets; online trade; Internet technology development; advertising business; housing leasing; sales of computers, software, auxiliary equipment, and electronic products; cultural and artistic exchange activity planning (excluding performances); exhibition activities; investment in and management of children's industrial chain projects; children's playground equipment leasing (excluding financial leasing activities); playground management and services (limited to branch management); catering services (limited to branch management); business management consulting; education consulting; wholesale and retail of pre-packaged food, unpacked food, and dairy products (including infant formula milk powder) (limited to branch management); sales of stationery, craft gifts, toys, children's clothing, electronic products, handicrafts, and daily necessities; photography services; technical development of new energy; EPC of photovoltaic power generation and building integrated photovoltaic (BIPV) engineering; technical development and services of CdTe film solar cell modules; investment in photovoltaic power plants, contracting of BIPV curtain wall engineering; domestic trade (excluding franchised goods, proprietary goods, and goods under special control). (Any item subject to approval pursuant to laws can be operated only after approval.) Information services (limited to Internet information services); sales of food; manufacturing and sales of CdTe solar cell modules.</p>
Changes of dominant stockholders (if any)	No change.

V. Other Relevant Information of the Company

The accounting firm employed by the Company:

Name of the accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Address of the accounting firm	Room 1101, 11/F, Tower 7, No. 16 Block, Xisihuan Road (M), Haidian District, Beijing
Name of the certified public accountant signing the audit report	Zhang Xing and Zhang Zhaocheng

The sponsor firm employed by the Company for fulfilling the duties of continuous supervision in the report period:

Applicable Not applicable

The financial advisor employed by the Company for fulfilling the duties of continuous supervision in the report period:

Applicable Not applicable

VI. Main Accounting Data and Financial Indexes

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

Yes No

	2016	2015	Year-on-year increase/decrease	2014
Operating income (Yuan)	672,384,276.47	741,533,676.93	-9.33%	681,343,920.99
Net profit attributable to shareholders of the listed company (Yuan)	107,560,213.41	74,242,090.49	44.88%	48,380,294.05
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses (Yuan)	29,705,359.63	84,931,560.68	-65.02%	45,920,252.23
Net cash flow arising from operating activities (Yuan)	-120,030,057.68	-12,453,523.82		-427,933,620.94
Basic EPS (Yuan/Share)	0.1371	0.0946	44.93%	0.0616
Diluted EPS (Yuan/Share)	0.1371	0.0946	44.93%	0.0616
Weighted average ROE	7.11%	5.19%	1.92%	3.80%
	End of 2016	End of 2015	Year-on-year increase/decrease	End of 2014
Total assets (Yuan)	2,548,276,265.32	2,614,660,524.37	-2.54%	2,659,717,718.28
Net assets attributable to shareholders of the listed company (Yuan)	1,548,200,647.55	1,475,126,229.16	4.95%	1,298,970,719.85

VII. Differences in Accounting Data under Chinese and Overseas Accounting Standards

1. Differences in net profits and net assets reported in the financial statements disclosed under international accounting standards and Chinese accounting standards

Applicable Not applicable

In the report period, the company's net profits and net assets have no differences in the financial report disclosed based on both the international and the Chinese accounting standards.

2. Differences in net profits and net assets reported in the financial statements disclosed under international accounting standards and Chinese accounting standards

Applicable Not applicable

In the report period, the company's net profits and net assets have no differences in the financial report disclosed based on both the international and the Chinese accounting standards.

VIII. Major Quarterly Financial Indexes

Unit: Yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4

Operating income	191,126,945.65	171,546,291.20	139,478,273.85	170,232,765.77
Net profit attributable to shareholders of the listed company	17,696,110.04	9,160,160.38	15,422,191.47	65,281,751.52
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	17,623,939.70	11,072,519.77	15,912,414.05	-14,903,513.89
Net cash flow from operating activities	-30,744,760.42	-68,569,267.98	15,886,231.75	-36,602,261.03

Are there any significant differences between the financial indexes or their totals in the preceding table and those described in the disclosed quarterly reports or semi-annual reports?

Yes No

IX. Items and amount of non-recurring gains and losses:

Applicable Not applicable

Unit: Yuan

Item	Amount of 2016	Amount of 2015	Amount of 2014	Remarks
Gains and losses on disposal of non-current assets (including the write-off of assets depreciation reserves)	89,459,793.78	-257,269.63	6,475.34	Gains on reduction of holding-shares of Huakong SEG, sales of the equity of SEG E-commerce, and disposal of fixed assets
Government subsidies recorded into current gains and losses (except those closely related with corporate business and enjoyed according to national standards or certain quota)	9,828,264.76	980,956.24	1,554,585.78	Subsidies for Nantong SEG animation industrial base, 2015 special funds for development of the service industry of Wujiang District from Finance Bureau of Wujiang District, Suzhou, special funds for industrial development from Administrative Committee of the Economic Development Zone, 2015 Reward for stable and healthy economic development, headquarter operation reward of special funds for industrial development of Enterprise Development Service Center, Futian District, Shenzhen, and support project fund for construction of Nantong SEG Electronics Market
Fund appropriation charges for non-financial entities recognized in current profit or loss	3,097,500.00	3,414,955.63	700,000.00	
Corporate restructuring costs, such as staffing expenses and integration costs	-1,439,958.00			Employee compensation arising from restructuring of SEG E-commerce
Transferred-back impairment provision for accounts receivable, for which separate impairment tests are carried out		469,871.93		

Item	Amount of 2016	Amount of 2015	Amount of 2014	Remarks
Trustee fee from entrusted operation	188,679.24	200,000.00	200,000.00	
Other non-operating income and expenses except the above-mentioned items	-3,068,241.76	-13,043,897.59	498,440.96	Losses from litigation compensation of Nanning SEG
Less: Amount of affected income tax	19,072,980.69	2,022,052.01	216,991.94	
Amount of influence of minority shareholders' equity (after tax)	1,138,203.55	432,034.76	282,468.32	
Total	77,854,853.78	-10,689,470.19	2,460,041.82	--

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 Their 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 report period, it does not happen that the company defines the non-recurring profit and loss items defined or listed by *Interpretive Bulletin No. 1 on Information Disclosure by Companies Publicly Issuing Securities - Non-recurring Gains and Losses* as recurring profit and loss items.

Chapter 3 Overview of Company's Business

I. Main Business in the Report period

Should the Company abide by the disclosure requirements of special industries?

No.

(I) Main business and operation model

Main business of the Company includes development and operation of electronics market and supporting projects, property lease service, trade and channel service, e-commerce, value-added microcredit service, and economical hotel service and so on.

Business model: With three business operation platforms including the electronics market, commercial real estate and SEG CPARK as the core, the Company comprehensively integrates business resources, promotes the transformation and upgrading of the original main business, expands the business from operation of a single business platform to the production and operation of relevant content, creates a business model combining multiple business types, including maker ecology, culture and education, intelligent technology, sports and entertainment, virtual experience, e-sports, and financial services and so on, and develops from a single leasing role into diversified strategic emerging industries and high-end manufacturing and services.

(II) Current situation and tendency of industrial development and industrial position of the Company

1. Current situation of development of the electronics market is as follows:

- ① The industrial value chain of the electronics market is extended and the market functions are diversified.

With the improvement of modernized communication technology and information transmission approaches, the cost for connecting transaction information between consumers and manufacturers decreases gradually, and the functions of the electronics market in commodity gathering, distribution and transactions are being weakened. At present, the electronics market has abandoned the earliest "vendor booth" model of operation, and is extending vertically toward the two ends of the value chain of the electronic information industry, from only serving the distributors to providing services in enterprise image and product image display and promotion to manufacturers, providing sales service to distributors and providing platform comprehensive services to consumers before, during and after sales.

Extension of the Industrial Value Chain of the Electronics Market



At the same time, in the electronics market, facilities including water, electricity, warehousing, transportation, packaging, security, fire control, health, settlement, information, and life services have been improved. The functions of the electronics market have changed from traditionally unitary commodity gathering, distribution and transaction to commodity gathering and distribution, information release, price discovery and comprehensive services.

② Tendency of industrial integration is intensified.

Faced with the industrial reform, in order to strengthen the competitiveness, the electronics market has formed modern integrated logistics and services that are mainly represented by overseas transportation and bonded warehousing, foreign trade, agency sales and property leasing. Whereas the traditional electronics market has such weaknesses as high property cost, high transportation pressure and insufficient logistics supporting infrastructures, the new generation electronics market focuses on innovation in the traditional operation model, provides various services to both buyers and sellers, creates advanced distribution center for electronic components and IT terminal products, strengthens logistics service, develops service trade for electronic manufacture industry, and builds a distribution operation center of electronic products integrating property leasing and service, logistics and distribution, information and financial services.

③ Intelligent terminal products, especially 3C products including mobile phones and tablet devices become main operating products.

Technical improvements brought by mobile Internet technology and touch technology have facilitated the migration of intelligent devices from desk devices to mobile devices, represented mainly by smart phones and tablet computers. With the construction of mobile Internet infrastructure and development and improvement of the Internet ecological system including software and hardware, the consumption market of smart phones and tablet computers has been fast developing. Intelligent terminal devices have gradually become the main operating products in the electronics market, and will further facilitate the development of the latter.

④ Tendency of products expanding to emerging application fields is intensified.

In recent years, with the fast development of industries including wearable devices, intelligent household and automotive electronics, types of products distributed in the electronics market gradually expand to the emerging application field, meanwhile the booming development of the emerging market of electronic information industry will strongly drive the increase of demands for electronic components.

⑤ Reform occurs in commercial property management of electronics market.

Operation of commercial properties refers to the industry that acquires long-term rental income and supporting service income by leasing properties or providing management services. The property industry in China is developing, improving and getting mature. As improvement of management and service concepts is advocated now, competition of quality concept and brand concept, changes of market environment, application of high and new technologies and updating of consumption ideas request the property operation enterprises to make relevant reform from service concepts to service methods, from operation concepts to market positioning. Therefore, the commercial operation of the electronics market will gradually develop from the previously traditional electronic product transaction platform and leasing platform to diversified businesses including comprehensive maker business, culture and education, intelligent technology, sports and entertainment, virtual experience, e-sports and financial services.

⑥ Influences from e-commerce on operation and management of physical markets

In recent years, the transaction volumes and the number of markets and booths in electronics markets with the sales volume exceeding RMB 100 million have decreased mainly due to the influence from e-commerce on physical markets. As the promotion of mobile terminal consumption, household consumption and all kinds of life services are overheating in the online market. Therefore, it is imperative for electronics markets to transform to both online and offline platforms operation model.

2. Analysis on industrial development tendency of nationwide electronics markets

Electronics markets play an important role in the circulation of IT products. The booming electronic information industry has brought a huge space for growth. With the fast development of e-commerce, network devices and logistics industry in China in recent years, physical electronics markets have been affected to a certain extent, traditional electronics markets are facing both the opportunity and the challenge of transformation and upgrading. During the "13th Five-year Plan" period, the electronics markets in China will develop in the following tendencies:

① Electronics markets will focus on both physical markets and e-commerce

At present, e-commerce economy under Internet has entered into a new normal state. The slow-down of growth has triggered the reform of channel relationship. However, because the physical electronics markets feature production operation, supply logistics service and realistic consumption experience that are different from e-commerce, the latter has gradually carried out cooperation with electronics markets, as an inevitable tendency of the development of the industry.

② Integrated and interactive development of electronics markets and commercial real estate

In recent years, the profit model of electronics markets is changing. On one hand, electronics markets are combined with commercial real estate. Through total packaging, operation and promotion of commercial real estate, the formation of IT business circle is accelerated, and the real estate projects where the electronics markets are located increase in value. On the other hand, the appreciation of real estate where the electronics markets are located will further improve the brand value of the electronics markets. Therefore, more and more merchants praise highly of the operation model of interactive development by utilizing electronics markets to increase the value of the surrounding properties, further driving the development of the electronics markets.

The integrated and interactive development of electronics markets and commercial real estate can ensure the long-term stable operation of the markets, and electronics markets can directly benefit from the income from real estate appreciation brought by market operation, which facilitates the expansion of enterprises and the growth of brands.

③ Electronics markets are facing upgrading and renovation and manufacturers of famous electronic brand are seeking for joint development with electronics markets.

The popularization of consumable electronic products has made the electronics markets the buyer's market. The consumers have higher requirements on the shopping environment, quality warranty and after-sale guarantee. The operators of the electronics markets must continuously improve internal management, service, and shopping environment, normalize the merchants' operation behaviors, and improve after-sale service guarantee system to attract more consumers.

At the same time, the intensified competition among manufacturers of famous electronic brands will further strengthen the integration. The control of the manufacturers over the downstream fields will be strengthened, and they will continuously adjust agencies and the distributors, which will affect the adjustment of the electronics

markets. At present, the electronics markets focus more and more on of manufacturer resources. By various approaches including expanding market scale, improving shopping environment and improving service standard, the markets focus on improving the popularity and brand influences of the market brands in the mind of the consumers, so as to get more resources of manufacturer resources.

④ Electronics markets will remain the dominant sales channel of IT products in China.

Domestic channels of retail market of electronic products mainly include electronics markets, chain stores of electrical household appliances, retailers with own properties, e-commerce and department stores and supermarkets. Most retailers of electronic products carry out operation and sales in the electronics market, which maintains large market shares by relying on such advantages as the most complete categories of products, fast updating, large operation area and comfortable shopping environment. The retailers have chosen electronics markets with brand popularity as their main platform for operation in order to improve the sales and coverage width to consumers and improve the sales efficiency.

On the other hand, the electronics market is also the main product display platform for many manufacturers of electronic products. By setting up flagship stores or experience stores in the electronics markets, manufacturers can help consumers timely and easily know about their latest products, and display the enterprise image. According to the investigation data from Electronics Market Committee of China Electronics Chamber of Commerce, the electronics market will remain the main sales channel for domestic electronic products in the future. The percentage of sales volume of electronic products including desktops, laptops, mobile phones, tablet computers and intelligent hardware sold through electronics markets in the total domestic retail volume will remain over 50%.

3. Industrial position of the Company

In terms of operation of electronics markets, as the founder of the electronics market operation model of China, the Company is leading in the industry. The Company has established nearly 30 electronics markets in China by means of direct operation, joint operation and entrusted operation, has formed a chain system of electronics markets covering Pearl River Delta, Yangtze River Delta and radiating the whole country, and has gained high brand influence both at home and abroad.

II. Significant Changes in Main Assets

1. Significant Changes in Main Assets

Main assets	Description of Significant Changes
Equity	<p>In the report period, the equity decreases by 0.80% year on year, mainly because</p> <p>(1) In the report period, the Company reduced 10,066,700 holding-shares of Huakong SEG and the long-term equity investment of RMB 9,086,600.</p> <p>(2) In the report period, the Company contributed RMB 9,000,000 to Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd. (CEEC), accounting for 30% of its equity.</p> <p>(3) In the report period, Huakong SEG and Shanghai SEG make profits but CEEC makes a loss based on accounting via the equity method. After the Company deducts cash dividends of Shanghai SEG, the Company reduced the long-term equity investment of RMB 387,100 in total</p>

Fixed assets	There is no significant change in the report period.
Intangible assets	There is no significant change in the report period.
Construction in progress	In the report period, the LCD screen installation project in the lobby of 1/F of SEG Plaza was completed and transferred out, resulting in decrease of this item.
Monetary fund	In the report period, the monetary fund decreases by 33.87% year on year, mainly because the Company's funds were mainly used to invest in Nantong SEG Times Plaza, resulting in decrease of this item.
Accounts receivable	In the report period, accounts receivable decrease by 48.20% year on year, mainly because the Company sold the equity of its subsidiary SEG E-Commerce and the balance sheet statement of SEG E-Commerce was no longer consolidated, resulting in decrease of this item.
Prepayment	In the report period, the prepayment decreases by 63.28% year on year, mainly because the Company sold the equity of its subsidiary SEG E-Commerce and the balance sheet statement of SEG E-Commerce was no longer consolidated, resulting in decrease of this item.
Other receivables	In the report period, other receivables increase by 131.00% year on year, mainly because (1) The subsidiary SEG Baohua paid the decoration deposit RMB 8,980,000 for the new Dongmen Branch of Mellow Orange Hotel. (2) The headquarters paid the earlier-stage deposit RMB 1,030,000 in total for new projects. (3) The incomings and outgoings of the subsidiary Wuxi SEG with Wuxing Xinyuan Construction Development Co., Ltd. increased by RMB 10,300,000 in total. (4) The purchasing deposit of SEG Intelligent increased by RMB 2,000,000.
Inventory	In the report period, the inventory increases by 33.56% year on year, mainly because project construction expenditure was incurred by Nantong SEG Times Plaza, resulting in increase of this item.
Long-term deferred expense	In the report period, the long-term deferred expense increases by 91.57% year on year, mainly because the decoration expense of Nantong SEG Times Plaza RMB 42,970,000 was incurred.
Other non-current assets	In the report period, other non-current assets increase by 170.48% year on year, mainly because the earlier-stage expenditure of the new branch of Mellow Orange Hotel RMB 7,460,000 was incurred.

2. Main Overseas Assets

Applicable Not applicable

III. Analysis of Core Competence

Shenzhen SEG Electronics Market operated by the Company is the founder of the electronics market operation model in China, as a leader in the industry. It has won honorable titles successively including "Five-star Market of Electronic Products in China", "Most Influential Market in Shenzhen Special Economic Zone in 30 Years", "National Integrity Demonstrative Market 2014-2015" awarded by the State Administration for Industry & Commerce, and ten branded markets in Shenzhen for "Influencing China".

Through 28 years of hard work in the electronics market, the Company has acquired abundant market merchant resources and mature market operation and management experience. As of today, the Company has set up more than 20 electronics markets in China by means of direct operation, joint operation and entrusted operation, has formed a chain system of electronics markets covering the Zhujiang River Delta, the Yangtze River Delta and radiating the whole country, and has become the largest comprehensive electronics market in China and even in Asia covering electronic components, digital IT and communication products, and has gained high brand influence both at home and abroad.

For the past several years, the Company has been carrying out exploration, innovation and practice in terms of business transformation and upgrading of electronics markets for traditional main business. Faced with new consumption, new channel and new retail, apart from updating hardware and upgrading services, SEG Electronics Market has continuously introduced scene-mode, experience-mode, interaction-mode and socializing-mode types of operation. In the fields where SEG has investment and resources integration capacity, in order to improve core competitiveness and initiatives, SEG has attempted to create diversified types of business with SEG characteristics by means of investment and joint venture, such as juvenile maker education, e-sports, intelligent home and children's experience, etc. After the said featured types of business are gradually formed, an offline shopping place featuring SEG Electronics (digital and communication) as the core, coexisting of SEG's featured types of business, and other featuring cooperative types of business will come into being and provide one-stop and comprehensive consumption experience to consumers.

In the report period, the Company has actively carried out major assets restructuring, reduce horizontal competition at the maximum and enhance the profitability and core competitiveness of listed company. At the same time, relying on the platform of the listed company, the Company has fully integrated the business of electronics markets, and eventually fulfilled strategic integration, transformation and upgrading of current business of the listed company. In the report period, the Company's scheme of major assets restructuring was conditionally approved by China Securities Regulatory Commission Acquisition and Restructuring Committee. After the completion of major assets restructuring, the Company will continuously integrate the existing business and resources, develop in-depth cooperation with Longyan Energy Technology, Wangyu Technology, Alibaba, Fujian Babycat, and Tencent in such new business fields as new energy, e-sports, e-commerce, animation, and makers, actively promote the transformation and upgrading of the original business, develop new business, and achieve coordinated development of multiple business types. The Company will develop diversified strategic emerging industries and high-end manufacturing and services.

Chapter 4 Management Discussion and Analysis

I. Overview

In the report period, the global economy, affected by such events as slow-down of economic growth in USA and Brexit, is in downturn of growth. Affected by complicated and severe international and domestic environment, the economic growth and transformation of China is still under the downturn pressure.

Facing the complicated external economic environment and fierce market competition, the Company has actively promoted major assets restructuring in 2016. In this way, the Company has acquired such core operating assets held by the controlling shareholders as the quality electronics market, property management, and commercial real estate, which will enhance and stabilize the operating results of the Company. The income from investment in the real estate development project in the major assets restructuring will also enhance the profitability of the Company. The Company has also strengthened efforts on resource integration, transformation and upgrading through the major assets restructuring, vigorously developed innovative business, and looked for new profit growth point to constantly enhance the core competitiveness of the Company.

In the report period, the Company achieved the operating income of RMB 760,910,000, decreasing by 10% year on year. The main reasons of decrease are: (1) the operating income from electronics market and property lease plates declined; (2) due to the program of replacing business tax with value-added tax, the total income of the Company decreased by around RMB 19,000,000; and (3) the operating income of microcredit business decreased.

In the report period, the Company achieved total profit as much as RMB 187,540,000, increasing by 31.08% year on year. The main reason for the increase is: the investment income of the Company from sales of the equity of Huakong SEG and SEG E-commerce.

II. Analysis of Main Business

1. Overview

The main business of the Company comprises development and operation of electronics markets and supporting projects, property lease service, trade and channel operation, microcredit value-added service, and economical hotel business.

(1) Operation of electronics markets (including relevant business such as maker platform and Internet +)

With the fast development of Internet and mobile Internet, fast popularization of terminal operation, the formation of oligopoly of e-commerce platforms as well as the vertical subdivision of e-commerce market, the electronics market has been impacted to a certain extent.

Facing heated market competition and the impact of new commerce modes, by focusing on users' value and integrating all kinds of resources, expanding the industrial chain, enriching value-added services, improving the service quality, and establishing multi-channel profit model, the Company has greatly promoted the transformation and upgrading of the existing electronics market business, actively explored new business development modes and continuously improved the operation capacity and the innovation capacity of the main electronics markets.

In the report period, the Company carried out strategic business cooperation with Taobao, established online and offline business platform, has made a solid first step on the path of creating O2O electronics market innovation and value-added services with SEG features. By carrying out strategic business cooperation with Allied eSports, Wangyu Technology and Fujian Babycat, the Company has gradually set foot in production and operation of relevant contents from unitary commercial platform operation, and created comprehensive platform service operator. The Company has signed a strategic cooperation agreement with Tencent to use respective platform and resources advantages for strategic cooperation, jointly create a comprehensive service platform for makers that combines incubation and investment, key cooperative physical display and distribution platform for hardware and hardware lab platform of pragmatic innovation service, and establishes a maker incubation service benchmark combining software and hardware in China. The Company has signed a strategic cooperation agreement with Tmall. The parties will carry out strategic cooperation in terms of target recommendation of maker products or mature products, maker support event of "global gathering and innovation", Internet intelligent acceleration channel, online and offline marketing events, media promotion and resources complementation. SEG CPARK affiliated to SEG has attracted many international and domestic famous brands and creative products from makers to enter. It has gathered more than 500 models of branded products, and held more than 130 road shows, academic exchange and products release. It has been highly recognized by leaders at all levels and achieved extensive influence and good social demonstrative effects. SEG CPARK obtained the special fund of RMB 2,000,000 for makers in Shenzhen in August 2016, and has recently been awarded the title as a "Base for Science Education" by Shenzhen Science and Technology Association.

In the report period, the Company's electronics market business achieved operating income of RMB 281,600,000, decreasing by 19.59% year on year; and achieved total profit of RMB 46,470,000, decreasing by 33.67% year on year. The operating income and total profit decreased because: on the one hand, the psychical store industry is impacted by economic slowdown and fast development of mobile Internet and e-commerce in China; on the other hand, the Company has vigorously promoted diversification, transformation, and upgrading of market operations, retains the original well-managed business types, brings in different strategic industries, and coordinates different business type combinations to enhance the core competitiveness of the Company. The investment in such strategy has an impact on decline in the annual revenue of the Company.

(2) Property lease service business

The Company's property lease service includes the property lease business of the head office, the subsidiary SEG Baohua held by the Company and Nantong SEG operating company. In the report period, the performance of the property lease business of the head office and subsidiary SEG Baohua held by the Company has been relatively stable.

The Company has maintained the all-year-round lease rate above 98% by effective operation measures such as improving management and service quality of properties, controlling costs and expenses and adjusting strategies to attract investment. In the report period, the Company's property lease service achieved the operating income of RMB 61,680,000, decreasing by 5% year on year; and achieved the total profit of RMB 19,790,000, decreasing by 17% year on year. The main reasons for decrease of operating income and total profit are: firstly, affected by the overall economic environment, in order to maintain the stability of property operation and give merchants confidence in operation, the Company lowered down the rents of some properties; secondly, Nantong SEG Times Plaza Commercial Project was opened at the end of October 2016. The investment and relevant costs in the earlier stage were incorporated into the property lease business, resulting in decrease of total profit.

(3) Trade and channel business

In the report period, the overall operation of SEG Industry declined sharply, mainly due to increasing economic downturn pressure in China, and business stagnation of upstream and downstream partners, which resulted in delayed capital return and slow capital circulation of cooperating customers of SEG Industry, and directly affected the operating income of the Company. At the moment the Company has filed lawsuits against the cooperating customers that delayed the payment for goods and taken relevant legal measures to protect the interests of the Company. SEG Intelligent Company was invested and established by the Company in January 2016. It engages in smart home business, develops intelligent and engineering projects, and provides multiple intelligent solutions for home, engineering, and plants. SEG Intelligent also acts as agent for retail of famous brands of communications.

In the report period, the Company's trade and channel business achieved the operating income of RMB 284,330,000, increasing by 7.58% year on year. The main reason for increase of operating income is the income from channel business of SEG Intelligent Company added in the report period.

(4) Microcredit business

In the report period, SEG Credit, the subsidiary held by the Company was stable in operation. The Company's cargo pledge business is getting more and more mature. In order to adapt to the market changes and the demands of the customers, the Company has continuously explored new models of loan. Under the precondition of risk control, the Company has attempted to carry out dynamic cargo pledge operation model and has achieved initial success.

In the report period, the Company's microcredit business achieved the operating income of RMB 88,530,000, decreasing by 15% year on year; and achieved the total profit of RMB 42,270,000, decreasing by 10% year on year. The main reasons for decrease of operating income and total profit are as follows. On one hand, the competition of microcredit industry has been intensified in 2016 according to the industrial statistical data. The overall operation performance has declined. Moreover, a large number of guarantee companies and commercial banks have got involved in the microcredit industry, which affected the income of the microcredit companies. On the other hand, affected by the decrease of entire interest rates of China, the overall income level of the Company has decreased slightly.

(5) Economical hotel business

In the report period, SEG Baohua opened a new economical hotel in Luohu District, Shenzhen (Mellow Orange Dongmen Branch), and its previous economical hotel business included Changsha Branch, Xingsha Branch and Bao'an Branch. In the report period, the Company's economical hotel business achieved the operating income of RMB 24,920,000, decreasing by 6% year on year; and achieved the total profit of RMB 2,050,000, decreasing by 1.5% year on year. The main reasons for the decrease of operating income and total profit are: firstly, they are affected by the external economic environment, and the competition of the economical hotel industry has been intensified; secondly, affected by the program of replacing business tax with value-added tax as well as the new opening of Dongmen Hotel, the operating income has decreased slightly.

(6) E-commerce business

In the report period, the Company's e-commerce business achieved the operating income of RMB 19,860,000, decreasing by 44.19% year on year. The main reason for decrease of operating income is that in the report period the Company implemented the transfer of SEG E-commerce, and SEG E-commerce scaled back all its operations.

2. Income and Cost

(1) Formation of operating income

Unit: Yuan

	2016		2015		Year-on-year increase/decrease (%)
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	760,915,085.86	100%	846,675,884.33	100%	-10.13%
Classified by industry					
Electronics market operation and property leasing	343,280,375.05	45.11%	415,127,517.70	49.03%	-17.31%
Trade	284,331,867.85	37.37%	264,303,143.71	31.22%	7.58%
Hotel	24,915,964.23	3.27%	26,523,482.58	3.13%	-6.06%
E-commerce	19,856,069.34	2.61%	35,579,532.94	4.20%	-44.19%
Finance	88,530,809.39	11.63%	105,142,207.40	12.42%	-15.80%
Classified by product					
Classified by region					
Shenzhen	463,882,693.06	60.96%	625,255,412.68	82.17%	-25.81%
Xi'an	61,087,396.36	8.03%	59,688,953.13	7.84%	2.34%
Su Zhou	177,711,494.88	23.35%	79,040,494.44	10.39%	124.84%
Changsha	24,597,175.67	3.23%	39,091,884.16	5.14%	-37.08%
Nanjing	24,795,038.43	3.26%	32,421,829.58	4.26%	-23.52%
Foshan	3,020,405.16	0.40%	2,474,556.31	0.33%	22.06%
Wuxi	5,820,882.30	0.76%	7,079,142.74	0.93%	-17.77%

(2) Information on industries, products or regions accounting for over 10% of operating income or operating profit

√ Applicable □ Not applicable

Should the Company abide by the disclosure requirements of special industries?

No.

Unit: Yuan

	Operating income	Operating cost	Gross profit rate	Year-on-year increase/decrease of operating income	Year-on-year increase/decrease of operating cost	Year-on-year increase/decrease of gross profit rate
Classified by industry						
Electronics market operation	343,280,375.05	243,760,551.06	28.99%	-17.31%	-19.15%	1.62%

and property leasing						
Trade	284,331,867.85	284,740,411.64	-0.14%	7.58%	9.19%	-1.48%
Hotel	24,915,964.23	21,705,084.88	12.89%	-6.06%	-2.47%	-3.20%
(3). E-commerce	19,856,069.34	19,858,461.31	-0.01%	-44.19%	-20.53%	-29.77%
Finance	88,530,809.39	12,430,171.06	85.96%	-15.80%	45.67%	-5.92%
Classified by product						
Classified by region						
Shenzhen	463,882,693.06	322,380,893.92	30.50%	-25.81%	-23.88%	-1.76%
Xi'an	61,087,396.36	44,494,862.35	27.16%	2.34%	2.34%	0.00%
Su Zhou	177,711,494.88	163,336,457.22	8.09%	124.84%	116.24%	3.66%
Changsha	24,597,175.67	15,356,162.14	37.57%	-37.08%	-44.53%	8.39%
Nanjing	24,795,038.43	29,081,888.23	-17.29%	-23.52%	-14.14%	-12.81%
Wuxi	3,020,405.16	2,873,099.31	4.88%	22.06%	24.16%	-1.61%

If the statistical caliber of main business data is adjusted in the report period, the Company shall use the main business data of the previous year collected at the end of the report period after adjustment of statistical caliber.

Applicable Not applicable

(3) Is the Company's material sales revenue more than its service revenue?

Yes No

(4) Performance of executed major sales contracts as of the report period

Applicable Not applicable

(5) Formation of operating cost

Industry classification

Unit: Yuan

Industry classification	Item	2016		2015		Year-on-year increase/decrease (%)
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
Electronics market operation and property leasing	Electronics market operation and property leasing	243,760,551.06	41.85%	301,511,104.70	48.78%	-19.15%
Trade	Trade	284,740,411.64	49.22%	260,773,559.46	42.19%	9.19%
Hotel	Hotel	21,705,084.88	3.75%	22,255,148.18	3.60%	-2.47%
E-commerce	E-commerce	19,858,461.31	3.43%	24,989,821.48	4.04%	-20.53%
Finance	Finance	12,430,171.06	2.15%	8,533,082.37	1.38%	45.67%

Industry	Item	2016	2015	Year-on-year
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classification		Amount	Percentage of operating cost	Amount	Percentage of operating cost	increase/decrease (%)
Electronics market operation and property leasing	Lease and property costs	89,787,034.41	36.83%	99,519,264.28	33.01%	-9.78%
Electronics market operation and property leasing	Total remuneration for employees	57,842,140.82	24.12%	73,123,516.29	24.25%	-20.90%
Electronics market operation and property leasing	Depreciation and amortization	26,896,131.93	11.22%	29,266,499.62	9.71%	-8.10%
Electronics market operation and property leasing	Market and property service costs	59,910,715.55	24.99%	75,217,006.81	24.95%	-20.35%
Electronics market operation and property leasing	Retail goods sales cost	9,324,528.35	3.89%	24,384,817.70	8.09%	-61.76%

Industry classification	Item	2016		2015		Year-on-year increase/decrease (%)
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
Hotel	Total remuneration for employees	5,110,635.15	23.55%	5,458,034.64	24.52%	-6.36%
Hotel	Depreciation and amortization	3,243,021.27	14.94%	3,577,343.55	16.07%	-9.35%
Hotel	Administrative fee	202,279.31	0.93%	597,774.92	2.69%	-66.16%
Hotel	Lease cost	8,258,888.25	38.05%	8,199,833.24	36.84%	0.72%
Hotel	Others	4,890,260.90	22.53%	4,422,161.83	19.87%	10.59%

Product category	Item	2016		2015		Year-on-year increase/decrease (%)
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
Trade	Goods sales cost	262,813,004.51	92.30%	260,773,559.46	100.00%	0.78%
Trade	Lease cost	4,060,000.00	1.43%			
Trade	Manpower cost	984,567.12	0.35%			

Trade	Others	16,882,840.01	5.93%			
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Industry classification	Item	2016		2015		Year-on-year increase/decrease (%)
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
Finance	Lease cost	835,447.71	6.72%	664,432.82	7.79%	25.74%
Finance	Financial service cost	11,594,723.35	93.28%	7,868,649.55	92.21%	47.35%

Industry classification	Item	2016		2015		Year-on-year increase/decrease (%)
		Amount	Percentage of operating cost	Amount	Percentage of operating cost	
E-commerce	Total remuneration for employees	791,042.52	3.98%	1,248,958.81	5.00%	-36.66%
E-commerce	Sales cost	14,803,990.32	74.55%	16,457,203.37	65.86%	-10.05%
E-commerce	Promotion expenses	2,201,214.57	11.08%	2,562,768.35	10.26%	-14.11%
E-commerce	Customs declaration and logistics expenses	1,411,072.73	7.11%	2,058,226.13	8.24%	-31.44%
E-commerce	Others	651,141.17	3.28%	2,662,664.82	10.65%	-75.55%

(6) Is the consolidation scope changed in the report period?

Yes No

Compared with the previous period, three more entities are included in and one entity is excluded from the consolidated financial statements in the current period, including:

1. Subsidiaries, special purpose entities, and business entities that gain control by way of commissioning management or renting included in the consolidation scope in the current period

Name	Reason for change
Suzhou SEG Intelligent Technology Co., Ltd.	Newly established
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Newly established
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Newly established

2. Subsidiaries, special purpose entities, and business entities that lose control by way of commissioning management or leasing excluded from the consolidation scope in the current period

Name	Reason for change
Shenzhen SEG E-commerce Co., Ltd.	Transfer-out of all equities

(7) Information about significant changes or adjustments of business, product or service in the report period

□ Applicable √ Not applicable

(8) Information on main customers and main suppliers

Information about the Company's major customers

Sales amount of top 5 customers (Yuan)	178,353,088.59
Percentage of the total sales amount of top 5 customers to the annual sales	26.53%
Percentage of the sales amount of related parties among top 5 customers to the annual sales	0.00%

Information about top 5 customers

No.	Customer Name	Sales amount (Yuan)	Percentage of the annual sales amount
1	Shenzhen Runneng Digital Co., Ltd.	86,573,198.09	12.88%
2	Shenzhen Nanfang Yunhe Technology Co., Ltd.	52,034,318.22	7.74%
3	Shenzhen Comnet Technology Co., Ltd.	18,413,719.60	2.74%
4	Xinjiang Zhongdi Communication Equipment Co., Ltd.	13,445,496.60	2.00%
5	Shenzhen Wonder Industry Co., Ltd.	7,886,356.08	1.17%
Total	--	178,353,088.59	26.53%

Other information on main customers

□ Applicable √ Not applicable

Information about major suppliers

Total purchase amount of top 5 suppliers (Yuan)	158,288,064.96
Percentage of the total purchase amount of top 5 suppliers to the annual purchase	27.17%
Percentage of the purchase amount of related parties among top 5 customers to the annual purchase amount	0.00%

Information about top 5 suppliers

No.	Name of supplier	Purchase amount (Yuan)	Percentage of the annual purchase
1	www.189zg.cn	45,473,737.61	7.81%
2	Shenzhen Shuojian Industry Co., Ltd	44,717,876.92	7.68%
3	Telling Telecommunication Holding Co., Ltd.	32,862,893.16	5.64%
4	Shenzhen Youyou Financial Service Co., Ltd.	18,862,559.83	3.24%
5	Beijing Hengsha Science and Technology Co., Ltd.	16,370,997.44	2.81%
Total	--	158,288,064.96	27.17%

Other information on main suppliers

□ Applicable √ Not applicable

3. Expense

Unit: Yuan

	2016	2015	Year-on-year increase/decrease (%)	Description of significant changes
Sale expenses	13,846,141.59	4,585,434.23	201.96%	In the report period, the opening of Nantong SEG Times Plaza incurred the expense of RMB 10,510,000, and the newly-added investment in the subsidiary SEG Intelligent added to the sales expense of the Company.
Management expenses	60,042,027.31	44,222,779.09	35.77%	In the report period, major assets restructuring incurred the expense of RMB 16,800,000 and the compensation of RMB 1,440,000 was paid due to SEG E-commerce restructuring.
Financial cost	4,627,175.84	3,564,776.76	29.80%	In the report period, due to the completion and opening of Nantong SEG Times Plaza, the interest expense capitalized decreased and the interest expense included in profit or loss increased.

4. Investment in research and development

□ Applicable √ Not applicable

5. Cash Flow

Unit: Yuan

Item	2016	2015	Year-on-year increase/decrease (%)
Subtotal of cash inflow from operating activities	1,313,569,362.59	2,188,033,814.36	-39.97%
Subtotal of cash outflow in operating activities	1,433,599,420.27	2,200,487,338.18	-34.85%
Net cash flow from operating activities	-120,030,057.68	-12,453,523.82	
Subtotal of cash inflow from investing activities	805,548,757.27	2,264,549,143.15	-64.43%
Subtotal of cash outflow in investing activities	729,919,986.64	2,172,173,875.73	-66.40%
Net cash flow from investing activities	75,628,770.63	92,375,267.42	-18.13%
Subtotal of cash inflow from financing activities	461,367,812.30	442,000,000.00	4.38%
Subtotal of cash outflow in financing activities	512,995,153.98	628,455,033.90	-18.37%

Item	2016	2015	Year-on-year increase/decrease (%)
Net cash flow arising from financing activities	-51,627,341.68	-186,455,033.90	
Net increase in cash and cash equivalents	-96,028,613.26	-106,533,251.60	

Description of main factors of significant year-on-year change

√ Applicable □ Not applicable

1. Subtotal of cash inflow from operating activities decreases by 39.97% year on year in the report period, mainly due to decline in the supply chain business of SEG E-commerce, trading business contraction of SEG Industry, and decrease in the cash flow.

2. Subtotal of cash outflow from operating activities decreases by 34.85% year on year in the report period, mainly for the following reasons:

(1) Decline in the supply chain business of the subsidiary SEG E-commerce results in decrease in the cash paid in the report period.

(2) The purchasing expense for trading business of the subsidiary SEG Industry decreases year on year in the report period.

3. Net cash flow from operating activities decreases year on year in the report period, mainly due to year-on-year growth of the real estate development expense of Nantong SEG.

4. Subtotal of cash inflow from investing activities decreases by 64.43% year on year in the report period, mainly due to reduction of investment in bank financing.

5. Subtotal of cash outflow from investing activities decreases by 66.40% year on year in the report period, mainly because reduction of investment in bank financing resulted in decrease in investment return.

6. Net cash flow from investing activities decreases by 18.13% year on year in the report period, mainly because larger investment return resulted in larger net cash inflow from investing activities in the same period of the previous year while the reduction of investment in bank financing resulted in decrease in investment return in the report period.

7. Subtotal of cash inflow from financing activities increases by 4.38% year on year in the report period, mainly due to increase in bank loans obtained by the Company.

8. Subtotal of cash outflow from financing activities decreases by 18.37% year on year in the report period, mainly due to the Company's repayment of the due bank loans and decrease in the principal and interest of short-term financing bond.

9. Net cash flow from financing activities increases year on year in the report period, mainly because the financing scale of the Company decreased and cash outflow was larger in the same period of the previous year while the financing scale of the Company was basically flat in the report period.

10. Net increase in cash and cash equivalents increase year on year in the report period, for the reasons described in Items 7, 8, and 9.

Reasons for the big difference between the net cash flow arising from operating activities and the annual net profit in the report period

□ Applicable √ Not applicable

III. Analysis of Non-major Business

√ Applicable □ Not applicable

Unit: Yuan

	Amount	Percentage of total profit	Reason	Sustainable or not
Investment income	99,145,904.44	52.87%	1. Gains on reduction of holding-shares of Huakong SEG and sales of the equity of SEG E-commerce; 2. financial income and income from investment in joint ventures	1. Unsustainable 2. Sustainable
Asset impairment	-3,476,898.53	-1.85%	Impairment provision for loans and advances granted by subsidiary SEG Credit	Partially sustainable
Non-operating income	10,897,524.02	5.81%	Government subsidies and liquidated damages	Partially sustainable
Non-operating expenses	4,366,432.31	2.33%	Litigation compensation of Nanning SEG in the report period	Unsustainable

IV. Assets and Liabilities**1. Significant Changes in Asset Formation**

Unit: Yuan

	End of 2016		End of 2015		Increase/decrease	Description of significant changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary funds	183,094,815.84	7.19%	276,863,429.10	10.59%	-3.40%	
Accounts receivable	50,870,545.72	2.00%	98,212,422.87	3.76%	-1.76%	
Inventory	602,098,738.92	23.63%	450,809,934.72	17.24%	6.39%	
Investment properties	425,169,768.62	16.68%	443,851,726.40	16.98%	-0.30%	
Long-term equity investment	183,649,044.67	7.21%	185,122,573.88	7.08%	0.13%	
Fixed assets	39,181,793.82	1.54%	37,524,425.25	1.44%	0.10%	
Construction in progress		0.00%	140,810.00	0.01%	-0.01%	
Short-term borrowing	355,000,000.00	13.93%	367,759,630.48	14.07%	-0.14%	

2. Assets and liabilities measured based on fair value

√ Applicable □ Not applicable

Unit: Yuan

Item	Opening balance	Change in fair value of the current period	Cumulative change in fair value recognized in the equity	Impairment accrued in the current period	Amount of purchase in the current period	Amount of sales in the current period	Closing balance
Financial assets							
3. Available-for-sale financial assets	744,580.41		-61,289.83				683,290.58
Subtotal of financial assets	744,580.41		-61,289.83				683,290.58
Total	744,580.41		-61,289.83				683,290.58
Financial liabilities	0.00						0.00

Are major asset measurement attributes of the Company materially changed in the report period?

Yes No

3. Restricted asset rights as of the end of the report period

Applicable Not applicable

V. Investment

1. General

Applicable Not applicable

Investment in the report period (Yuan)	Investment over the same period of the previous year (Yuan)	Increase/decrease (%)
167,406,096.68	171,899,357.22	-2.61%

2. Significant equity investment in the report period

√ Applicable □ Not applicable

Unit: Yuan

Investee name	Main business	Investment mode	Investment amount	Shareholding percentage	Source of capital	Partner	Investment horizon	Product type	Progress as of the balance sheet date	Projected income	Investment profit or loss of the current period	Lawsuit involved	Disclosure date (if any)	Disclosure index (if any)
Suzhou SEG Intelligent Technology Co., Ltd.	Trade	Newly-established	10,000,000.00	100.00%	Self-owned capital	None	Not applicable	Digital	Opening		-3,445,047.53	No	January 13, 2016	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on the Establishment of Shenzhen SEG Intelligent Technology Co. Ltd.
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Energy	Newly-established	2,500,000.00	50.00%	Self-owned capital	Advanced Solar Power (Hangzhou) Inc., Shenzhen Raytai Technology Photovoltaic Engineering Co., Ltd., Shenzhen Energy Nanjing Energy Holdings	Not applicable	Photovoltaic	In preparation	0.00		No	May 10, 2016	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Foreign Investment and Establishment of SEG Longyan New Energy Application and Development Co., Ltd.

						Limited								
Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Exhibition	Newly-established	9,000,000.00	30.00%	Self-owned capital	Shenzhen Futian Investment Co., Ltd.	Not applicable	Exhibition	In preparation	0.00	-8,181,957.94	No	May 12, 2016	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Equity Investment and Establishment of Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Energy	Newly-established	82,500,000.00	50.00%	Self-owned capital	Advanced Solar Power (Hangzhou) Inc., Southern Raytai Group, Shenzhen Energy Nanjing Energy Holdings Limited	Not applicable	Energy	In preparation	0.00		No	November 12, 2016	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on the Establishment of SEG Longyan Energy Technology Co., Ltd. and Launch of CdTe Film Photovoltaic Industrial Base
Total	--	--	104,000,000.00	--	--	--	--	--	--	0.00	-11,627,005.47	--	--	--

3. Significant non-equity investment in progress in the report period

√ Applicable □ Not applicable

Unit: Yuan

Project name	Investment mode	Fixed asset investment?	Industries involved in	Amount of investment	Accumulated amount	Source of capital	Progress	Projected income	Accumulated income as of	Reasons for failure to	Disclosure date (if any)	Disclosure index (if any)
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			investment	during the report period	invested as of the end of the report period				the end of the report period	achieve the plan schedule objective and expected income		
Nantong SEG Times Plaza	Self-constructed	No	Real estate	148,406,096.68	597,264,847.59	Self-owned capital and bank loans		0.00	-8,396,389.16	Not applicable		
Total	--	--	--	148,406,096.68	597,264,847.59	--	--	0.00	-8,396,389.16	--	--	--

4. Financial assets investment

(1) Security investment

√ Applicable □ Not applicable

Unit: Yuan

Stock type	Stock code	Short form of the security	Initial investment cost	Accounting measurement mode	Opening book value	Gains and losses from fair value changes in the current period	Accumulative change of fair value counted into equity	Amount of purchase in the current period	Amount of sales in the current period	Gains and losses in the report period	Closing book value	Accounting item	Source of capital
Domestic and overseas shares	600778	Youhao Group	90,405.00	Measurement of fair value	744,580.41		-61,289.83	0.00	0.00	0.00	683,290.58	Available-for-sale financial assets	Self-owned capital
Domestic and overseas shares	000068	Huakong SEG	204,864,058.29	Measurement of cost method	181,743,161.07		178.21		-9,086,648.37	1,895,383.08	174,552,073.99	Other assets	Self-owned capital

Stock type	Stock code	Short form of the security	Initial investment cost	Accounting measurement mode	Opening book value	Gains and losses from fair value changes in the current period	Accumulative change of fair value counted into equity	Amount of purchase in the current period	Amount of sales in the current period	Gains and losses in the report period	Closing book value	Accounting item	Source of capital
Domestic and overseas shares	832770	SEG Navigations	8,275,321.43	Measurement of cost method	13,515,392.83			0.00	0.00	0.00	13,515,392.83	Available-for-sale financial assets	Self-owned capital
Total			213,229,784.72	--	196,003,134.31		-61,111.62		-9,086,648.37	1,895,383.08	188,750,757.40	--	--

(2) Investment of derived products

Applicable Not applicable

No investment in derivatives is involved in the report period.

5. Use of the collected capital

Applicable Not applicable

In the report period, there was no usage of raised capital.

VI. Sales of Major Assets and Equity

1. Sales of Major Assets

Applicable Not applicable

Counterparty	Sold assets	Date of sale	Transaction price (RMB 10,000)	Net profit contributed by the asset to the listed company from the beginning	Impact of the sale on the Company (Note 3)	Proportion of the net profit contributed by the assets to the listed company	Pricing principle for the sale of assets	Connected transaction?	Association with the counterparty (applicable to connected transactions)	Transfer of all property rights of assets involved?	Transfer of all creditor's rights and debts involved?	Implemented as scheduled or not? If not, indicate reasons and measures taken by the	Disclosure date	Disclosure index
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				of the period to the date of sale (RMB 10,000)		to total net profit							Company		
Wang Yunling	51% of the equity of Shenzhen SEG E-commerce Co., Ltd.	December 8, 2016	534.97	-430.75	348.64	3.17%	Fair value	No	N/A	Yes	Yes	Transferred	December 15, 2016	<i>Announcement on the Progress of Equity Transfer of Shenzhen SEG E-commerce Co., Ltd.</i> disclosed on http://www.cninfo.com.cn	
Secondary market investors	10,066,700 shares of Huakong SEG	December 31, 2016	8,815	8.72	8,620.23	78.27%	Fair value	No	N/A	Yes	Yes	Transferred	December 31, 2016	<i>Announcement on the Implementation of Reduction of Holding-shares of Shenzhen SEG Co., Ltd.</i> disclosed on http://www.cninfo.com.cn	

2. Sales of Major Equity

√ Applicable □ Not applicable

Counterparty	Sold assets	Date of sale	Transaction price (RMB 10,000)	Net profit contributed by the asset to the listed company from the beginning of the period to the date of sale (RMB 10,000)	Impact of the sale on the Company (Note 3)	Proportion of the net profit contributed by the assets to the listed company to total net profit	Pricing principle for the sale of assets	Connected transaction?	Association with the counterparty (applicable to connected transactions)	Transfer of all equities involved?	Implemented as scheduled or not? If not, indicate reasons and measures taken by the Company	Disclosure date	Disclosure index
Wang Yunling	51% of the equity of Shenzhen SEG E-commerce Co., Ltd.	December 8, 2016	534.97	-430.75	348.64	3.17%	Fair value	No	None	Yes	Yes	December 15, 2016	<i>Announcement on the Progress of Equity Transfer of Shenzhen SEG E-commerce Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
Secondary	10,066,700	December	8,815.09	8.72	8,620.23	78.27%	Fair value	No	None	Yes	Yes	December	<i>Announcement on the</i>

market investors	shares of Huakong SEG	31, 2016										31, 2016	Implementation of Reduction of Holding-shares of Shenzhen SEG Co., Ltd. disclosed on http://www.cninfo.com.cn
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VII. Analysis of Controlling and Holding Companies

√ Applicable □ Not applicable

Information on main subsidiaries and holding companies with more than 10% influences on the Company's net profits

Unit: Yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
SEG Credit	Subsidiary	Micro-credit	150,000,000.00	527,128,411.41	190,217,607.42	78,351,087.18	42,273,929.06	31,709,669.74
SEG Baohua	Subsidiary	Property operation and management and hotel business	30,808,800.00	160,403,186.06	112,528,058.07	80,289,375.74	35,800,313.60	26,881,089.95
SEG Industry	Subsidiary	Channel retail terminal of electronic products and property operation and management	25,500,000.00	103,489,093.25	44,646,580.89	183,761,151.85	6,312,881.57	5,984,662.68
Longgang SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	18,632,641.84	7,365,800.29	8,885,058.01	2,302,057.14	1,766,813.36
Shunde SEG	Subsidiary	Operation and management of professional electronics market	6,000,000.00	4,768,727.23	3,251,329.59	3,020,405.16	66,777.56	92,107.04
Changsha SEG	Subsidiary	Operation and management of professional electronics market	35,000,000.00	90,333,829.24	69,762,432.18	24,597,175.67	8,597,440.66	6,004,911.59
Xi'an SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	42,746,870.72	18,277,318.13	39,901,579.15	12,566,775.67	10,729,264.73
Xi'an Hairong SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	27,047,412.83	5,470,844.74	21,185,817.21	2,384,182.47	2,187,519.46

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Nanjing SEG	Subsidiary	Operation and management of professional electronics market	20,000,000.00	23,115,769.70	4,436,932.79	24,795,038.43	-4,778,383.95	-4,552,613.66
Wujiang SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	23,504,627.13	5,084,589.72	15,420,790.93	2,136,733.06	1,777,325.36
Wuxi SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	15,945,797.55	4,471,380.86	5,820,882.30	741,528.88	526,070.18
Suzhou SEG	Subsidiary	Operation and management of professional electronics market	3,000,000.00	36,718,623.73	11,421,072.36	41,978,978.54	8,126,629.35	5,980,331.82
Suzhou SEG Digital	Subsidiary	Operation and management of professional electronics market	8,000,000.00	22,832,637.84	-2,049,294.53	27,149,253.66	491,000.53	493,897.43
SEG Intelligent	Subsidiary	Trade	10,000,000.00	12,190,666.91	6,554,952.47	93,162,471.75	-3,461,244.46	-3,445,047.53
Nantong SEG	Subsidiary	Development and operation of real estate	30,000,000.00	720,210,231.69	21,603,610.84		-10,227,118.54	-2,208,110.04
Nantong SEG Commercial Operation	Subsidiary	Property Operation	-	8,843,404.99	-4,501,816.70	878,147.31	-4,501,343.74	-4,501,343.73
SEG E-Commerce	Subsidiary	E-commerce	-			19,856,069.34	-4,433,595.83	-4,307,477.61
Huakong SEG	Shareholding company	Manufacturing and operation of color picture tube (CPT), CPT materials, and glass apparatus	1,006,671,464.00	1,313,724,068.11	800,907,363.73	297,563,205.88	21,931,533.98	8,723,288.17
Shanghai SEG	Shareholding company	Operation and management of professional electronics market	5,000,000.00	17,903,203.15	9,827,332.82	7,333,583.64	657,870.52	491,843.57
CEEC	Shareholding company	Electronics exhibition	30,000,000.00	23,006,940.08	21,818,042.06	4,675,561.08	-8,181,856.34	-8,181,957.94

Information on the acquisition and disposal of subsidiaries in the report period

√ Applicable □ Not applicable

Company name	Mode of acquisition and disposal of subsidiaries in the report period	Impact on the overall production and performance
Suzhou SEG Intelligent Technology Co., Ltd.	Newly-established	It achieved the operating income of RMB 93.16 million and the loss of RMB 3.45 million in the report period.
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Newly-established	It is in preparation and has not opened for business yet.
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Newly-established	It is in preparation and has not opened for business yet.
Shenzhen SEG E-Commerce Co., Ltd.	Transfer of all equities	It achieved the operating income of RMB 19.86 million and the loss of RMB 4.31 million in the report period.

Information on controlling and holding companies

- In the report period, the operating income of SEG Industry decreases by 32.96% over the previous year. For more reasons, see the third point of 1. Overview in Section 4 - II. Analysis of Main Business.
- In the report period, the operating income of Longgang SEG decreases by 15.81% over the previous year. Because the vacancy rate of the market increased, the operating income decreased and total profit was down.
- In the report period, the operating income of Shunde SEG increases by 22.06% over the previous year, mainly because the occupancy rate of the company significantly rose, the overall renewal rate reached 90%, and leasing of small offices was stable.
- In the report period, the operating income of Nanjing SEG decreases by 23.52% over the previous year. The occupancy rate of Nanjing SEG from January to May was lower than that in the same period of the previous year. The market occupancy rate rose in the second quarter, but preferences during the decoration period for new merchants resulted in decrease in the operating income of the company.
- In the report period, the total profit of Wujiang SEG increases by 39.97% over the previous year, mainly because the rental income and advertising income increased by 5.93% and the gross profit increased.
- In the report period, the operating income of Wuxi SEG decreases by 17.77% over the previous year and the total profit decreases by 39.97%, mainly because the overall market occupancy rate decreased year on year. The decrease in the rental income led to decrease in the total profit. Besides, other receivables of the Company increased and the amount of funds decreased, and the financial income decreased by RMB 270,000 year on year.
- In the report period, the operating income of Suzhou SEG increases by 69.09% over the previous year, mainly because the property lessor Zongheng International Electronic Expo City (Suzhou) Co., Ltd. sold the property and the parties reached a temporary agreement. In Q4 2016, the paid rent decreased by RMB 1,206,000 year on year. The cost decreased and the profit increased. Besides, the litigation compensation to Suzhou Rail Transit was incurred in same period of the previous year while no such compensation was incurred in the current period.
- In the report period, the operating income of Suzhou SEG Digital decreases by 21.85% over the previous year, mainly because the company adjusted business types and terminated direct selling of digital products. As new business types generated higher returns. Suzhou SEG Digital turns from deficits to profit in the report period.
- As a newly-established enterprise in the report period, Intelligent Technology engages in smart home business, develops intelligent and engineering projects, and provides multiple intelligent solutions for home, engineering,

and plants. The company achieves the annual operation income of RMB 93,160,000. As the low gross profit rate is low and the organization expense is recognized in the current profit or loss, the Company has a loss of RMB 3,450,000 in the report period.

10. In the report period, the operating income of Nantong SEG was RMB 4,500,000, mainly because Nantong SEG Times Plaza starts business and the organization expense is recognized in the current profit or loss.

11. The Company sold all its equity of SEG E-commerce in the report period. The operating income attributable to the listed company decreases by 44.19% in the report period. For details, see the *Announcement of Shenzhen SEG Co., Ltd. on the Progress of Equity Transfer of SEG E-commerce* (No. 2016-112) published by the designated information disclosure media of the Company on December 15, 2016.

VIII. Information on Structural Entity Controlled by the Company

Applicable Not applicable

IX. Outlook of future development of the Company

(I) Future development planning of the Company

1. Implementation of major assets restructuring

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) on January 17, 2017.

On January 19, 2017, business registration formalities for shareholder alteration related to transfer of 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 held by SEG Group to the Company was completed. 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.

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).

450,857,239 A shares were issued by the Company through private placement (including 450,857,239 restricted shares) and listed from March 6, 2017.

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.

2. In 2017, the Company will rely on the capital market and the platform as a listed company, center around the Company's 13th five-year plan, be based on its actual development and existing resources, make full use of capital market, integrate internal and external resources, carry out capital operation mainly through the "external industrial mergers and acquisitions", "investment funds" and other models, and deliver a platform for diversified strategic emerging industries.

2017 investment plan of the Company focuses on commercial (industrial park) real estate and business transformation and upgrading. The total amount of the investment plan is expected to be RMB 1,813,760,000, consisting of RMB 1,302,410,000 for commercial real estate projects (including fund raising and investment projects, Nantong SEG Times Plaza, etc.), RMB 462,100,000 for new investment projects (including CdTe project, Hongtu SEG Intelligent Industrial Fund, and e-sport Internet café etc.), and the non-operating capital expenditure of RMB 49,250,000.

(II) Completion Result of Main financial budget and investment plan of 2016:

1. The Company released the *Announcement of Resolution of 9th meeting of the 6th Session of the Board of Directors* on March 30, 2016, wherein main financial budget targets of 2016 was disclosed. The completion result is shown in the table below:

Unit: RMB 10,000

No.	Item	Budget target of 2016	Actual amount of 2016 (audited)
1	Total assets	293,504	254,828
2	Total liabilities	121,830	78,977
3	Operating income	85,638	76,092
4	Owners' equity	171,674	175,851
5	Including: Owners' equity attributable to the parent company	151,858	154,820
6	Asset-liability ratio	41.51%	30.99%
7	Management expenses	6,416	6,004

2. 2016 annual project investment plan of the Company focuses on business transformation and upgrading, which is expected to be RMB 326,700,000 in total.

Unit: RMB 10,000

No.	Project name	Annual budget investment	Cumulative completed investment	Project progress
1	Nantong SEG Times Plaza	14,100	15,573	Nantong projects Animation Industrial Park and animation business hqve opened and put into operation.
2	New investment project	18,570	3560.36	
	(1) SEG intelligent technology project		1,000.00	The new company has been registered and RMB 10,000,000 is invested in the registered capital. The company is in formal business.

	(2) Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.		900.00	The new company has been registered and RMB 9,000,000 is invested in the registered capital, accounting for 30% of the equity.
	(3) SEG "Internet cafe" project		240.44	The company signed the strategic cooperation agreement with Allied eSports and Wangyu Technology. The first project is located at 4F of Nantong SEG Times Plaza and open for business on October 28, 2016. Suzhou store and Shenzhen Allied eSports flagship store are in progress.
	(4) Children project reserve		319.92	The company set up Children's Industry Division in August 2016, which is responsible for development, expansion and operation of SEG children's theme experience venue. The first project was launched in Nantong SEG Times Plaza and open for business on October 28, 2016.
	(5) New hotel investment project		1,100.00	In May 2016, the Company signed the lease contract concerning the original Dongmen hotel property located at 2195 Hubei Road and invested in the establishment of Dongmen Branch of Mellow Orange Hotel. The decoration of the hotel has been completed. The company is applying for the license for special industries and preparing for the opening.
	Total	32670	19133.36	

Note: There is deviation between 2016 project investment plan and the actual completion result because: Hongtu SEG Intelligent Industrial Fund is under examination and approval and has not been funded yet; for industrial reasons and prudence, the Company has not invested in new electronics market projects.

(III) Summary of progress of development strategies and operation plans disclosed earlier in the report period

According to the development strategies disclosed by the Company in the annual report of 2015, the Company would try to change from the traditional profit model focusing on rental income to the profit model of multi-channel platform. The Company dug into the user values, expanded value-added service connotations and increased users' experience. By integrating all kinds of tangible and intangible resources on the inventory market, the Company created the maker service platform, financial service platform and electronics market operation platform, facilitated SEG Electronics Market to transfer from the traditional profit model focusing on rental income to the profit model of multi-channel platform. At the same time, the Company has set foot in emerging strategic industries such as CdTe film solar energy.

In the report period, the main work done by the Company is as follows:

1. In order to reduce horizontal competition at the maximum, enhance the profitability and core competitiveness of listed company, and fully integrate the business of electronics markets by relying on the platform of the listed company, eventually fulfill integration, transformation and upgrading of current business of the listed company, facilitate the Company to develop toward diversified business, extend the industrial chain, expand the profit margins of the listed company, and enhance the influence of the listed brand, the Company carried out major assets restructuring in 2016.

For restructuring, the Company intended to purchase 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 held by SEG Group by means of issuing shares and paying cash to acquire assets, in which the percentage of payment by the equity is 86.90% and that of cash payment 13.10%. At the same time, in order to improve the efficiency of restructuring, the Company intended to raise the supporting fund for the restructuring from no more than 10 specific investors by means of non-public offering, with the total raised fund no more than 38.78% of the transaction price of the assets to be acquired. According to the appraised value, the total amount of assets did not exceed RMB 2 billion.

On November 15, 2016, China Securities Regulatory Commission Acquisition and Restructuring Committee conditionally approved Shenzhen SEG issuing shares and paying cash to acquire assets and raising supporting fund as well as related party transaction issues on the 85th Acquisition and Restructuring Committee Working Meeting of 2016.

On January 17, 2017, the Company received 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) issued by China Securities Regulatory Commission, which approved the Company to issue 450,857,239 shares to SEG Group to acquire relevant assets and raise supporting funds for the said share issuance and asset acquisition by non-public offering of no more than 201,207,243 new shares. The said approval document issued by China Securities Regulatory Commission will be valid within 12 months after the issuance.

The transfer formalities of the subject assets were completed on January 19, 2017, and the 450,857,239 new shares in A-share by non-public offering were listed for trading on March 6, 2017.

2. Transformation and upgrading of electronics markets and implementation of new businesses are actively carried out by the Company.

(1) E-sports and Internet café business

In terms of e-sports, the Company signed the *Regional Agency Contract of Wangyu Internet Café* with Shanghai Wangyu Information Technology Co., Ltd. on March 14, 2016 to develop strategic cooperation with Wangyu, by using respective advantages of platform and resources, to deploy "e-sport" physical stores on the basis of subordinate property assets. The Company would reproduce layout in subordinate properties or core business circles of core cities based on operation situation, maturity and market demand of the e-sport projects. Therefore, the Company established the E-sport Division in August 2016, in charge of development, expansion and operation of business related to e-sports. At present, the first physical store "Wangyu Internet Café•Event•E-sports" arranged in Nantong SEG was put into trial operation in October 2016, and relevant operation data met the expectations. Apart from daily operation, two e-sport competitions have been held and attracted 32 teams and nearly 400 people, achieving good brand benefits. The e-sport venue has a construction area of 1600 m² and investment of RMB 5,000,000. Now the second e-sport venue has settled in Suzhou and is nearly finished. It is expected to open for business in April 2017. The Company signed the *Strategic Cooperation Agreement* with Tianjin Allied eSports on December 16, 2016. The parties jointly invested RMB 24,800,000 to establish Shenzhen SEG Lianzhong Internet Technology Co., Ltd. to carry out the operation projects of large-scale comprehensive e-sport venues. The Company acquired the business license on February 10, 2017. The Company invested RMB 13,640,000, accounting for 55% of the shares. The e-sport project will integrate upstream and downstream resources of the e-sport industry, create super top-rank comprehensive entertainment venues of e-sport events in China, and create an e-sport club that integrates "games, leisure bars, online and offline communication platform for professional electronic gamers and players". The project was started for

construction at the end of February 2017 and is expected to finish in June 2017 and can undertake large-scale e-sports events.

(2) Children's experience business

In order to build a new commercial operation platform of SEG Electronics Market and actively promote the transformation and upgrading of the main business of the Company-the physical electronics markets, based on its actual situation and the needs of business transformation, the Company planned to create a scene-mode children's technology and culture experience platform that focuses on education and culture, and covers also children's animation, experience, education, service and entertainment.

Therefore, the Company established the Children's Industry Division in August 2016, dedicated to development, expansion and operation of SEG children's theme experience venue. The first project was launched in Nantong SEG Times Plaza and open for business on October 28, 2016. The children's type of business is the largest backbone store in Nantong project, which is packaged with Babycat animation image as the theme of the park with a usable area of 2,235 m². Driven by stable customers, sufficient customer flow has been brought to other types of business and promoted increase in the sales volume per square meter rented of the shopping mall. Since the operation of the children's amusement park project, it has attracted 3,800 WeChat followers, more than 1,500 members, and nearly 100% customer retention rate.

(3) E-commerce business cooperation with Taobao

In order to actively promote the transformation and upgrading of the main business of the Company, i.e. the physical electronics markets, accelerate the combination of physical electronics markets and Internet, explore new types of cooperation methods and create an "Internet +" model truly with SEG features and internal core value, the Company signed the *Strategic Cooperation Agreement of Taobao "Enterprises Purchasing" Project* with Taobao (China) Software Co., Ltd. on January 27, 2016 (see the announcement of Shenzhen SEG Co., Ltd. on signing the strategic cooperation agreement with Taobao (China) Software Co., Ltd. on January 28, 2016 for details), aiming at promoting SEG's unique online and offline mixed service mode by organically integrating the advantages of physical merchants of SEG Electronics Market and Taobao's online resources. In order to implement and facilitate the work, the Company set up the E-commerce Division in August 2016, which is dedicated to the implementation and settlement of the strategic cooperation projects with Taobao, assumes other business functions related to e-commerce and explores new profit mode. SEG set up "SEG Taobao Zone" in Taobao and was launched on September 29, 2016, obtained the distribution access on the front page, and tried to make the domain of the zone a secondary domain of Taobao. The total gross merchandise volume (GMV) in half a year after launch is nearly RMB 800 million. At present, more than 2,600 merchants have formally entered. The launch of "SEG@Taobao DIY-one-stop electronic components purchasing channel" indicates that the strategic cooperation between the Company and Taobao's industrial market has been fully implemented and material breakthrough has been achieved. A solid step has been made on the way of creating innovative and value-added services of O2O electronics market with SEG features.

(4) Makers business

In order to implement the Company's development strategies, fully promote "mass entrepreneurship and innovation", and establish a complete "SEG maker" industrial ecological system, the Company signed a *Three-party Cooperation Agreement* with SegMaker and Tencent on April 5, 2016. The three parties will use respective platform and resources advantages to carry out strategic cooperation, jointly create comprehensive venture service platform that combines incubation and investment, physical hardware display and distribution

platform under key cooperation and hardware lab platform of pragmatic innovation services, and establish a venture incubation service benchmark integrating software and hardware in China.

At the same time, the Company signed the *Strategic Cooperation Agreement* with Tmall on April 8, 2016. The two parties will carry out strategic cooperation in terms of target recommended cooperation in makers products or mature products, cooperation in the maker support event of "global gathering and innovation" Internet intelligent acceleration channel, online and offline marketing events, media promotion and resources complementation. From April 9 to April 12, 2016, SEG products were promoted in Juhuasuan for 3 days successively. Through joint selection by Alibaba and SEG, 20 "black technology" products that participated in the event were sold on the platform. During the 3 days, nearly 30,000 pieces were traded, and 1,000 pieces in promotional products of 12 types were traded, and the total sales volume exceeded RMB 10 million.

In the report period, SEG CPARK signed cooperation agreements with more than 30 brands. Meanwhile SEG CPARK product training and children's science popularization education will be carried out synchronously. At present, the maker education project of SEG CPARK is designed to develop a maker education complex which is oriented towards "maker education activities" as the theme and integrates scientific innovation, education, competition, experience, achievement transformation, and team culture construction. With the activity center as the carrier, the project brings in enterprises or teams featuring advanced technologies and product innovation, provides schools, organizations and families with the space for off-campus practice, maker classes, and parent-child experience. The project is in cooperation with Makeblock, Mago Imagineer, Zhongyi Sports, and Zhihui Tongxing.

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. In the report period, the industrial and commercial registration of the fund management company has been completed (i.e. "Shenzhen Hongtu SEG Investment Management Co., Ltd."). As of today, the industrial and commercial registration of the fund limited partnership (i.e. "Shenzhen Hongtu SEG Intelligent Industrial Investment Fund (Limited Partnership)") has been completed and relevant registration and record formalities are in progress.

(5) SEG Intelligence

The Company established Suzhou SEG Intelligent Technology Co., Ltd. in January 2016, which is dedicated to the business of intelligent home and focuses on creating one-stop purchasing and after-sale service platform of intelligent home. SEG "Dream• Home" intelligent home experience center, as the carrier of the platform, has been fully integrated with the automatic control system, computer network system and network communication technology, and can provide various networked intelligent home solutions and individual intelligent hardware for families, projects and factories.

(6) Consumer Electronic Exhibition/Exchange Center (CEEC) Project

CEEC is jointly built by the Ministry of Industry and Information and Shenzhen City under a frame agreement. It is designed to create a world-level consumer electronic exhibition/exchange center that integrates release of high-end consumers' electronic products, display, user experience, investment and discussion, cooperation and trade, based in Shenzhen, serving the whole country, and facing the world. On May 10, 2016, Shenzhen Futian Investment Development Co., Ltd., Shum Yip Land Company Limited and Shenzhen SEG Co., Ltd. jointly

invested and established Shenzhen International Consumer Electronic Exhibition/Exchange Center Co., Ltd. The project is linked with the industrial resources of North Huaqiang of Shenzhen with the construction area of around 40,000 m², with Shum Yip Shangcheng LOFT as the center. Currently it is in the period of attracting investment.

(7) New energy business

The new energy market has high potentials, is environment-friendly and ecological, and is an industry encouraged and supported by the government. Among all enterprises that are engaged in the CdTe solar energy photovoltaic industry, Advanced Solar Power (Hangzhou) Co., Ltd., as an enterprise that possesses the CdTe film cell component technology with completely independent intellectual property, is a technically leading enterprise in the industry both at home and abroad. In May 2016, the Company invested and established "Shenzhen SEG Longyan New Energy Application and Development Co., Ltd" jointly with Advanced Solar Power (Hangzhou) Co., Ltd., Shenzhen Raytai Technology Photovoltaic Engineering Co., Ltd. and Shenzhen Energy Nanjing Energy Holding Limited, to engage in the promotion of the integration of CdTe film PV power generation station, building integrated photovoltaics (BIPV), integrated project contracting, and the sales of CdTe film solar cell components. In the future, the SEG Longyan CdTe Film PV Industrial Park Project invested by the Company will engage in the construction of CdTe film PV components production line and develop solar film cell industry. The planned total investment of the project is RMB 570,989,900 and two production lines of CdTe film PV components with the total production output of 80 MW will be built. The main products include standard PV components and light transmitting components. The project is estimated to be finished and put into operation within one year. The aforesaid two projects will become upstream and downstream businesses that facilitate each other in operation. "SEG Longyan Film Solar PV Project" has finished relevant decision-making procedure and the joint venture company SEG Longyan has been established. The project is planned to be located at Shenzhen Shantou Cooperation Zone. Recently, SEG Longyan won the bid for the right to use the state-owned construction land (lot No. E2016-0025) located at Ebu Town, Shenzhen-Shantou Special Cooperation Area at RMB 28,010,000, which will ensure the successful implementation of SEG Longyan's CdTe film photovoltaic project. SEG Longyan will continue to promote environmental assessment and design of the park.

3. Orderly promoting commercial real estate business

Nantong SEG Times Plaza is opening and put into operation. Nantong SEG Times Plaza will combine the two themes including technology and animation, and create two operation cores focusing on commerce and industrial park. At the same time, Nantong SEG will increase income and reduce expenditures, trying to get supporting funds.

On June 18, 2016, Nantong SEG Times Plaza Animation Industrial Park was opened. Now 16 animation enterprises have signed contracts with a total area of 9,360 m², accounting for 65.7% of the total area. Through the operation of Animation Industrial Park, scale, production value and industrial influence of the enterprises that enter Nantong Animation industrial Base will be improved continuously. On October 28, 2016, the commercial part of Nantong SEG Times Plaza was opened. Through post-stage operation, customer flow, sales amount and commercial influence will be improved continuously, so as to further enhance the brand value of SEG and the market value of the skirt building properties.

(IV) Main problems for the business development of the Company

1. Some electronics market business, due to the issues including the cooperators, is in difficulty. The industry is highly affected by the economic environment, and both rental income and market lease rate have decreased, highlighting the difficulty in operation.

2. The project of Nantong SEG Times Plaza has certain operational risks. Nantong SEG Times Plaza project faces certain operation risks. Due to increase in the supply of Nantong real estate in the short term and serious homogeneous competition, based on analysis of the present and future macro-environment of Nantong commercial real estate, although Nantong SEG Project has entered the operation stage from the development and construction state, it still faces huge challenges.

(V) Key tasks of the Company in 2017

Key tasks of the Company in 2017 include:

1. The Company will raise and utilize supporting funds for major assets restructuring.
2. After the completion of major assets restructuring, directed by the strategic development orientation, the Company will accelerate effective integration of business, personnel, organization, capital, and information resources, and develop the business model and management model compatible with the strategic development platform after major assets restructuring.
3. The Company will accelerate the implementation of new projects, focus on CdTe film solar photovoltaic projects, and develop strategic emerging industries; determine the construction land for "SEG Longyan Film Photovoltaic Industrial Park", promote the design and construction of the park, and strive for government support; accelerate the establishment and operation of Shenzhen Hongtu SEG Intelligent Industrial Investment Fund, and give play to the active role of the fund.
4. The Company will rely on the current electronics market, closely combine the service advantages and customers resources of the electronics market, expand the maker business, culture and education, intelligent technology, sports, entertainment, virtual experience and e-sports, continuously deliver innovative value-added services of the O2O electronics market with SEG characteristics, accelerate integration of the physical electronics market and the Internet, develop new cooperation modes, create the Internet+ model with SEG characteristics and intrinsic core value, and continuously strengthen its core competitiveness and profitability.
5. The Company will promote the real estate development and operation of the industrial park, coordinate resources, and accelerate the real estate construction, investment promotion, sales, and operation of the industrial park.
6. The Company will further improve the basic management quality, strengthen standard operation, and duly perform the information disclosure obligation as a listed company; strengthen communication with investors and potential investors, enhance the investors' understanding and identification with the Company, carry out investor relationship management from multiple channels and at multiple levels, duly guarantee the legal rights and interests of investors, particularly small and medium-sized investors, further strengthen overall risk management and the construction and implementation of the internal control system, strengthen the responsibility of risk subjects, improve the decision-making awareness, further improve the risk control system, and carry out risk assessment throughout the lifecycle of major investment projects.
7. The Company will strengthen system innovation and the construction of the talent team, carry out the pilot program on investing enterprises, and establish and improve the incentive system suitable for the Company together with major assets restructuring. The Company will promote innovation in human resources management, talent cultivation, and talent pool, particularly talent incentives.

(VI) Risk warning

The future development planning and investment plan mentioned above do not reflect the profit estimation of 2017 by the Company. The results depend on multiple factors such as changes in market condition, efforts of the operation team, and approval of relevant authority departments and uncertainties exist. Investors shall pay special attention to it.

X. Statement of receipt of surveys, communication and visits

1. Registration form for investigations, communication and Interviews in the report period

√ Applicable □ Not applicable

Time	Means	Type	Basic information on investigation
January 4, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
January 7, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
January 8, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
February 1, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
February 2, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
February 19, 2016	Phone call	Individual	Inquire about the reply to the <i>Letter of Inquiry about the Restructuring of Shenzhen SEG Co., Ltd.</i> issued by Shenzhen Stock Exchange. The Company has replied that it has arranged agencies for studying, verifying and replying to relevant issues and investors may pay attention to the upcoming announcement of the Company.
February 20, 2016	Phone call	Individual	Inquire about the reply to the <i>Letter of Inquiry about the Restructuring of Shenzhen SEG Co., Ltd.</i> issued by Shenzhen Stock Exchange. The Company has replied that it has arranged agencies for studying, verifying and replying to relevant issues and investors may pay attention to the upcoming announcement of the Company.
February 22, 2016	Phone call	Individual	Inquire when the Company will resume trading. The Company has given a reply according to the actual progress disclosed.
February 23, 2016	Phone call	Individual	Inquire about when the Company will resume trading. The Company has given a reply according to the actual progress disclosed.
February 25, 2016	Phone call	Individual	Inquire about asset injection in major assets restructuring. The Company has given a reply according to the major assets restructuring plan disclosed.
February 26, 2016	Phone call	Individual	Inquire why stocks of the Company have not risen after resumption and whether there is any important announcement to be disclosed. The Company has replied that there is no information which shall be disclosed but not disclosed.
February 27, 2016	Phone call	Individual	Inquire why stocks of the Company have not risen after resumption and whether there is any important announcement to be disclosed. The Company has replied that there is no information which shall be disclosed but not disclosed.
March 1, 2016	Phone call	Individual	Inquire about the number of shareholders as of February 29. The Company has given a reply according to the register of shareholders released by the Securities Depository and

Time	Means	Type	Basic information on investigation
			Clearing Corporation.
March 15, 2016	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 22, 2016	Phone call	Individual	Inquire when the Company will disclose the annual report. The Company has replied that the annual report will be disclosed on March 30, 2016.
March 31, 2016	Phone call	Individual	Inquire about the financial data of Q1. The Company asked investors to pay attention to 2016 Q1 report of the Company to be disclosed.
April 20, 2016	Phone call	Individual	Inquire about asset injection in major assets restructuring. The Company has given a reply according to the major assets restructuring plan disclosed.
April 30, 2016	Phone call	Individual	Inquire about the number of shareholders as of April 29. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
May 19, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
June 15, 2016	Phone call	Individual	Inquire about the number of shareholders as of June 15. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
June 30, 2016	Phone call	Institution	Inquire about the financial data of Q1. The Company asked investors to pay attention to 2016 semi-annual report of the Company to be disclosed.
July 6, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
July 14, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
July 27, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
August 9, 2016	Phone call	Individual	Inquire about asset injection in major assets restructuring. The Company has given a reply according to the major assets restructuring plan disclosed.
August 18, 2016	Phone call	Individual	Inquire about the number of shareholders as of August 15. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
August 23, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.
August 31, 2016	Phone call	Individual	Inquire about the number of shareholders as of August 30. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
September 1, 2016	Phone call	Individual	Inquire about voting results of the general meeting of the Company. The Company has given a reply according to the disclosed notice of the general meeting.
September 7, 2016	Phone call	Individual	Inquire about the progress of major assets restructuring. The Company has given a reply according to the actual progress disclosed.

Time	Means	Type	Basic information on investigation
September 19, 2016	Phone call	Individual	Inquire about the approval progress of the CSRC on major assets restructuring. The Company has given a reply according to the actual progress disclosed.
September 21, 2016	Phone call	Individual	Inquire about the main business, transformation, and private placement of the Company. For details, see the disclosure on irm.cninfo.com.cn .
September 28, 2016	Phone call	Individual	Inquire about the main business, transformation, and private placement of the Company. For details, see the disclosure on irm.cninfo.com.cn .
October 8, 2016	Phone call	Individual	Inquire about the financial data of Q3. The Company asked investors to pay attention to 2016 Q3 report of the Company to be disclosed.
October 16, 2016	Phone call	Individual	Inquire about the approval progress of the CSRC on major assets restructuring. The Company has given a reply according to the actual progress disclosed.
October 27, 2016	Phone call	Individual	Inquire about the Company's sales of the equity of Huakong SEG. The Company has given a reply according to the announcement disclosed.
October 28, 2016	Phone call	Individual	Inquire about the Company's sales of the equity of Huakong SEG. The Company has given a reply according to the announcement disclosed.
November 3, 2016	Phone call	Individual	Inquire about the number of shareholders as of October 31. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
November 15, 2016	Phone call	Individual	Inquire about issues related to the CdTe film photovoltaic industrial base project. The Company has given a reply according to the announcement disclosed.
November 18, 2016	Phone call	Individual	Inquire about the review reply of the M&A and Restructuring Review Committee of the CSRC on major assets restructuring. The Company has given a reply according to the actual progress disclosed.
November 25, 2016	Phone call	Individual	Inquire about issues related to the CdTe film photovoltaic industrial base project. The Company has given a reply according to the actual progress disclosed.
November 30, 2016	Phone call	Individual	Inquire about the progress of the Company's transfer of the equity of SEG E-commerce. The Company has given a reply according to the announcement disclosed.
December 2, 2016	Phone call	Individual	Inquire about the number of shareholders as of November 30. The Company has given a reply according to the register of shareholders released by the Securities Depository and Clearing Corporation.
December 9, 2016	Phone call	Individual	Inquire about the progress of the Company's sales of shares of Huakong SEG. The Company asked investors to pay attention to the progress report disclosed in the designated information disclosure media.
December 16, 2016	Phone call	Individual	Inquire about the operating result of Q4. The Company asked investors to pay attention to 2016 annual report of the Company to be disclosed.
December 20, 2016	Phone call	Individual	Inquire about the progress of the Company's sales of shares of Huakong SEG. The Company asked investors to pay attention to the progress report disclosed in the designated information disclosure media.
December 22, 2016	Phone call	Individual	Inquire whether Company has obtained the approval of the CSRC on major assets restructuring. The Company asked investors to pay attention to real-time announcements.
December 29, 2016	Phone call	Individual	Inquire whether Company has obtained the approval of the CSRC on major assets restructuring. The Company asked

Time	Means	Type	Basic information on investigation
			investors to pay attention to real-time announcements.
Frequency of reception			48
Number of institutions received			9
Number of individuals received			46
Number of other objects received			0
Is there any important information disclosed?			No

Chapter 5 Important Matters

I. Plan of common share profit distribution and plan of transfer of capital reserves into share capital

Information on the establishment, implementation or adjustment of the ordinary share profit distribution policy, especially the cash dividend policy:

Applicable Not applicable

(I) Information on the establishment, implementation or adjustment of the profit distribution policy:

According to the *Articles of Association* and *Shareholder Return Plan for the Next Three Years (2015-2017)*, the *Annual Profit Distribution Plan of 2015* was formulated by the Company in 2016 and passed by the Board of Directors and general meeting. The statutory surplus reserve was RMB 7,009,501.20, accrued at 10% of the profit available for distribution. Based on 784,799,010 share capital of the Company as of December 31, 2015, the cash dividends were distributed to all shareholders at 0.30 yuan (tax included) for every 10 shares. The total amount of profit distribution of the Company was RMB 23,543,970.30, in which cash dividends accounted for 100%. The Company did not transfer reserves into share capital. The annual profit distribution plan of 2015 was completed on June 16, 2016.

Special explanation of cash dividend policy	
Does it comply with the Article of Association of the Company or the resolutions of the meeting of shareholders?	Yes
Are the dividend standard and ratio explicit and clear?	Yes
Are the decision-making procedure and mechanism perfect?	Yes
Do independent directors fulfill their obligations and play their role?	Yes
Is there any channel for medium and small shareholders to fully express themselves? Are their legitimate rights and interests fully protected?	Yes
Are the conditions and procedure for adjustment or change of cash dividend policy compliant and transparent?	Yes

Information on ordinary share profit distribution (proposal) and the plan of transfer of capital reserves into share capital (proposal) in the recent three years (including the report period)

Pursuant to the *Accounting Standard for Business Enterprise 2014*, the investment in subsidiaries by the Company was calculated based on the basis of cost method, the profit of parent company remained bigger differences with consolidated profit. In accordance with relevant provisions of the *Company Law*, the profit distribution was implemented with the parent company as the main body. Therefore, the profit distribution of the Company in 2014, 2015 and 2016 was implemented depending on the distributable profit of the parent company.

1. Profit distribution proposal and the proposal for transfer of capital reserves into share capital in 2016: According to auditing by Da Hua Certified Public Accountants Co., Ltd., the net profit attributable to the listed company realized by the parent company in 2016 amounted to RMB 118,807,033.67, the undistributed profit at the beginning of the year is RMB 63,085,510.75, and the current profit available for distribution to shareholders was RMB 181,892,544.42. According to the *Articles of Association* and *Shareholder Return Plan for the Next*

Three Years (2015-2017), the annual profit distribution plan of 2016 is as follows: The statutory surplus reserve was 11,880,703.37, accrued at 10% of the achieved net profit of the current year; the other profit available for distribution to shareholders was RMB 146,342,426.58. The Company decided not to distribute the profit nor transfer reserves into share capital in 2016. The Company intends to distribute the profit properly after the business of raising supporting funds is completed.

2. Profit distribution proposal and the proposal for transfer of capital reserves into share capital in 2015: According to auditing by Da Hua Certified Public Accountants Co., Ltd., the net profit attributable to the listed company realized by the parent company in 2015 amounted to RMB 92,305,001.57, the undistributed profit at the beginning of the year is RMB -22,209,989.62, and the current profit available for distribution to shareholders was RMB 70,095,011.95. The annual profit distribution plan of 2015 was as follows: The statutory surplus reserve was RMB 7,009,501.20, accrued at 10% of the profit available for distribution. Based on 784,799,010 share capital of the Company as of December 31, 2015, the cash dividends were distributed to all shareholders at 0.30 yuan (tax included) for every 10 shares. The total amount of profit distribution of the Company in 2015 was RMB 23,543,970.30, in which cash dividends accounted for 100%. The Company did not transfer reserves into share capital.

3. Profit distribution proposal and the proposal for transfer of capital reserves into share capital in 2014: According to auditing by Da Hua Certified Public Accountants Co., Ltd., the net profit attributable to the listed company realized by the parent company in 2014 amounted to RMB 32,887,973.01, the undistributed profit at the beginning of the year is RMB -55,097,962.63, and the current profit available for distribution to shareholders was RMB -22,209,989.62. The Company decided not to distribute the profit nor transfer capital reserves into share capital.

Table of distribution of ordinary share cash dividends by the Company in the recent three years (including the report period)

Unit: Yuan

Year for bonus distribution	Amount of cash bonus (incl. tax)	Net profit attributable to ordinary shareholders of listed company in consolidated statement of bonus year	Ratio of net profit attributable to ordinary shareholders of listed company in consolidated statement (%)	Amount of cash dividends otherwise distributed	Percentage of cash dividends otherwise distributed
2016	0.00	107,560,213.41	0.00%	0.00	0.00%
2015	23,543,970.30	74,242,090.49	31.71%	0.00	0.00%
2014	0.00	48,380,294.05	0.00%	0.00	0.00%

The net profit of the Company was positive and the profit of the parent company to be distributed to ordinary shareholders was also positive, but the proposal for distribution of cash dividends was not put forward.

Applicable Not applicable

Reason for no common share cash dividend distribution proposal despite positive net profit and positive profit of the parent company available for distribution to common shareholders in the report period	Purpose and usage plan of the undistributed profit
As the Company has obtained the approval of the CSRC for	The Company intends to distribute the profit after the business of

<p>issuing shares to acquire assets and raise supporting funds, the release of the supporting fund is in progress. According to terms of Article 18 of the <i>Measures for the Administration of the Offering and Underwriting of Securities</i> (Order No. 121 of the China Securities Regulatory Commission), if the profit distribution plan and the plan of transferring reserves into share capital are not submitted to the general meeting for voting or passed by the general meeting but not implemented, the listed company shall issue securities only after such plans are implemented. In view of long-term development, shareholders' interests, and the validity term of the approval for major assets restructuring, the Company decides not to distribute the profit in 2016 nor transfer reserves into share capital.</p>	<p>raising supporting funds is completed.</p>
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II. Plan of profit distribution and plan of transfer of capital reserves into share capital in the report period

Applicable Not applicable

The Company plans not to distribute cash dividends or bonus shares nor transfer reserves into share capital.

III. Fulfillment of Commitments

1. Commitments fulfilled in the report period or yet to be fulfilled as of the end of the report period by the Company, shareholders, actual controllers, purchaser, directors, supervisors, senior executives or other associates

Applicable Not applicable

Commitments	Subject	Type	Content	Commitment date	Commitment term	Performance
Commitment for share reform	Not applicable					
Commitments in the Acquisition Report and the Report of Changes on Equity	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	<p>"1. The Company undertakes that as of October 31, 2015, controlling shareholders of Shenzhen SEG or other related persons who occupy funds of Shenzhen SEG or the subject company due to non-operating events will repay them before the shareholders' meeting that is intended to review the restructuring plan;</p> <p>2. After restructuring, the financial independence of the listed companies shall be guaranteed and no illegal occupation of funds of listed companies will occur;</p> <p>3. The Company will abide by and urge listed companies to abide by relevant laws and administrative regulations such as the <i>Code on Corporate Governance of Listed Companies</i>, the <i>Notice on Regulating the Funds Transfers between Listed Companies and Related Parties and the External Guarantee of Listed Companies</i>, and the <i>Listing Rules of Shenzhen Stock Exchange</i>, regulations, regulatory documents, and Shenzhen Stock Exchange business rules, and improve awareness of compliance;</p> <p>4. The Company will exercise the rights of shareholders according to law, and will not abuse the rights of shareholders to damage the interests of listed companies and other shareholders;</p> <p>5. The Company will optimize the governance structure of listed companies, improve the internal control system, regulate the operation of the three organs, give full play to functions and supervisory role of independent directors and the Board of Supervisors, and restrict decision-making and operation by controlling shareholders and actual controllers of the Company;</p> <p>6. The Company will fulfill the obligation of information disclosure strictly in accordance with relevant provisions, actively cooperate with listed companies on information disclosure, timely inform major events incurred or to be incurred, and ensure the authenticity, accuracy, integrity, timeliness and fairness of information disclosure. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, the subject company, other companies, enterprises, or other economic organizations controlled by the Company."</p>	August 3, 2016	Long-term	In progress
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	<p>"1. When the Company acts as the controlling shareholder of Shenzhen SEG, the Company, other companies, enterprises, or other economic organizations controlled by the Company, will minimize and regulate associated transactions with Shenzhen SEG or the subject company, other companies, enterprises, or other economic organizations controlled by the Company.</p> <p>2. When the restructuring is completed, the Company, other companies, enterprises, or other economic organizations controlled by the Company will handle associated transactions with Shenzhen SEG or the subject company that are unavoidable or incurred for reasonable cause at fair and reasonable market price, perform the decision-making procedure for associated transactions according to relevant laws, regulations, and</p>	August 3, 2016	Long-term	In normal progress

			<p>normative documents, fulfill the obligation of information disclosure and handle the approval procedures according to the law, do not use the dominant position of the controlling shareholder to damage the legal rights and interests of Shenzhen SEG and other shareholders.</p> <p>3. The Company, other companies, enterprises, or other economic organizations controlled by the Company will not use the rights of shareholders of the listed company or the actual control ability to manipulate or instruct the listed company or its directors, supervisors and senior executives to have the listed company unfairly provide or accept funds, goods, services or other assets, or engage in any acts detrimental to the interests of listed companies. In case of breach of the following commitments, the Company will bear all losses thus incurred to Shenzhen SEG, the subject company, other companies, enterprises, or other economic organizations controlled by the Company."</p>			
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	<p>"1. In the restructuring, relevant assets such as some commercial electronics markets of SEG Group that constitute the horizontal competition have not been injected into the listed company. SEG Group will trust such assets to Shenzhen SEG or its subsidiaries after the major asset restructuring. Within 5 years after the major asset restructuring, SEG Group will take all necessary measures to solve flaws of such assets, and incorporate the preceding specialized electronics markets that constitute horizontal competition into Shenzhen SEG or transfer them to the third party in a feasible way such as sales based on operating needs of Shenzhen SEG and the completeness of the ownership of such assets. If SEG Group fails to complete the foregoing matters as scheduled, before injecting relevant assets to Shenzhen SEG, SEG Group shall lease them to Shenzhen SEG for direct operation and enjoy the income from such property. The annual rent of Shenzhen SEG is the depreciated value of such property. Profit and loss incurred by leasing of such property assets shall be shared by Shenzhen SEG. The parties shall separately enter into a leasing agreement.</p> <p>2. Except assets owned and business operated before the validity date of commitment, when acting as a controlling shareholder or actual controller of Shenzhen SEG, in order to guarantee sustainable development of Shenzhen SEG, the Company will exercise supervision and restriction on operating activities of its own and affiliated enterprises under its control, will not establish new or acquire any assets or business same as or similar to its main business within the operation area of Shenzhen SEG, and will not be engaged in any activities that may damage the interests of Shenzhen SEG and other companies and enterprises controlled by Shenzhen SEG, or other economic organizations. If in the future there is any business opportunity same as or similar to other main business within Shenzhen SEG operation area, such opportunity will preferentially be recommended to Shenzhen SEG and other companies and enterprises controlled by Shenzhen SEG, or other economic organizations. However, any of the following cases is an exception: (1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate development projects appropriated or allocated through oriented protocols by the government to SEG Group and any enterprises invested by it; or (2) when the general conditions of tender, transfer or assignment of specific commercial properties and real estate development projects have specific requirements on the bidder or assignee, Shenzhen SEG is not qualified y but SEG Group is qualified.</p>	August 03, 2016	Long-term	In normal progress

			Commercial property and real estate development projects that are same as the main business of Shenzhen SEG or result in horizontal competition subject to the above exclusions may be invested and built by SEG Group at first. If Shenzhen SEG thinks that such assets are eligible to be injected into Shenzhen SEG, upon receipt of the written acquisition notice from Shenzhen SEG, SEG Group will negotiate on acquisition and transfer such projects to Shenzhen SEG. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, the subject company, other companies, enterprises, or other economic organizations controlled by the Company."			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. The Company will guarantee the independence of personnel of Shenzhen SEG and subject company: (1) After completion of the restructuring, the labor, personnel and compensation management of Shenzhen SEG are independent from the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (2) After completion of the restructuring, senior executives of Shenzhen SEG and the subject company hold full-time position at Shenzhen SEG and the subject company and receive compensation, and will not assume any duties other than director and supervisor in the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (3) After completion of the restructuring, the Company will not interfere with the shareholders' meeting and the Board of Directors' exercise of power in appointment/dismissal of personnel.</p> <p>2. The Company will guarantee the independence of organs of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company will develop a sound corporate governance structure and an independent and complete organizational structure. (2) After completion of the restructuring, the shareholders' meeting, the Board of Directors, and the Board of Supervisors of Shenzhen SEG and the subject company will exercise duties and powers according to laws, regulations and articles of association of Shenzhen SEG and the subject company.</p> <p>3. The Company will guarantee the independence and completeness of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company will have independent and complete assets related to production and management. (2) After completion of the restructuring, the site for business operation of Shenzhen SEG and the subject company are independent of the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (3) After completion of the restructuring, except normal operational contacts, Shenzhen SEG and the subject company are not involved in the following case: funds or assets are occupied by the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company.</p> <p>4. The Company will guarantee the business independence of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company own relevant qualification for independent business operation, and have the independent and sustainable market-oriented operation capability. (2) Except assets owned and business operated before the validity date of commitment, when acting as a controlling shareholder of Shenzhen SEG, in order to guarantee sustainable development</p>	August 3, 2016	Long-term	In normal progress

		<p>of Shenzhen SEG, the Company will exercise supervision and restriction on operating activities of its own and the affiliated enterprises under its control, will not establish new or acquire any assets or businesses same as or similar to its main business within the operation area of Shenzhen SEG, and will also not be engaged in any activities which may damage the interests of Shenzhen SEG and other companies, enterprises, or other economic organizations controlled by Shenzhen SEG. If in the future there is any business opportunity same as or similar to other main business within Shenzhen SEG operation area, such opportunity will be preferentially recommended to Shenzhen SEG and other companies, enterprises, or other economic organizations controlled by Shenzhen SEG. (1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate development projects appropriated or allocated through oriented protocols by the government to SEG Group and any enterprises invested by it; or (2) When the general conditions of tender, transfer or assignment of specific commercial properties and real estate development projects have specific requirements on the bidder or assignee, Shenzhen SEG is not qualified but SEG Group is qualified. Commercial property and real estate development projects that are same as the main business of Shenzhen SEG or result in horizontal competition subject to the above exclusions may be invested and built by SEG Group at first. If Shenzhen SEG thinks that such assets are eligible to be injected into Shenzhen SEG, upon receipt of the written acquisition notice from Shenzhen SEG, SEG Group will negotiate on acquisition and transfer such projects to Shenzhen SEG. (3) After completion of the restructuring, the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company will reduce related transactions with Shenzhen SEG and the subject company and other companies, enterprises, or other economic organizations controlled by them; for any related transactions that are indeed necessary and unavoidable, the Company will handle them at fair price based on the market principle, and fulfill relevant approval procedures and the information disclosure obligation according to provisions of relevant laws, regulations and normative documents.</p> <p>5. The Company will guarantee the financial independence of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company will establish an independent financial department, independent financial accounting system, and standard and independent financial accounting rules. (2) After completion of the restructuring, Shenzhen SEG and the subject company will separately open an account in banks, and do not share accounts with the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (3) After completion of the restructuring, financial personnel of Shenzhen SEG and the subject company will not hold a part-time job in the Company or related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (4) After completion of the restructuring, Shenzhen SEG and the subject company will independently make financial decisions, and the Company will not interfere with fund usage of Shenzhen SEG and the subject company. (5) After completion of the restructuring, Shenzhen SEG and the subject company will pay taxes independently according to laws. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, and the subject company."</p>			
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Commitments made at the time of restructuring of major assets	Shenzhen SEG Group Co., Ltd.	Performance Commitment	<p>"(I) Contract subjects and date of signing Shenzhen SEG and SEG Group signed Performance Commitment and Compensation Agreement on August 3, 2016.</p> <p>(II) Performance commitment period 3 accounting periods following the completion of the transaction (including the year of completion and the following consecutive two accounting periods). If the transaction is completed before December 31, 2016 (included), the performance commitment period includes 2016, 2017, and 2018. If the transaction is completed between December 31, 2016 and December 31, 2017 (included), the performance commitment period includes 2017, 2018, and 2019. After the completion of the transaction, Shenzhen SEG shall hire an accounting firm with the qualification of securities that is recognized by SEG Group within 4 months after the end of each accounting period during the performance commitment period to respectively issue a special audit report and/or an impairment test report (hereinafter referred to as the "special audit report") with respect to the promised net profit/promised cash flow income/promised development profit (hereinafter collectively referred to as "promised performance") related to assets within the transaction compensation scope agreed in the agreement, and recognize the promised performance or impairment of assets within the transaction compensation scope in each year during the performance commitment period.</p> <p>(III) Performance commitment and performance compensation Underlying assets injected into Shenzhen SEG in this transaction are subject to multiple appraisal methods: 100% of the equity of SegMaker, 55% of the equity of SEG Kangle, and 79.02% of the equity of SEG Property Investment are priced on the basis of appraisal conclusion with the asset-based method, in which property assets are subject to the income method and market method and real estate development in the long-term equity investment is subject to the hypothetical development method; 100% of the equity of SEG Property Development and 100% of the equity of SEG Property Management (a wholly-owned subsidiary of SEG Property Investment) are subject to the income method. Therefore, all parties recognize and agree that the performance guarantee of relevant underlying assets of the transaction and the compensation methods shall be carried out according to the following stipulations:</p> <p>1. Performance guarantee of underlying assets appraised by income approach and performance compensation</p> <p>(1) If the transaction is completed before December 31, 2016 (included), SEG Group warrants that: 1) Audited net profits of SEG Property Development after the deduction of non-recurring profits and losses and investment income of 2016, 2017 and 2018 respectively (hereinafter referred to as "guaranteed net profits") shall not be lower than RMB 8.05 million, RMB 7.85 million and RMB 7.75 million respectively; 2) The guaranteed net profits of SEG Property Management of 2016, 2017 and 2018 shall not be lower than RMB 4,05 million, RMB 3.45 million and RMB 3.6 million respectively; 3) The net profits attributable to the parent company (net profits attributable to the parent company = shareholding percentage of parent company x [income actually realized by corresponding property assets (including the income of new area after renovation of property assets)-depreciation and amortization of the cost of renovation-direct cost and</p>	August 3, 2016	Three accounting years from the year of completion of restructuring (including the year of completion and the subsequent two accounting years)	In normal progress
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		<p>management costs (including urban property tax, business tax, urban construction tax and education surtax, stamp duty, maintenance tax, insurance premium and land use tax, excluding depreciation and amortization)-relevant losses caused by renovation (if any)-other operating costs and taxes of corresponding properties (including income tax)], hereinafter referred to as "guaranteed net profits") of the property assets (minus the parts used by the companies) of SegMaker, SEG Kangle and SEG Real Estate of 2016, 2017 and 2018 appraised by income approach shall not be lower than RMB 63,013,500, RMB 59,995,800 and RMB 77,627,200 respectively.</p> <p>(2) If the transaction is completed after December 31, 2016 and before December 31, 2017 (included), SEG Group warrants that: 1) Guaranteed net profits of SEG Property Development of 2017, 2018 and 2019 respectively shall not be lower than RMB 7.85 million, RMB 7.75 million and RMB 7.75 million respectively; 2) The guaranteed net profits of SEG Property Management of 2017, 2018 and 2019 shall not be lower than RMB 3.45 million, RMB 3.60 million and RMB 3.75 million respectively; 3) The guaranteed net profits corresponding to the property assets (minus the parts used by the companies) of 2017, 2018 and 2019 as appraised by income approach of SegMaker, SEG Kangle and SEG Real Estate shall not be lower than RMB 59,995,800, RMB 77,627,200 and RMB 94,723,100 respectively.</p> <p>(3) If the actual net profits on the foregoing assets appraised by income approach after accumulative deduction of non-operating profits and losses as of the end of any year during the performance guaranteed period are lower than the accumulatively guaranteed net profits of corresponding assets as of the end of such year, SEG Group shall use Shen SEG shares obtained by acquisition of relevant assets as the consideration to make compensation for Shenzhen SEG in terms of the shares issued to SEG Group according to the following calculation method. For the part not covered by shares, SEG Group shall compensate in cash: 1) to compensate 100% of the equity of SEG Property Development and 100% of the equity of SEG Property Management appraised by income approach: I. Number of shares to be compensated every year = (accumulated guaranteed net profits as of the end of the current period - actually accumulated net profits as of the end of the current period)/total guaranteed net profits of years during the compensation period x total subscribed shares-amount of compensated shares. Remarks: The "total subscribed shares" refers to the total number of shares obtained by SEG Group by subscribing all shares issued by Shenzhen SEG at 100% of the equity of SEG Property Development and 100% of the equity of SEG Property Management appraised, i.e. total subscribed shares = 100% of the equity of SEG Property Development or 100% of the equity of SEG Property Management as the overall price/offering price of the shares issued this time to purchase assets. When the number of shares of Shenzhen SEG is calculated by 100% of the equity of SEG Property Management, the impact of the 79.02% of the equity of SEG Real Estate (the parent company of SEG Property Management) held by SEG Group should be taken into consideration. II. The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>2) Compensation of property assets held by all target companies appraised by income approach</p>			
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		<p>I. Number of shares to be compensated every year = (accumulated guaranteed net profits as of the end of the current period -actually accumulated net profits as of the end of the current period)/total guaranteed net profits of years during the compensation period x total subscribed shares-amount of compensated shares. Remarks: The "total subscribed shares" in the foregoing formula refers to the total number of shares obtained by SEG Group by subscribing all shares issued by Shenzhen SEG at the price of the property assets (including the property assets appraised by income approach and are held by SegMaker, SEG Kangle and SEG Real Estate) appraised by income approach, i.e. total subscribed shares = appraised price of the property assets appraised by all target companies with income approach/the offering price of the shares issued this time to purchase assets. When the number of shares of Shenzhen SEG is calculated, the impact of the percentages of share rights of all target companies held by SEG Group shall be taken into consideration. II. The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>(4) When the performance guaranteed period expires, Shenzhen SEG shall hire the Certified Public Accountants with securities practice qualification recognized by both parties to carry out impairment test on the foregoing assets appraised by income approach and issue the impairment test report. If the impairment amount at the end of the current period of the assets appraised by income approach is greater than the total number of shares compensated during the performance guaranteed period x offering price of the shares issued this time to purchase assets + total amount of cash compensated, SEG Group shall make compensation for the impaired part of such assets of Shenzhen SEG: 1) Number of shares compensated for the impaired part of the assets appraised by income approach = impairment amount at the end of the current period of the underlying assets appraised by income approach/offering price of the shares issued this time - total shares already compensated during the performance guaranteed period. 2) The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>(5) Under any circumstances, the total number of shares compensated arising from the actual net profits less than the guaranteed net profits and the impairment test in total shall be limited to the total number of Shen SEG shares (including share increase by transfer and stock dividends) obtained by subscription with 100% of the equity of SEG Property Development, 100% of the equity of SEG Property Management and property assets of target companies appraised by SEG Group with income approach. The part not covered will be compensated in cash by SEG Group, which is limited to the cash consideration paid for Shen SEG shares with such assets.</p> <p>2. Performance guarantee of underlying assets appraised by hypothetical development method and performance compensation</p> <p>(1) SEG Group warrants that the actual development profits (hereinafter referred to as "guaranteed development profits") of SEG ECO Phase I Project, Shenzhen SEG International Electronics Industry Center Project of Shenzhen SEG New City Construction and Development Co., Ltd. (hereinafter referred to as "SEG New City</p>			
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		<p>appraised by hypothetical development method to subscribe the total shares issued by Shenzhen SEG. When the number of shares subscribed of Shenzhen SEG is calculated, the impact of the percentage of equity of SEG Real Estate held by SEG Group and that of the foregoing real estate projects held by SEG Real Estate shall be taken into consideration. The realized development profits in the foregoing formula refer to the net profits of the projects after deducting corresponding inventory development cost already carried forward, expenses and taxes from the realized sales income of real estate projects as of the expiry date of the restructuring compensation period. The unrealized development profits refer to that if there are development products not sold yet in corresponding real estate projects when the restructuring compensation period expires, the unrealized development profits corresponding to the remaining development products shall be determined according to the following methods: unrealized development profits = estimated unit sales price of the remaining development products x area - book cost corresponding to development products - estimated sales cost - estimated sales cost - measured land VAT - measured income tax. Remarks: In the estimated unit sales price of the remaining development products, if a sales contract has been signed, the unit price set out in the contract shall prevail, and if no sales contract has been signed, the unit sales price shall be determined by the unit sales price of the same type of products sold earlier; the area shall be determined by the actually sold sales area corresponding to the development product; estimated sales cost shall be determined according to the percentage of the sales cost corresponding to the sales product in the sales income; estimated sales taxes shall be determined according to the fee standard of the real estate industry; and measured land VAT and income tax shall be calculated according to relevant standards of the tax laws.</p> <p>2) The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>(3) When the performance guaranteed period expires, Shenzhen SEG shall hire the Certified Public Accountant with securities practice qualification recognized by both parties to carry out impairment test on the foregoing assets appraised by hypothetical development method and issue the impairment test report. If the impairment amount at the end of period of the real estate projects appraised by hypothetical development method is greater than the total number of shares compensated during the performance guaranteed period x offering price of the shares issued this time to purchase assets + total amount of cash compensated, SEG Group shall make compensation for the impaired part of such assets of Shenzhen SEG: 1) Number of shares compensated for the impaired part of the real estate projects appraised by hypothetical development method = impairment amount at the end of period of the real estate projects appraised by hypothetical development method/offering price of the shares issued this time - total shares already compensated during the performance guaranteed period. 2) The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>(4) Under any circumstances, the total of the total amount of actually realized development profits and unrealized development profits (if any) and the total number of</p>			
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		<p>compensated shares occurred due to impairment test shall not exceed the total number of shares of Shenzhen SEG (including the shares increased by transferring and stock dividends) obtained by SEG Group subscribing the shares issued by Shenzhen SEG with the real estate projects appraised by hypothetical development method. The insufficient part will be compensated in cash by SEG Group with the limit as the cash consideration paid for Shen SEG shares with such projects.</p> <p>3. Performance compensation of assets appraised by market approach</p> <p>(1) For the property assets appraised by market approach, Shenzhen SEG shall engage certified public accountants that possess the qualification in practicing the securities business in the end of every year during the performance guaranteed period to carry out impairment test, and issue impairment test report. SEG Group shall compensate Shenzhen SEG with the shares used by Shenzhen SEG as payment consideration acquired from relevant assets subscription according to the following calculation method, and SEG Group shall compensate in cash the part not covered by shares: 1) Total number of shares to be compensated = impairment amount at the end of the current period/offering price of the shares issued this time to purchase assets -number of shares already compensated. 2) The part not covered by shares will be compensated by SEG Group in cash. Amount of extra cash to be compensated = number of shares not covered x offering price of the shares issued this time to purchase assets.</p> <p>(2) Under any circumstances, the total number of shares compensated arising from the impairment test shall not exceed the total amount of Shenzhen SEG shares acquired by SEG Group with the property assets appraised by market approach previously (including share increase by transfer and stock dividends). The part not covered by shares and the amount compensated in cash in total shall not exceed the cash consideration paid for Shenzhen SEG shares acquired by SEG Group with such property assets. Relevant compensation methods for the foregoing 100% of the equity of SEG Property Development, 100% of the equity of SEG Property management and the property assets held by the target companies appraised by income approach and the real estate projects appraised by hypothetical development method as well as other property assets appraised by market approach are independent. The number of shares compensated by assets appraised by other methods is not considered when the number of shares compensated is calculated. When the number of shares to be compensated and/or amount of cash calculation of each year is calculated according to relevant stipulations mentioned above, if the number of compensated shares calculated is smaller than 0, take 0, i.e. the shares compensated will not be refunded; if the cash compensation amount calculated is smaller than 0, take 0, and the cash compensated will not be refunded. When the impairment amount is calculated, the impact of capital increase, decrease, acceptance of the gift and profit distribution of the shareholders of underlying assets during the performance guaranteed period on the amount of impairment shall be eliminated.</p> <p>(IV) Triggering condition for performance compensation After the completion of the transaction, if assets within the transaction compensation scope as specified in the special audit report are impaired or fail to achieve the promised performance, SEG Group shall make compensation to Shenzhen SEG as agreed in the agreement.</p>			
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			<p>(V) Performance compensation method After the completion of the transaction, if assets within the transaction compensation scope are impaired or fail to achieve the promised performance, SEG Group shall compensate Shenzhen SEG in cash or shares.</p> <p>(VI) Effectiveness and termination of the agreement The agreement is made upon signature and seal by the legal representative or authorized agent of each party. As an integral part of the Asset Purchase Facility, the agreement shall come into effect from the date of effectiveness of the Asset Purchase Facility. When the Asset Purchase Facility is rescinded, terminated, or deemed as invalid, the agreement is also rescinded, terminated, or invalid.</p> <p>(VII) Liability for breach of the agreement Except for in case of force majeure, violation of any terms of the agreement by either party constitutes breach of the agreement. The default party shall compensate for all losses arising from breach of the agreement to the non-breaching party.</p>			
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	<p>"1. In the restructuring, relevant assets, such as some commercial electronics markets of SEG Group that constitute horizontal competition, have not been injected into the listed company. SEG Group will trust such assets to Shenzhen SEG or its subsidiaries after the major asset restructuring. Within 5 years after the major asset restructuring, SEG Group will take all necessary measures to solve flaws of such assets, and incorporate the preceding specialized electronics markets that constitute horizontal competition into Shenzhen SEG or transfer them to the third party in a feasible way such as sales based on operating needs of Shenzhen SEG and the completeness of the ownership of such assets. If SEG Group fails to complete the foregoing matters as scheduled, before injecting relevant assets to Shenzhen SEG, SEG Group shall lease them to Shenzhen SEG for direct operation and enjoy the income from such property. The annual rent of Shenzhen SEG is the depreciated value of such property. Profit and loss incurred by leasing of such property assets shall be shared by Shenzhen SEG. The parties shall separately enter into a leasing agreement.</p> <p>2. Except assets owned and business operated before the validity date of commitment, when acting as a controlling shareholder or actual controller of Shenzhen SEG, in order to guarantee sustainable development of Shenzhen SEG, the Company will exercise supervision and restriction on operating activities of its own and affiliated enterprises under its control, will not establish new or acquire any assets or business same as or similar to its main business within the operation area of Shenzhen SEG, and will not be engaged in any activities that may damage the interests of Shenzhen SEG and other companies and enterprises controlled by Shenzhen SEG, or other economic organizations. If in the future there is any business opportunity same as or similar to other main business within Shenzhen SEG operation area, such opportunity will preferentially be recommended to Shenzhen SEG and other companies and enterprises controlled by Shenzhen SEG, or other economic organizations. However, any of the following cases is an exception: (1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate development projects appropriated or allocated through oriented protocols by the government to SEG Group and any enterprises invested by it; or (2) when the general conditions of tender, transfer or assignment of specific</p>	August 3, 2016	Long-term	In normal progress

			commercial properties and real estate development projects have specific requirements on the bidder or assignee, Shenzhen SEG is not qualified y but SEG Group is qualified. Commercial property and real estate development projects that are same as the main business of Shenzhen SEG or result in horizontal competition subject to the above exclusions may be invested and built by SEG Group at first. If Shenzhen SEG thinks that such assets are eligible to be injected into Shenzhen SEG, upon receipt of the written acquisition notice from Shenzhen SEG, SEG Group will negotiate on acquisition and transfer such projects to Shenzhen SEG. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, the subject company, other companies, enterprises, or other economic organizations controlled by the Company."			
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	<p>"1. When the Company acts as the controlling shareholder of Shenzhen SEG, the Company, other companies, enterprises, or other economic organizations controlled by the Company, will minimize and regulate associated transactions with Shenzhen SEG or the subject company, other companies, enterprises, or other economic organizations controlled by the Company.</p> <p>2. When the restructuring is completed, the Company, other companies, enterprises, or other economic organizations controlled by the Company will handle associated transactions with Shenzhen SEG or the subject company that are unavoidable or incurred for reasonable cause at fair and reasonable market price, perform the decision-making procedure for associated transactions according to relevant laws, regulations, and normative documents, fulfill the obligation of information disclosure and handle the approval procedures according to the law, do not use the dominant position of the controlling shareholder to damage the legal rights and interests of Shenzhen SEG and other shareholders.</p> <p>3. The Company, other companies, enterprises, or other economic organizations controlled by the Company will not use the rights of shareholders of the listed company or the actual control ability to manipulate or instruct the listed company or its directors, supervisors and senior executives to have the listed company unfairly provide or accept funds, goods, services or other assets, or engage in any acts detrimental to the interests of listed companies. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, the subject company, other companies, enterprises, or other economic organizations controlled by the Company."</p>	August 3, 2016	Long-term	In normal progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>1. The subject company is a limited liability company or stock-limited company established and validly existing according to law with legitimate business qualification; the subject company has obtained all approvals, permission, authorization and permits required for its setting up and operation of business, all such approvals, permission, authorization and permits are valid and there exists no reasons or situations which may cause the above approvals, permission, authorization and permits invalid.</p> <p>2. The subject company has not been involved in any severe violation of laws or regulations during production operation nor any situations where termination is required according to the requirements of relevant laws, regulations, normative documents and articles of association. As of the date of issuance of this commitment letter, the subject company has no pending or predictable significant lawsuit, arbitration or administrative</p>	August 3, 2016	Before completion of restructuring	In normal progress

			<p>penalty with amount of subject of more than one million or which will generate adverse impact on its operation.</p> <p>3. The subject company will independently and fully fulfill the labor contracts it signed with employees.</p> <p>4. If the subject company is subject to any recovery of fees or penalty from the relevant competent organization in industrial and commerce, tax, employee salaries, social insurance, housing fund, business qualification or competent authorities due to any facts existing before this restructuring, the Company will fully indemnify the subject company for all fees owned by subject company and assume all losses occurred by subject company and Shenzhen SEG as a result of this.</p> <p>5. The subject company legally possesses the ownership and/or right of usage of office space, office equipment, trademark and other assets as necessary to guarantee normal production operation, has independent and complete assets and business structure, has legal ownership to its main assets with independent, complete and clear indication of ownership.</p> <p>6. The subject company has not been involved in any lawsuit, arbitration, judicial mandatory enforcement and other situations which interferes with the transfer of company ownership, and has not incurred any external guarantee that is against laws and articles of association of the Company. After completion of this restructuring, if any loss is caused to Shenzhen SEG and the subject company due to the Company's breach of the above commitment, the Company agrees to assume the above mentioned liability of indemnity/compensation to Shenzhen SEG/subject company.</p>			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. 100% shares of SEG Property have been entrusted to a share entrusting agency as required. Its equity form is authentic and valid, and the equity structure and ownership are clear. The Company has no objection to the share ownership, share quantity, and share holding percentage of SEG Property. The Company has no disputes over share ownership with SEG Property and other shareholders.</p> <p>2. In case any dispute over ownership of the 3.85% shares of SEG Property of which ownership has not been determine as of July 26, 2016 occurs in the future, the Company commits to SEG Property that the Company will provide any necessary assistant to SEG Property to solve the dispute, protect SEG Property from any loss caused thereby, and undertake corresponding responsibilities."</p>	August 3, 2016	Before completion of restructuring	In progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. The Company will guarantee the independence of personnel of Shenzhen SEG and subject company: (1) after completion of the restructuring, the labor, personnel and compensation management of Shenzhen SEG are independent from the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (2) Guarantee that after completion of this restructuring the senior executives of Shenzhen SEG and the subject company hold full-time position at Shenzhen SEG and the subject company and receive compensation, and will not assume any duties other than director and supervisor in the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company. (3) Guarantee not to, after completion of this restructuring, interfere with the shareholders' meeting and board of directors meeting's exercise of power in</p>	August 3, 2016	Long-term	In normal progress

		<p>appointment/dismissal of personnel.</p> <p>2. Guarantee the independence of institutions of Shenzhen SEG and subject company (1) guarantee that after completion of this restructuring Shenzhen SEG and subject company will have sound corporate governance structure and independent, complete organization. (2) Guarantee that after completion of this restructuring the shareholders' meeting, board of directors meeting and board of supervisors meeting of Shenzhen SEG and subject company will exercise duties and powers according to laws, regulations and articles of association of Shenzhen SEG and subject company.</p> <p>3. The Company will guarantee the independence and completeness of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company will have independent and complete assets related to production and management. (2) Guarantee that after completion of this restructuring the site for business operation of Shenzhen SEG and subject company are independent of the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company. (3) Except normal operational intercourse, guarantee that after completion of this restructuring Shenzhen SEG and subject company do not exist any situation that funds or assets are possessed by the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company.</p> <p>4. Guarantee the businesses of Shenzhen SEG and subject company are independent (1) guarantee that after completion of this restructuring Shenzhen SEG and subject company have relevant qualification for independently carrying out operational activities, and possess independent, sustainable market-oriented operational capability. (2) Except the assets owned and business operated before validity date of commitment, during the period as controlling shareholder of Shenzhen SEG, in order to guarantee sustainable development of Shenzhen SEG, the Company will exercise supervisory and restriction on operating activities of its own and the affiliated enterprises under its control, and will not establish new or acquire any assets or businesses same or similar with its main businesses within the operation area of Shenzhen SEG, and will also not be engaged in any activities which may damage the interests of Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG; if in future there exists any business opportunity same or similar with other main businesses within Shenzhen SEG operation area, such opportunity will preferentially recommended to Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG. (1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate development projects appropriated or allocated through oriented protocols by the government to SEG Group and any enterprises invested by it; or (2) When the general conditions of tender, transfer or assignment of specific commercial properties and real estate development projects have specific requirements on the bidder or assignee, Shenzhen SEG is not qualified but SEG Group is qualified. Commercial property and real estate development projects that are same as the main business of Shenzhen SEG or result in horizontal competition subject to the above exclusions may be invested and built by SEG Group at first. If Shenzhen SEG thinks that such assets are eligible to be injected into Shenzhen SEG, upon receipt of the written acquisition notice</p>			
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			<p>from Shenzhen SEG, SEG Group will negotiate on acquisition and transfer such projects to Shenzhen SEG. (3) Guarantee that after completion of this restructuring, the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company will reduce connected transactions with Shenzhen SEG and subject company and other companies, enterprises, other economic organizations or other connected parties under their control; for any connected transactions which are indeed necessary and unavoidable, guarantee to carry out fair operation following market principle at fair price and fulfill relevant approval procedure and information disclosure obligations according to the provisions of relevant laws, regulations and normative documents.</p> <p>5. The Company will guarantee the financial independence of Shenzhen SEG and the subject company: (1) After completion of the restructuring, Shenzhen SEG and the subject company will establish an independent financial department, independent financial accounting system, and standard and independent financial accounting rules. (2) After completion of the restructuring, Shenzhen SEG and the subject company will separately open an account in banks, and do not share accounts with the Company and related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (3) After completion of the restructuring, financial personnel of Shenzhen SEG and the subject company will not hold a part-time job in the Company or related parties, such as other companies, enterprises, or other economic organizations controlled by the Company. (4) After completion of the restructuring, Shenzhen SEG and the subject company will independently make financial decisions, and the Company will not interfere with fund usage of Shenzhen SEG and the subject company. (5) After completion of the restructuring, Shenzhen SEG and the subject company will pay taxes independently according to laws. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, and the subject company."</p>			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>1. The Company does not exist any of the following situations as specified in Clause 6, Administrative Measures On Acquisition Of Listed Companies: (1) Damage legitimate rights and interests of the company acquired and its shareholders utilizing acquisition of listed company; (2) With large amount of outstanding debts and this in-debt status has lasted for a certain period of time; (3) Has actual or alleged serious illegal activities in recent three years; (4) Has serious behaviors of breaching promises in securities market in recent three years; (5) Other situations in which no acquisition of listed companies are allowed according to laws and administrative regulations and in the opinions of CSRC.</p> <p>2. The Company and its main managers have not suffered from any administrative punishment (administrative punishment obviously unrelated to security market excluded), criminal punishment, major civil lawsuit or arbitration related to economic disputes within the last five years. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, and the subject company."</p>	August 3, 2016	Before completion of restructuring	In progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. The Company is an enterprise incorporated in China that owns the full capacity for civil conduct and has the legal body qualification for participating in the restructuring, signing agreements with Shenzhen SEG, and performing rights and obligations under the agreement.</p> <p>2. Except that the property located at 4F, Block 2, SEG Industry Building of SEG</p>	August 3, 2016	Before completion of restructuring	In normal progress

		<p>Property Investment funded by the Company is to handle the transfer formality (with no legal impediment), the Company has fulfilled the obligation of contributing capital to the subject company, and has no acts against its obligations and responsibilities as a shareholder, such as false contribution, deferred investment, or withdrawal of capital. There are no circumstances that may affect the legal existence of the subject company.</p> <p>3. There is no dispute or potential dispute over ownership of equities of the subject company. There are no circumstances that may affect the legal existence of the subject company.</p> <p>4. The equities held by the Company in the subject company are actually legally owned. There is no dispute or potential dispute over ownership of equities, no trust, shareholding under entrustment or similar arrangement, no commitment or arrangement of forbidden transfer or limited transfer, no pledge, freezing, seals up, property preservation or other limitation of rights, and no lawsuit, arbitration or other forms of dispute which would affect the restructuring. Meanwhile, the Company guarantees that the equities it held in the subject company will maintain the status until the equities are registered under Shenzhen SEG after change of registration.</p> <p>5. The equities held by the Company in the subject company are assets with clear ownership. The Company undertakes that there are no legal obstacles to stock transfer after the restructuring of Shenzhen SEG is approved by CSRC, and no credit and debt disputes. The Company promises to complete formalities for ownership transfer of these equities within the agreed period.</p> <p>6. Before the equities are registered under Shenzhen SEG after change of registration, the Company undertakes that the subject company will maintain normal, orderly, and legitimate operation, and will not take actions irrelevant to normal production and management, such as disposal of assets, external guarantee, or additional major debts, or illegally transfer or conceal assets and business. If the foregoing actions are indeed necessary, provided that national laws, regulations, and normative documents are not violated, these actions can be taken only after written approval of Shenzhen SEG.</p> <p>7. The Company undertakes that there are not any ongoing or potential litigation, arbitration, or dispute that may affect the Company's equity transfer, and all agreements or contracts do not contain restrictive clauses that may affect the Company's equity transfer. The articles of association, internal management system documents, and contracts or agreements do not contain restrictive clauses that may affect the Company's equity transfer. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG."</p>			
Shenzhen SEG Group Co., Ltd.	Other commitment	"The Company has not disclosed any insider information about the restructuring or utilized such insider information for insider trading. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG."	August 3, 2016	Long-term	In normal progress
Shenzhen SEG Group Co., Ltd.	Other commitment	"1. Shares of Shenzhen SEG subscribed by the Company in the restructuring will be locked up for 36 months from the date of listing. Shares of Shenzhen SEG acquired in the restructuring shall not be traded or transferred or managed by others under entrustment or repurchased by Shenzhen SEG within 36 months from the date of completion of the offering. After the completion of this offering, additional shares held due to bonus shares	August 3, 2016	Long-term	In normal progress

			<p>and converted equity capital shall be also subject to the foregoing agreement. When the foregoing lockup period expires, share transfer and transaction will be subject to the valid laws, regulations, and provisions, rules, and requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange.</p> <p>2. If the closing price of Shenzhen SEG stocks is lower than the initial offer price for consecutively 20 trading days within 6 months after the completion of the restructuring or the closing price of Shenzhen SEG stocks is lower than the initial offer price at the end of 6 months after the completion of the restructuring, the lockup period of Shenzhen SEG stocks will be automatically extended for 6 months.</p> <p>3. If the information provided or disclosed in the restructuring is suspected of false representations, misleading statements, or material omissions and the judicial authority or China Securities Regulatory Commission investigates and places the case on file, shares of Shenzhen SEG held by the Company will not be transferred.</p> <p>4. Before the restructuring, all stocks of Shenzhen SEG held by the Company shall not be transferred within 12 months after the completion of the restructuring.</p> <p>5. If relevant laws, regulations, and normative documents have special requirements on the lockup period of shares, these laws, regulations, and normative documents shall prevail.</p> <p>6. If the foregoing lockup period is not consistent with the latest regulation requirement of the security regulatory authority, the Company agrees to adjust it according to the latest regulation opinion of the regulation suggestion of the security regulatory authority and implement the relevant provision of China Securities Regulatory Commission and Shenzhen Stock Exchange after the lockup period expires.</p>			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. In the recent 5 years, the Company has not been subject to any administrative penalty (except those not related to the securities market) or criminal penalty.</p> <p>2. In the recent 5 years, except for those cases that have been concluded, such as the case of Hainan SEG International Trust and Investment Company, Zhongshi case, GTJA case and Dasheng case, the Company is not involved in other major civil proceedings or arbitration (the subject in dispute of 10 million yuan) related to economic disputes.</p> <p>3. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	In normal progress
	Bo Hongxi, Cao Xiang, Fan Zhiqing, Li Luoli, Liu Fusong, Liu Zhijun, Ru	Other commitment	<p>"1. I have not been subject to any administrative penalty by the CSRC in recent 36 months, or public censure by the Stock Exchange in the recent 12 months.</p> <p>2. I have not been investigated by judicial authorities due to alleged crimes or by CSRC due to alleged irregularities.</p> <p>In case of breach of the following commitments, I will bear all losses thus incurred to</p>	August 3, 2016	Before completion of restructuring	In normal progress

	Guiqin, Song Pingping, Tang Chongyin, Wang Li, Xu Ning, Yu Qian, Zhang Guangliu, Zhang Haifan, Zheng Dan, Zhu Longqing		Shenzhen SEG."			
	Directors, supervisors, and senior executives of Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. In the recent 5 years, the Company has not been subject to any administrative penalty or criminal penalty or involved in other major civil proceedings or arbitration related to economic disputes.</p> <p>2. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the following commitments, I will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	In normal progress
	SegMaker, SEG Kangle, SEG Property Development, SEG Property Investment, SEG New City Construction, SEG Property Management, Huizhou Qunxing, Xi'an SEG, Beijing	Other commitment	<p>"1. In the recent 3 years, the Company has not been subject to any major administrative punishment or criminal punishment or involved in other major civil proceedings or arbitration related to economic disputes.</p> <p>2. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the following commitments, I will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	In normal progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. SEG Group has legal ownership of lands, properties, and equities transferred to SegMaker without compensation before the restructuring, and there is no dispute over the ownership of transferred assets. Except for some mortgaged properties that require the consent of the mortgagee, there is no legal obstacle to the registration of ownership change.</p> <p>2. The Company undertakes to complete the formalities of ownership registration change of assets transferred to SegMaker before the Board of Directors reviews the restructuring draft. The Company will compensate SegMaker in full if SegMaker is held responsible or punished, or suffer any other loss due to the Company's violation of the foregoing</p>	August 3, 2016	Before completion of restructuring	In normal progress

			commitment or defects of the transferred assets."			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"As of the date of issuance of the commitment letter, SEG Kangle owns 9 properties with the total construction area of 12,941.28 square meters. The actual proprietor of the property located at 1F, Block 1, SEG Industry Building with an area of 902 square meters is SEG Group. Due to the provision that industrial buildings in Shenzhen shall be transferred as a whole, the transfer registration formality for the property has not been handled. The actual proprietor of Room 508, Block 4, SEG Residential Quarter is SEG Kangle, but the property is registered under SEG Group and the transfer formality for the property has not been handled. The Company undertakes that all parties have no disputes over the ownership of the foregoing property whose registered proprietor is SEG Kangle but whose actual proprietor is SEG Group and the property whose registered proprietor is SEG Group but whose actual proprietor is SEG Kangle. SEG Group will assist SEG Kangle in completing the division and transfer registration formalities for the foregoing properties. After the restructuring, if Shenzhen SEG suffers any losses due to ownership of such properties, SEG Group will compensate Shenzhen SEG in full.</p> <p>2. The construction in process-assembly workshop that SEG Group uses to contribute capital to SEG Property Investment is 4F, Block 2, SEG Industry Building (real estate proprietorship certificate No.: S. F. D. Zi. No. 3000759297) with the total area of 1,936.71 square meters. The property was delivered to SEG Property Investment upon capital contribution, but the transfer formality could not be handled without the certificate on capital contribution. Due to negligence of the handler, the property was registered under SEG Group together with other properties of SEG Industry Building belonging to SEG Group. Due to the restriction of transfer of industrial buildings as a whole, the transfer formality has not been handled. SEG Property Investment has been occupying, using, and acquiring operating revenue from the property since capital contribution. The Company will assist SEG Property Investment in completing the transfer registration formality of the foregoing property. After the restructuring, if Shenzhen SEG suffers any losses due to ownership of such properties, SEG Group will compensate Shenzhen SEG in full.</p> <p>3. The Company will help and propel the subject company and its subsidiaries to complete ownership registration of land and property assets and regulate the land purpose.</p> <p>4. If due to land use rights and property assets existing before the completion of the restructuring, the subject company and its subsidiaries (1) fail to timely handle the land use rights and the proprietorship certificate (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose); or (2) cannot handle the relevant land use rights and real estate proprietorship certificate (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose); or (3) are subject to other circumstances of nonstandard land use rights and properties (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose), and suffer actual losses including but not limited to compensation, fines, expenses, and interests damage, the Company will compensate the subject company and its subsidiaries in full.</p>	August 3, 2016	Before completion of restructuring	In normal progress

	Shenzhen SEG Group Co., Ltd.	Other commitment	Before issuance date of the restructuring report of Shenzhen SEG, SEG Group will finish formalities related to transfer of ownership of the property (4F, Block 2, SEG Industry Building). If SEG Group fails to finish the formalities at expiration, SEG Group agrees to compensate SEG Property Investment RMB 1.5 million in currency, and allows SEG Property Investment to continue to use the property for free until SEG Group transfers the ownership of the property to SEG Property Investment. SEG Group agrees to compensate SEG Property Investment for any operating loss or other economic loss of SEG Property Investment caused by SEG Group's failure in transferring the ownership of the property.	August 3, 2016	Before completion of restructuring	In progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"After updating and restructuring of SEG Industry Building, SEG Economy Building, and SEG Kangle Industry Building, the area of added part that belongs to SegMaker, SEG Kangle and SEG Property is 2,855.20 square meters. SEG Group undertakes that the use of the temporary buildings belonged to SegMaker, SEG Kangle and SEG Property will be renewed after expiration of the two-year use duration. In case when, due to failure in renewal of use of temporary buildings, the listed company has any loss or the income during the period from expiration of the performance commitment period to expiration of the evaluated income expected period is lower than the expected compensation, or the listed company has any loss because the temporary buildings are required to be dismantled by governmental organs during the period from expiration of the performance commitment period to expiration of the evaluated income expected period, SEG Group will compensate the listed company timely and in full amount according to the following compensation methods:</p> <ol style="list-style-type: none"> 1. SEG Group has made commitments for the performance of the subject company within three years after completion of major asset restructuring. Influence of the updating and restructuring project has been taken into account in the commitments. 2. The amount of compensation for the income that is lower than the expected income during the period from expiration of the performance commitment period to expiration of the evaluated income expected period = (the predicted accumulated income to the end of the report period - actual accumulated income to the end of the report period) - the compensated amount. 3. The loss caused when the temporary buildings are required to be dismantled by governmental organs during the period from expiration of the performance commitment period to expiration of the evaluated income expected period = the dismantling cost and compensation amount related - (the accumulated total income to the time the buildings are dismantled- predicted accumulated income during the predication period). Note: the predicted income refers to the net value remained after the predicted total income from the newly added temporary buildings in the evaluation reports of the subject companies minuses the allocated investment cost during the operating period and the amount influenced by permanent rent termination predicted in the evaluation report. Shenzhen SEG should employ an auditing agency with security practice qualification recognized by SEG Group to provide a formal auditing report on the compensation methods for the property investment within the compensation scope of the report period within four months at the end of each accounting year during the compensation period. SEG Group should compensate in cash any property investment and compensation items within the compensation scope of the report period. Shenzhen SEG should calculate the payable 	August 3, 2016	Long-term	In progress

			compensation amount within 15 working days upon final specific review opinions provided by the auditing agency, and send a written notice to SEG Group. Within 30 working days upon receipt of the written notice from Shenzhen SEG, SEG Group should pay the compensation in cash in full amount."			
	Shenzhen SEG Group Co., Ltd.	Other commitment	"1. In case when, after the restructuring, the land/property use should be changed based on the actual operating demands of the subject company or because the subject company is required by the relevant house property management organ or the land regulatory department to change the land/property use, SEG Group will assist the subject company in finishing the relevant formalities. 2. In case when the subject company suffers from administrative penalty by relevant land and/or house property management department because the actual use of the land/property is different from those recorded in the certificate, SEG Group will compensate the subject company for any expenditures and economic loss caused thereby."	August 3, 2016	Long-term	In progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	"1. Since the issuance date of this commitment letter, SEG Group will assist SegMaker in restoring for business purpose the part currently functioning as a parking garage on the first floor of the podium of SEG Jingyuan Building within five years. 2. If the restoration work cannot be finished within the above mentioned period of time, SEG Group agrees to process the subject assets as follows: (1) paying in cash the evaluated value of the parking garage and the bank interest of the evaluated value in the same period from the restructuring closing date to the expiration of this commitment time; or (2) purchasing in cash the first floor of the podium of SEG Jingyuan Building at a price no less than the evaluated value of the building during this restructuring."	August 3, 2016	Within five years from the date of issue of the commitment letter	In normal progress
	Shenzhen SEG Group Co., Ltd.	Other commitment	"1. If after the restructuring, Shen SEG is requested to make a supplementary payment for land transfer and pay the overdue fine due to inconsistency between the actual use and the registered use of the above property, the Company undertakes to bear such expenses in full. 2. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shen SEG."	August 3, 2016	Long-term	In normal progress
Commitment made at the time of initial public offerings or refinancing	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	According to the Article Five of the <i>Equity Transfer Agreement</i> signed by the Company with SEG Group when the Company was listed, SEG Group agreed that the Company and its subsidiaries and associated companies to use the eight trademarks registered by SEG Group at the National Trademark Bureau; SEG Group agreed that the Company used the aforesaid trademarks or similar signs as the Company's logo and used the trademarks and signs during its operation; the Company need not pay any fee to SEG Group for using the aforesaid trademarks or signs.	July 1, 1996	Long-term	In normal progress
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	As for the problem pointed out by Shenzhen Office of China Securities Regulatory Commission during on-site inspection in 2007 in the Company that the Company and SEG Group are competitive in the electronic business, the Company has received a written Commitment Letter from SEG Group on September 14, 2007. The content of the Commitment Letter is as follows: "The competition in electronic business between SEG Group and Shenzhen SEG Co., Ltd. occurs due to historical reasons and objective market development background.SEG Group hereby commits that, we will not separately operate	September 14, 2007	Long-term	In normal progress

			businesses similar to those of Shenzhen SEG in the same city."			
	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	The 6th interim meeting of the 5th Board of Directors held on January 26, 2011 reviewed and approved the Proposal of Solving the Horizontal Competition between the Company and Its Controlling Shareholder. After friendly consultation, SEG Group agreed to entrust the Company to operate and manage with full authority SEG Communications Market under direct management of SEG Group. Therefore, the two parties have signed the entrustment operation and management contract, and SEG Group will pay the Company RMB 200,000 Yuan as entrust management expenses.	January 26, 2011	The term of validity is from February 1, 2011 to January 31, 2016, five years in total. And the entrusted operating management contract expires within the report period. As of the end of the report period, the Contract has been renewed, and the term of validity is from February 1, 2016 to January 31, 2017.	In normal progress
Commitment on equity incentives	Not applicable					
Other commitments made to the medium and small shareholders of the Company	Shenzhen SEG Group Co., Ltd.	Other commitment	Based on our confidence in economic prospect of China and future development of the Company, in order to jointly maintain a stable capital market and promote a sustainable, stable and healthy development of the Company, Shenzhen SEG Group Co., Ltd., the holding shareholder of the Company, hereby commits that, it will not reduce the amount of shares of the Company it holds within the coming twelve months since the issuance date of this Announcement, i.e., July 9.	July 9, 2015	12 months	Fulfilled
Whether commitments were fulfilled on time	Yes					

2. The attainment of forecasts for the assets or projects of the Company which were profitable and the description of the reasons with the report period remaining in the forecasting period

Applicable Not applicable

IV. 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.

V. Explanations of the Board of Directors, the Board of Supervisors and Independent Directors (if any) to the "Non-standard Audit Report" made by the accounting firm in the report period

Applicable Not applicable

VI. Information on changes in accounting policies, accounting estimates and accounting methods compared with the financial reports of the last year

Applicable Not applicable

The Ministry of Finance issued the *VAT Accounting Treatment Rules* (C. K. [2016] No. 22) on December 3, 2016.

According to the *VAT Accounting Treatment Rules*, after the program of replacing business tax with value-added tax is put into trial implementation, "business tax and surtax" is changed to "tax and surtax", relating to the accounting of the consumption tax, urban maintenance and construction tax, resource tax, educational surtax, property tax, land use tax, travel tax, and stamp duty incurred by business operation; the "business tax and surtax" in the profit statement is changed to "tax and surtax".

As specified in the *VAT Accounting Treatment Rules*, the closing debit balance of "VAT payable", "unpaid VAT", "input tax to be deducted", "input tax to be certified", and "excess VAT paid" under the "tax payable" item shall be presented in "other current assets" or "other non-current assets" of the balance sheet statement as the case may be; the closing debit balance of "tax payable-output tax to be transferred" shall be presented in "other current liabilities" or "other non-current liabilities" of the balance sheet statement as the case may be.

In accordance with the *VAT Accounting Treatment Rules*, the Company has adjusted the amount of affected items in the financial statements, such as assets, liabilities, profit and loss arising from transactions from May 1, 2016 to the implementation of the Rules. The property tax, land use tax, travel tax, and stamp duty incurred after May 1, 2016 are adjusted from "management fee" to "tax and surtax" RMB 4,775,904.89; "tax payable-deductible input VAT" are classified in "other current liabilities" with the amount of RMB 350,217.26; the amount of transactions occurring from January 1 to April 30, 2016 is not subject to retroactive adjustment; financial statements (2016) in the comparable period are not subject to retroactive adjustment.

VII. Information on retroactive restatements in corrections of major accounting errors in the report period

Applicable Not applicable

There is no retrospective restatement due to corrections on significant accounting errors in the report period.

VIII. Information on changes in the scope of consolidation compared with the financial report of the last year

Applicable Not applicable

Twenty-three entities are included in the current consolidated financial statements, namely:

Company name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Holding subsidiary	I	66.58	66.58
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Holding grandson company	II	66.58	66.58
Shenzhen SEG Industrial Investment Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Changsha SEG Development Co., Ltd.	Holding subsidiary	I	46.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Share-controlled subsidiary	I	70.00	70.00
Suzhou SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	45.00	45.00
Xi'an SEG Electronics Market Co., Ltd.	Holding subsidiary	I	65.00	65.00
Shenzhen SEG Credit Co., Ltd.	Holding subsidiary	I	54.00	54.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Hairong SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wujiang SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wuxi SEG Electronics Market Co., Ltd	Holding subsidiary	I	51.00	51.00
Shunde SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nanning SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nantong SEG Times Plaza Development Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Yantai SEG Times Plaza Development Co., Ltd.	Holding	I	90.00	90.00

Company name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
	subsidiary			
Nantong SEG Commercial Operation Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Digital Plaza Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Intelligent Technology Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Holding subsidiary	I	50.00	50.00
Shenzhen SEG Investment Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Holding subsidiary	I	50.00	50.00

For the cause of difference between the proportion of shareholding and the proportion of voting rights and the basis for control of the invested entity even with half of voting rights or less, see "Attachment 9: Equities in other entities - (1) Equities in subsidiaries".

Compared with the previous period, three more entities are included in and one entity is excluded from the consolidated financial statements in the current period, including:

1. Subsidiaries, special purpose entities, and business entities that gain control by way of commissioning management or renting included in the consolidation scope in the current period

Name	Reason for change
Suzhou SEG Intelligent Technology Co., Ltd.	Newly established
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Newly established
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Newly established

2. Subsidiaries, special purpose entities, and business entities that lose control by way of commissioning management or leasing excluded from the consolidation scope in the current period

Name	Reason for change
Shenzhen SEG E-Commerce Co., Ltd.	Transfer-out of all equities

For details of entity change in the consolidation scope, see "Note VIII. Change in consolidation scope".

IX. Engagement and dismissal of the accounting firm

Engaged accounting firm

Name of accounting firm engaged from China	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration for the accounting firm engaged from China (RMB 10,000)	45

Consecutive years of service offered by accounting firm engaged from China	13
Name of certified public accounts from the accounting firm engaged from China	Zhang Xing and Zhang Zhaocheng
Name of accounting firm engaged from outside of China (if any)	None
Consecutive years of service offered by overseas accounting firm (if any)	None

Is another accounting firm engaged in current period?

Yes No

Engagement of internal control audit accounting firm, financial adviser or sponsor

Applicable Not applicable

X. Information on Listing Suspension or Abortion after Disclosure of Annual Report

Applicable Not applicable

XI. Bankruptcy and Reorganization

Applicable Not applicable

No bankruptcy and reorganization matter is involved in the report period.

XII. Major lawsuits and arbitrations

√ Applicable □ Not applicable

Basic information about lawsuits and arbitrations	Amount (RMB: 10,000)	Whether estimated liabilities occurred	Progress	Judgment result and impact	Judgment execution	Disclosure date	Disclosure index
<p>Case number: 2016 G. 0102 M. C. No. 3653 Plaintiff: Nanning Haiqi Real Estate Development Co., Ltd. Defendant 1: Nanning SEG Electronics Market Co., Ltd. ("Nanning SEG") Defendant 2: Shenzhen SEG Co., Ltd.</p> <p>A dispute over the lease contract arose among Nanning Haiqi, Nanning SEG and the Company. Nanning SEG did not pay the rent for the third year according to the cooperation contract. The court found that Nanning SEG locked and sealed the shop front on June 30, 2015, which constituted a fundamental breach of contract. Nanning SEG was sued for breach of contract.</p>	1,026.3	Yes	The case is heard and pending.	Inconclusive	None	September 29, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on Receipt of Court Summons and the Civil Complaint</i>
<p>Case number: 2016 G. 0102 M. C. No. 3654 Plaintiff: Nanning Yuanpeng Property Service Co., Ltd. Defendant 1: Nanning SEG Electronics Market Co., Ltd. Defendant 2: Shenzhen SEG Co., Ltd.</p> <p>A dispute over the property service contract arose among Nanning Yuanpeng Property Service Co., Ltd. (hereinafter referred as "Yuanpeng Property"), Nanning SEG and the Company. Nanning SEG did not pay the rent for the third year according to the cooperation contract. The court found that Nanning SEG locked and sealed the shop front on June 30, 2015, which constituted a fundamental breach of contract. Nanning SEG was sued by Yuanpeng Property for breach of contract.</p>	246.98	No	The case is heard and pending.	Inconclusive	None	September 29, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on Receipt of Court Summons and the Civil Complaint</i>
<p>Case number: 2015 X. M. Y. C. Zi. No. 1590 Plaintiff: Nanning SEG Electronics Market Co., Ltd. Defendant: Nanning Haiqi Real Estate Development Co., Ltd.</p>	999.7	Yes	The case has been settled.	Nanning SEG's claim was dismissed by (2015) X. M. Y.	Executed	August 24, 2016	http://www.cninfo.com.cn <i>2016 Semi-annual Report of Shenzhen SEG Co., Ltd.</i>

A contract dispute arose between Nanning Haiqi and Nanning SEG. In March 2013, Nanning SEG rented houses located at 1F to 2F, Nanning Property Development Plaza, 158 East Renmin Road, Xingning District, Nanning to set up the electronics market. The agreed lease term was from March 18, 2013 to March 17, 2025. After unsuccessful negotiation with Nanning Haiqi on large area of water seepage and water leakage of the leased houses for several times, Nanning SEG filed a lawsuit to the People's Court of Xingning District, Nanning.				C. Zi. No. 1590 Civil Judgment of the People's Court of Xingning District, Nanning.			
Case number: 2015 X. M. Y. C. Zi. No. 1393 Plaintiff: Nanning Haiqi Real Estate Development Co., Ltd. Defendant: Nanning SEG Electronics Market Co., Ltd. A contract dispute arose between Nanning Haiqi and Nanning SEG. Due to Nanning SEG's failure to pay the rent and the breach of contract, Nanning Haiqi filed a lawsuit against Nanning SEG to the court. The two cases were consolidated for trial.	1,280.99	Yes	The case has been settled.	We lost the lawsuit.	Executed	August 24, 2016	http://www.cninfo.com.cn <i>2016 Semi-annual Report of Shenzhen SEG Co., Ltd.</i>
Case number: 2015 G. S. M. W. C. Zi. No. 00126 Plaintiff: Suzhou Rail Transit Co., Ltd. Defendant: Shenzhen SEG Co., Ltd. A contract dispute arose between Resource Development Subsidiary of Suzhou Rail Transit Co., Ltd. ("Suzhou Rail Transit ") and Suzhou SEG. On January 26, 2015, Suzhou Rail Transit filed a lawsuit to the court and petitioned the court to order Suzhou SEG to pay the liquidated damages.	284	Yes	The case has been settled.	We lost the lawsuit.	Executed	August 24, 2016	http://www.cninfo.com.cn <i>2016 Semi-annual Report of Shenzhen SEG Co., Ltd.</i>
Case number: (2016) J. Z. A. Zi. No. 2294 Plaintiff: Shenzhen SEG Co., Ltd. Defendant: Zongheng International Electronic Expo City (Suzhou) Co., Ltd. ("Zongheng International") 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.	2,460	No	As of the disclosure date of the report, the parties are trying to reach a settlement.	Inconclusive	None	October 14, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on the Acceptance of Application for Arbitration</i>
Case number: 2016 S. 0505 M. C. No. 5176 Plaintiff: Suzhou SEG Electronics Market Co., Ltd. Defendant: Zongheng International Electronic Expo City	1,900	No	As of the disclosure date of the report, the parties are trying to	Inconclusive	None	November 19, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd.</i>

<p>(Suzhou) Co., Ltd. A loan dispute arose between Suzhou SEG and Zongheng International. Suzhou SEG filed a lawsuit against Zongheng International to the court.</p>			<p>reach a settlement.</p>			<p><i>on the Acceptance of the Lawsuit Filed by the Holding Subsidiary</i></p>
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XIII. Punishment and Rectification Issues

Applicable Not applicable

No punishment and rectification is involved in the report period.

XIV. Integrity of the Company and its Controlling Shareholders and Actual Controllers

Applicable Not applicable

XV. Implementation of Equity Incentive Plan, Employee Shareholding Plan or Other Employee Incentives

Applicable Not applicable

No stock incentive plan and implementation is involved in the report period.

XVI. Major Connected Transactions

1. Transactions Concerning Routine Operation

√ Applicable □ Not applicable

Related party	Association relationship	Transaction type	Connected transactions	Pricing principles of connected transactions	Transaction price	Transaction amount (RMB 10,000)	Amount proportion occupied in the transactions of the same kind	Approved transaction amount (RMB 10,000)	Exceeding the approved quota or not?	Transaction clearing form	Available similar market price	Disclosure date	Disclosure index
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Property lease	Warehouse with an area of 809.26m ² on 8F of SEG Plaza	Determined by the market	67.33 (Yuan/m ² . month)	65.39	0.10%	100	No	According to the agreement	-	March 30, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on 2016 Expected Daily Operating Connected Transactions</i>
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Entrusted operation	The controlling shareholder entrusted its investment in SEG communications market to the Company.	Determined by the market	20	20	0.03%	20	No	According to the agreement	-		
Shenzhen SEG Group	Controlling shareholder	Property lease	The 15th floor of SEG Plaza, with an area of 687.01 square meters	Determined by the market	71.38 (Yuan/m ² . month)	2.45	0.00%		No	According to the agreement	-		
Shenzhen SEG Real Estate Investment Co., Ltd.	Subsidiary of shareholders	Property lease	12F (West), Block 4, SEG Science Park (with an area of 909.79 square meters)	Determined by the market	204.21 (Yuan/m ² . month)	74.32	0.11%	140	No	According to the agreement	-		

Related party	Association relationship	Transaction type	Connected transactions	Pricing principles of connected transactions	Transaction price	Transaction amount (RMB 10,000)	Amount proportion occupied in the transactions of the same kind	Approved transaction amount (RMB 10,000)	Exceeding the approved quota or not?	Transaction clearing form	Available similar market price	Disclosure date	Disclosure index
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Property lease	No. 2 Warehouse covering 66.7 m ² on B1 of SEG Plaza	Determined by the market	180 (Yuan/m ² . month)	13.21	0.02%		No	According to the agreement	-		
Total				--	--	175.37	--	260	--	--	--	--	--
Details about return of sold goods of large amount				Not applicable									

2. Connected Transactions Due to Asset or Equity Sales and Acquisition

Applicable Not applicable

No connected transaction due to asset or equity sales and acquisition is involved in the report period.

3. Connected Transactions Due to Joint External Investment

Applicable Not applicable

No connected transaction due to joint external investment is involved in the report period.

4. Creditor's Rights and Liabilities of Related Parties

Applicable Not applicable

No creditor's rights and liabilities of related parties are involved in the report period.

5. Other Important Transactions

Applicable Not applicable

In the report period, the Company has no other major connected transactions.

XVII. Important contracts and implementation

1. Trusteeship, Contracting, and Leasing Issues

(1) Trusteeship Issues

Applicable Not applicable

Explanations to trusteeship

The controlling shareholder Shenzhen SEG Group Co., Ltd. entrust the Company to manage SEG telecommunication market. The Company administrates the income RMB 200,000 according to the trusteeship agreement in the report period.

Projects which bring the losses and gains that take up 10% of the profit amount of the Company.

Applicable Not applicable

In the report period, the Company has no entrusted projects which bring the losses and gains that take up 10% of the profit amount of the Company in the report period.

(2) Contracting Issues

Applicable Not applicable

No contracting issue is involved in the report period.

(3) Leasing Issues

Applicable Not applicable

Information about lease

Refer to the preceding section Transactions Concerning Routine Operation.

Projects which bring the losses and gains that take up 10% of the profit amount of the Company in the report period.

Applicable Not applicable

In the report period, the Company has no lease projects which bring the losses and gains that take up 10% of the profit amount of the Company in the report period.

2. Major guarantees

Applicable Not applicable

No guarantee issue is involved in the report period.

3. Information on cash asset management entrusted to others

(1) Entrusted financing

Applicable Not applicable

Unit: RMB 10,000

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
China Citic Bank	No	CITIC-CP cash management No.3	6,000	June 4, 2015	May 13, 2016	Floating income	6,000		194.94	194.94	194.94
The Agricultural Bank of China	No	AXLD 20 days	3,000	December 2, 2015	January 15, 2016	Floating income	3,000		11.55	11.55	11.55
Shanghai Pudong Development Bank	No	Liduoduo 2301137335	3,500	January 11, 2016	February 14, 2016	Floating income	3,500		14.71	14.71	14.71
Shanghai Pudong Development Bank	No	Liduoduo 2301137335	6,500	April 13, 2016	May 16, 2016	Floating income	6,500		23.36	23.36	23.36
Industrial Bank	No	Jinxueqiu 2015 1st No. 3301C	2,300	November 28, 2016	February 3, 2017	Floating income			17.31	0	0
Industrial Bank	No	Jinxueqiu 2015 1st No. 3301B	10,000	December 12, 2016	January 10, 2017	Floating income			32.58	0	0
China Citic Bank	No	Interbank deposits	1,000	December 29, 2016	January 4, 2017	Floating income				0	0
Industrial and Commercial Bank of China	No	SZWL1560 (93 days)	2,000	December 28, 2015	March 30, 2016	Promised income	2,000		23.44	23.44	23.44
Industrial and Commercial Bank of China	No	SZWL1560 (93 days)	3,800	April 7, 2016	July 9, 2016	Floating income	3,800		47.66	47.66	47.66
China Merchants Bank	No	CMB Dianjin corporate finance profit increase series No. 61 financial plan	700	January 20, 2016	May 25, 2016	Floating income	700		9.67	9.67	9.67

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Bank of China	No	BOC wealth accumulation plan 2016 No. 069	500	March 1, 2016	September 20, 2016	Floating income	500		11.26	11.26	11.26
Bank of China	No	BOC wealth accumulation financial plan 2016 No. 073	500	March 4, 2016	July 4, 2016	Floating income	500		6.35	6.35	6.35
Bank of China	No	BOC wealth accumulation (fixed term of the head office) C	500	April 15, 2016	August 9, 2016	Floating income	500		5.72	5.72	5.72
Bank of China	No	BOC wealth accumulation (fixed term of the head office) C	400	April 29, 2016	August 19, 2016	Floating income	400		4.3	4.3	4.3
Bank of China	No	Accumulation day by day	300	May 9, 2016	May 31, 2016	Floating income	300		0.37	0.37	0.37
China Merchants Bank	No	Wealth creation step by step 8688	100	May 10, 2016	June 23, 2016	Floating income	100		0.24	0.24	0.24
China Merchants Bank	No	Wealth creation step by step 8699	100	May 10, 2016	June 23, 2016	Floating income	100		0.42	0.42	0.42
Bank of China	No	Accumulation day by day	100	May 25, 2016	May 31, 2016	Floating income	100		0.04	0.04	0.04
China Merchants Bank	No	Wealth creation step by step 8699	700	May 27, 2016	June 23, 2016	Floating income	700		1.69	1.69	1.69
Bank of China	No	Accumulation day by day	100	June 1, 2016	June 6, 2016	Floating income	100		0.03	0.03	0.03
Bank of China	No	Accumulation day by day	300	June 1, 2016	June 22, 2016	Floating income	300		0.49	0.49	0.49
China Construction Bank	No	Qianyuan - Silu Tiantianying	500	July 11, 2016	December 29, 2016	Floating income	500		8.45	8.45	8.45

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Bank of China	No	BOC wealth accumulation financial plan	500	August 19, 2016	December 2, 2016	Floating income	500		4.89	4.89	4.89
Bank of China	No	BOC wealth accumulation financial plan	400	September 13, 2016	December 9, 2016	Floating income	400		3.24	3.24	3.24
Bank of China	No	BOC wealth accumulation financial plan	1,400	December 5, 2016	December 30, 2016	Floating income	1,400		0.86	0.86	0.86
China Construction Bank	No	Qianyuan - Premium 2016 No. 86	500	December 29, 2016	March 31, 2017	Floating income				0	0
Bank of China, Saige Guangchang Sub-branch	No	BOC stable and smart finance	1,300	January 5, 2015	January 4, 2016	Promised income	1,300		68.71	68.71	68.71
Bank of China, Saige Guangchang Sub-branch	No	BOC stable and smart finance	1,500	March 19, 2015	March 17, 2016	Promised income	1,500		78.53	78.53	78.53
CITIC-CP Asset Management Corporation Ltd.	No	CITIC-CP cash management No. 3	1,000	July 17, 2015	May 12, 2016	Floating income	1,000		39.45	39.46	39.46
Bank of China, Saige Guangchang Sub-branch	No	BOC wealth accumulation financial plan 2015-047-HQ	1,000	July 31, 2015	July 22, 2016	Promised income	1,000		44.01	44.01	44.01
CITIC-CP Asset Management Corporation Ltd.	No	CITIC-CP cash management No. 3	1,000	August 4, 2015	May 12, 2016	Floating income	1,000		37.37	37.37	37.37
Bank of China, Saige Guangchang Sub-branch	No	BOC stable income finance	2,100	September 24, 2015	September 27, 2016	Promised income	2,100		97.66	97.66	97.66
Industrial and Commercial Bank of	No	ICBC financial win-win and	100	November 26, 2015	February 26, 2016	Promised income	100		1.2	1.2	1.2

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
China, Baohua Sub-branch		profit increase									
Bank of China, Saige Guangchang Sub-branch	No	BOC wealth accumulation financial plan 2016 No. 05	1,300	January 8, 2016	January 6, 2017	Promised income			53.8	0	0
Bank of China, Saige Guangchang Sub-branch	No	BOC wealth accumulation financial plan 2016 No. 100	1,600	March 22, 2016	March 24, 2017	Promised income			64.35	0	0
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,000	April 20, 2016	July 21, 2016	Promised income	1,000		11.72	11.72	11.72
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,000	May 23, 2016	August 23, 2016	Promised income	1,000		11.21	11.21	11.21
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,000	July 28, 2016	October 28, 2016	Promised income	1,000		10.67	10.67	10.67
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,500	August 25, 2016	November 25, 2016	Promised income	1,500		15.23	15.23	15.23
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	2,500	September 29, 2016	December 30, 2016	Promised income			24.84	0	0
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,000	November 3, 2016	February 3, 2017	Promised income			9.43	0	0

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Industrial and Commercial Bank of China, Baohua Sub-branch	No	ICBC financial win-win and profit increase	1,500	November 29, 2016	March 1, 2017	Promised income			14.91	0.0	
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	1,200	December 12, 2015	January 21, 2016	Promised income	1,200		1.75	1.75	1.75
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	2,100	December 29, 2015	January 21, 2016	Promised income	2,100		3.05	3.05	3.05
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	1,000	December 31, 2015	February 1, 2016	Promised income	1,000		1.45	1.45	1.45
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan product GSRJYL01	900	December 14, 2015	January 27, 2016	Promised income	900		1.74	1.74	1.74
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan product GSRJYL01	2,000	January 12, 2016	January 27, 2016	Promised income	2,000		2.3	2.3	2.30
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan product GSRJYL01	500	January 28, 2016	February 1, 2016	Promised income	500		0.15	0.15	0.15

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL01	1,000	May 6, 2016	July 15, 2016	Promised income	1,000		0.78	0.78	0.78
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL02	700	July 8, 2016	August 12, 2016	Promised income	700		0.87	0.87	0.87
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL03	500	July 26, 2016	August 18, 2016	Promised income	500		0.67	0.67	0.67
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL04	700	August 23, 2016	September 14, 2016	Promised income	700		0.55	0.55	0.55
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL05	800	September 27, 2016	December 16, 2016	Promised income	800		1.63	1.63	1.63
Bank of China, Nantong Gangzha Sub-branch	No	BOC accumulation day by day - daily plan productGSRJYL0	1,500	November 25, 2016	June 30, 2017	Promised income	700			1.52	1.52

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
		6									
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	January 8, 2016	February 16, 2016	Guaranteed and floating income	30		0.09	0.09	0.09
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	20	January 8, 2016	February 16, 2016	Guaranteed and floating income	20		0.06	0.06	0.06
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	March 25, 2016	June 2, 2016	Guaranteed and floating income	30		0.16	0.16	0.16
Industrial and	No	Guaranteed	30	March 25, 2016	June 2, 2016	Guaranteed and	30		0.16	0.16	0.16

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Commercial Bank of China, Sipailou Sub-branch		35-day stable income RMB corporate finance				floating income					
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	March 25, 2016	June 2, 2016	Guaranteed and floating income	30		0.16	0.16	0.16
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	March 25, 2016	June 2, 2016	Guaranteed and floating income	30		0.16	0.16	0.16
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	July 5, 2016	August 9, 2016	Guaranteed and floating income	30		0.08	0.08	0.08
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	July 5, 2016	August 9, 2016	Guaranteed and floating income	30		0.08	0.08	0.08
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	July 5, 2016	August 9, 2016	Guaranteed and floating income	30		0.08	0.08	0.08
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	July 5, 2016	August 9, 2016	Guaranteed and floating income	30		0.08	0.08	0.08
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou	No	Guaranteed 35-day stable income RMB	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Sub-branch		corporate finance									
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	August 16, 2016	September 20, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	October 14, 2016	November 18, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	October 14, 2016	November 18, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	Guaranteed 35-day stable income RMB corporate finance	30	October 14, 2016	November 18, 2016	Guaranteed and floating income	30		0.07	0.07	0.07
Industrial and	No	"Ever increasing"	30	January 13, 2016	June 30, 2017	Non-guaranteed and	30		0.32	0.32	0.32

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Commercial Bank of China, Sipailou Sub-branch		earning corporate finance				floating income					
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	January 13, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.32	0.32	0.32
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	January 15, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.32	0.32	0.32
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	January 15, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.32	0.32	0.32
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	February 26, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.83	0.83	0.83
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	February 26, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.83	0.83	0.83
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	February 26, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.83	0.83	0.83
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	February 26, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.83	0.83	0.83
Industrial and Commercial Bank of China, Sipailou	No	"Ever increasing" earning corporate finance	20	February 26, 2016	June 30, 2017	Non-guaranteed and floating income	20		0.55	0.55	0.55

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Sub-branch											
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	March 22, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.76	0.76	0.76
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	March 31, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.74	0.74	0.74
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	March 31, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.74	0.74	0.74
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	March 31, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.74	0.74	0.74
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	April 1, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.73	0.73	0.73
Industrial and Commercial Bank of China, Sipailou Sub-branch	No	"Ever increasing" earning corporate finance	30	April 1, 2016	June 30, 2017	Non-guaranteed and floating income	30		0.73	0.73	0.73
Bank of China	No	BOC stable financial plan - smart series Q15558	800	August 20, 2015	February 18, 2016	Promised income	800		17.15	17.15	17.15
Bank of China	No	BOC Jizhitong financial plan - liquidity enhancement series A15603	700	September 22, 2015	March 4, 2016	Promised income	700		0	13.37	13.37

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Bank of China	No	BOC Jizhitong financial plan - liquidity enhancement series A15761	500	November 27, 2015	January 26, 2016	Promised income	500		0	3.25	3.25
Bank of China	No	BOC stable financial plan - smart series Q16032-G	600	February 1, 2016	March 10, 2016	Promised income	600		0	2.34	2.34
Bank of China	No	BOC stable financial plan - smart series Q16057-G	750	February 22, 2016	April 7, 2016	Promised income	750		0	3.42	3.42
Bank of China	No	BOC stable financial plan - smart series Q16008-G	300	January 18, 2016	May 9, 2016	Promised income	300		0	3.68	3.68
Bank of China	No	BOC stable financial plan - smart series Q16082-G	700	March 7, 2016	June 2, 2016	Promised income	700		0	6.34	6.34
Bank of China	No	BOC stable and smart financial plan 2016 No. 075	650	March 14, 2016	June 27, 2016	Promised income	650		0	7.11	7.11
Bank of China	No	BOC wealth accumulation financial plan 2016 No. 178	200	May 17, 2016	August 23, 2016	Promised income	200		0	1.88	1.88
Bank of China	No	BOC stable and smart financial plan 2016 No. 227-G	300	June 30, 2016	September 1, 2016	Promised income	300		0	1.81	1.81
Bank of China	No	BOC stable	450	April 14, 2016	October 20,	Promised income	450		0	8.62	8.62

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
		financial plan - smart series Q16152-G			2016						
Bank of China	No	BOC stable financial plan - smart series Q16253-G	700	June 6, 2016	November 28, 2016	Promised income	700		0	11.91	11.91
Bank of China	No	BOC stable financial plan - smart series Q16301-G	400	June 30, 2016	June 22, 2017	Promised income			14.87	0	0
Bank of China	No	BOC wealth accumulation financial plan 2016 No. 319	200	August 26, 2016	March 10, 2017	Promised income			3.71	0	0
Bank of China	No	BOC stable financial plan - smart series Q16437-G	150	September 8, 2016	March 13, 2017	Promised income			2.64	0	0
Bank of China	No	BOC stable financial plan - smart series Q16514-G	400	October 24, 2016	October 19, 2017	Promised income			14.2	0	0
Bank of China	No	BOC stable and smart financial plan 2016 No. 473-G	800	December 1, 2016	May 25, 2017	Promised income			14.19	0	0
Bank of China	No	BOC stable financial plan - smart series (AMZYPWHQ15711)	400	October 22, 2015	January 21, 2016	Floating income	400		4.19	4.19	4.19
Shanghai Pudong Development Bank	No	Product code - 2301137337;	400	October 28, 2015	January 25, 2016	Floating income	400		4.54	4.54	4.54

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
		product name - Liduoduo Wealth Bus Progress No. 3									
Shanghai Pudong Development Bank	No	Product code - 2301137338; product name - Liduoduo Wealth Bus Progress No. 4	400	November 21, 2015	May 23, 2016	Floating income	400		8.78	8.78	8.78
Shanghai Pudong Development Bank	No	Product code - 2301137335; product name - Monthly profit increase	400	December 16,	January 15, 2016	Floating income	400		1.46	1.46	1.46
Shanghai Pudong Development Bank	No	Product code - 2301137338; product name - Wealth Bus Progress No. 4	400	January 19, 2016	July 21, 2016	Floating income	400		8.93	8.93	8.93
Bank of China	No	BOC stable financial plan - smart series (AMZYPWHQ60 23-G)	300	January 25, 2016	July 18, 2016	Floating income	300		6	6	6.00
Shanghai Pudong Development Bank	No	Product code - 2301137338; product name - Wealth Bus Progress No. 4	400	February 2, 2016	August 2, 2016	Floating income	400		8.73	8.73	8.73
Shanghai Pudong Development Bank	No	Product code - 2301137336; product name - Wealth Bus Progress No. 2	400	July 27, 2016	September 25, 2016	Floating income	400		2.44	2.44	2.44

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Shanghai Pudong Development Bank	No	Product code - 2301137337; product name - Wealth Bus Progress No. 3	400	August 4, 2016	November 3, 2016	Floating income	400		3.55	3.55	3.55
Shanghai Pudong Development Bank	No	Product code - 2301137337; product name - Wealth Bus Progress No. 3	400	September 2, 2016	December 2, 2016	Floating income	400		3.55	3.55	3.55
Shanghai Pudong Development Bank	No	Product code - 2301137338; product name - Wealth Bus Progress No. 4	400	September 29, 2016	March 25, 2017	Floating income			7.08	0	0
Shanghai Pudong Development Bank	No	Product code - 2301137337; product name - Wealth Bus Progress No. 3	600	November 4, 2016	February 1, 2017	Floating income			5.19	0	0
Shanghai Pudong Development Bank	No	Product code - 2301137337; product name - Wealth Bus Progress No. 4	800	December 7, 2016	March 8, 2017	Floating income			7.58	0	0
Bank of Communications	No	YTCF-RZL 2171160015	100	January 11, 2016	April 11, 2016	Promised income	100		0.93	0.93	0.93
Bank of Communications	No	YTCF-RZL 2171160278	100	February 1, 2016	May 3, 2016	Promised income	100		0.92	0.92	0.92
Bank of Communications	No	YTCF-RZL 2171160596	100	March 7, 2016	June 7, 2016	Promised income	100		0.86	0.86	0.86
Bank of Communications	No	YTCF-RZL 2171161068	200	April 18, 2016	October 17, 2016	Promised income	200		3.39	3.39	3.39

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Bank of Communications	No	YTCF-RZL 2171161335	200	May 16, 2016	August 16, 2016	Promised income	200		1.71	1.71	1.71
China Merchants Bank	No	Golden years 51422	150	June 21, 2016	August 16, 2016	Guaranteed	150		0.75	0.75	0.75
China Merchants Bank	No	Golden years 51429	100	July 15, 2016	November 4, 2016	Guaranteed	100		0.91	0.91	0.91
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	1,200	December 12, 2015	January 21, 2016	Promised income	1,200		1.75	1.75	1.75
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	2,100	December 29, 2015	January 21, 2016	Promised income	2,100		3.05	3.05	3.05
Ping An Bank	No	PAB Tiantianli guaranteed RMB corporate financial product	1,000	December 31, 2015	February 1, 2016	Promised income	1,000		1.45	1.45	1.45
Industrial and Commercial Bank of China	No	63-day stable income corporate finance	200	October 30, 2015	January 1, 2016	Promised income	200		1.23	1.23	1.23
Industrial and Commercial Bank of China	No	63-day stable income corporate finance	200	November 24, 2015	January 26, 2016	Promised income	200		1.09	1.09	1.09
Industrial and Commercial Bank of China	No	63-day stable income corporate finance	230	November 26, 2015	January 28, 2016	Promised income	230		1.83	1.83	1.83
The Agricultural Bank of China	No	Abundant principal and interest 90-day	550	November 27, 2015	February 25, 2016	Promised income	550		4.41	4.41	4.41
The Agricultural Bank of China	No	Ease express daily compound interest	550	February 29, 2016	March 14, 2016	Promised income	550		0.49	0.49	0.49

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
The Agricultural Bank of China	No	Daily compound interest No. 2	550	March 14, 2016	March 29, 2016	Promised income	550		0.65	0.65	0.65
Industrial and Commercial Bank of China	No	0701CDOB finance	220	March 9, 2016	July 1, 2016	Promised income	220		1.72	1.72	1.71
The Agricultural Bank of China	No	Daily compound interest No. 2	400	April 6, 2016	July 1, 2016	Promised income	400		2.09	2.09	2.09
Industrial and Commercial Bank of China	No	0701CDOB finance	200	May 10, 2016	July 13, 2016	Promised income	200		0.43	0.43	0.43
Industrial and Commercial Bank of China	No	0701CDOB finance	100	June 12, 2016	December 1, 2016	Promised income	100		0.8	0.8	0.80
Industrial and Commercial Bank of China	No	0701CDOB finance	400	July 21, 2016	August 26, 2016	Promised income	400		0.63	0.63	0.63
Industrial and Commercial Bank of China	No	0701CDOB finance	300	August 30, 2016	December 2, 2016	Promised income	300		1.31	1.31	1.31
Industrial and Commercial Bank of China	No	0701CDOB finance	100	December 16, 2016	June 30, 2017	Guaranteed and floating income				0	0
China Citic Bank	No	B160C0169-Win-win guaranteed Tiantiankuai A	1,500	December 2, 2016	December 6, 2016	Guaranteed and floating income	1,200			1.22	1.22
Total			105,230	--	--	--	78,580		1,204.63	984.43	--
Source of fund for entrusted financing			Own fund								
Past-due amount of principal and income recoverable											
Lawsuit (if applicable)			Not applicable								
Disclosure date of the announcement of the Board of Directors on the approval of entrusted financing (if any)											

Name of trustee	Connected transaction or not	Product type	Amount of entrusted financing	Start date	End date	Remuneration confirmation method	Principal amount returned in the report period	Accrued provisions for impairment (if any)	Projected income	Actual loss and gain amount in the report period	Actual return of gains and losses in the report period
Disclosure date of the announcement of the shareholder meeting on the approval of entrusted financing (if any)											
Is there any entrusted financing plan in the future?			Yes								

(2) Entrusted loaning

□ Applicable √ Not applicable

No entrusted loaning is involved in the report period.

4. Other Important Contracts

√ Applicable □ Not applicable

Contracting party	Counter party	Contract subject	Date of signing	Book value of assets involved in the contract (RMB 10,000) (if any)	Appraisal agency (if any)	Pricing principle	Connected transaction or not	Association	Implementation as of the end of the report period
Shenzhen SEG Co., Ltd.	Shenzhen SEG Industrial Investment Co., Ltd.	Loan of RMB 42 million	July 29, 2014	4,200	N/A	Without interest	No	N/A	At the 15th interim meeting of the 6th Board of Directors on July 29, 2014, the Company reviewed and approved the <i>Proposal for Adding the Working Capital Loan of RMB 10,000,000 to Shenzhen SEG Industrial Investment Co., Ltd.</i> The Company provided the working capital loan of RMB 10,000,000 for the wholly-owned subsidiary Shenzhen SEG Industrial Investment Co., Ltd. As a result, SEG Industry has borrowed RMB 42,000,000 in total from the Company, which bears no interest. As of the end of the report period, the foregoing contract is in progress.
Shenzhen SEG Co., Ltd.	Suzhou SEG Digital Plaza Management Co., Ltd.	Loan of RMB 10 million	May 27, 2015	1,000	N/A	Without interest	No	N/A	At the 23rd interim meeting of the 6th Board of Directors on May 27, 2015, the Company reviewed and approved the <i>Proposal for Providing the Financial Aid of RMB 10,000,000 for Suzhou SEG Digital Plaza Management Co., Ltd.</i> The Company provided the loan of RMB 10,000,000 for the wholly-owned subsidiary Shenzhen SEG Industrial Investment Co., Ltd. to meet its development needs. The foregoing loan bears no interest and the term is two years (from June 8, 2015 to June 7, 2017). As of the end of the report period, the foregoing contract is in progress.
Shenzhen SEG Co., Ltd.	Shenzhen SEG E-Commerce Co., Ltd.	Loan of RMB 60 million	November 10, 2013	6,000			No	N/A	At the 3rd interim meeting of the 6th Board of Directors on October 14, 2013, the Company reviewed and approved the <i>Proposal for Providing the Financial Aid of RMB 10,000,000 for Shenzhen SEG E-Commerce Co., Ltd.</i> The term of loan was one year (from September 15, 2013 to September 14, 2014). The loan was paid based on the need of e-commerce business. SEG E-commerce paid the capital occupancy fee to the Company based on the actual amount and term of loan at the benchmark interest rate of one-year bank loan in the same period, and repaid the loan on the due date. At the 5th interim meeting of the 6th Board of Directors on December 5, 2014, the Company reviewed and approved the <i>Proposal for Providing the Financial Aid of RMB 60,000,000 for Shenzhen SEG E-Commerce Co., Ltd.</i> This was borrowing renewal and the term of loan is one year. SEG E-commerce paid the capital occupancy fee to all shareholders as the creditors based on the actual amount and term of loan at 6.5%. As of the end of the report period, SEG E-commerce has repaid the foregoing loan.

XVIII. Social Responsibility

1. Fulfillment of the social responsibility for targeted poverty alleviation

Applicable Not applicable

According to the decision of central government to win the fight against poverty and the work arrangements of Shenzhen CPC Committee, the People's Government of Shenzhen, State-owned Assets Supervision and Administration Commission of Shenzhen, and SEG Group on three-year targeted poverty alleviation, SEG Group was designated to provide poverty alleviation aid for Zishi Village, Zishi Town, Longchuan County, Heyuan. After receiving the assignment, the CPC Committee and leaders of the Company fully realized the importance, arduousness and urgency of poverty alleviation and development in the new period. Our thoughts and actions followed spirits conveyed by important talks of Xi Jinping, CPC General Secretary and decisions and arrangements on targeted poverty alleviation of government at all levels and the upper CPC committee. SEG Group promptly appointed the leader of the work team and arranged for special personnel to stay at villages for poverty alleviation. In 2016, the CPC Committee and relevant branches of the Company visited five families with financial difficulties in Zishi Village for field research, extended regards to them, and assisted the work team in the village in carrying out poverty alleviation. In 2016, the Company has investigated the conditions of poverty alleviation households, developed the poverty alleviation plan, and decomposed tasks of each poverty alleviation stage. All work is progressing as planned to ensure the accomplishment of poverty alleviation goals of Guangdong CPC Committee and People's Government of Guangdong Province by the end of 2018, namely "rural poor people do not have to worry about food or clothing; compulsory education, basic medical care, and housing security are guaranteed; the basic indicators of basic public services are equivalent to the average level of Guangdong Province".

2. Fulfillment of other social responsibilities

Are the listed company and its subsidiaries on the list of key pollutant discharging enterprises released by the environment protection department?

No.

Is a social responsibility report published?

Yes No

XIX. Notes on Other Important Matters

Applicable Not applicable

Overview of Important Events	Disclosure Date	Inquiry Index for the Websites Disclosing the Temporary Reports
1. Matters concerning the establishment of SEG Intelligent Technology Co., Ltd.	January 13, 2016	<i>Announcement of Shenzhen SEG Co., Ltd. on the Establishment of Shenzhen SEG Intelligent Technology Co. Ltd.</i> disclosed on http://www.cninfo.com.cn
2. Matters concerning the conclusion of the strategic cooperation agreement with Taobao (China) Software Co., Ltd.	January 28, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Taobao (China) Software Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
3. Matters concerning major assets restructuring plan	February 4, 2016	<i>Announcement on Resolutions of the 8th Meeting of the 6th Board of Directors</i> disclosed on http://www.cninfo.com.cn
	February 4, 2016	<i>Warning Announcement on No Resumption of Trading of the Company's Stocks</i> disclosed on http://www.cninfo.com.cn
	February 4, 2016	<i>Warning Announcement on General Risks of Major Asset Restructuring</i> disclosed on http://www.cninfo.com.cn

		http://www.cninfo.com.cn
	February 4, 2016	<i>Announcement on Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Non-diluted Earnings Per Share of Connected Transactions</i> disclosed on http://www.cninfo.com.cn
4. Matters concerning the conclusion of the strategic cooperation agreement with Shanghai Wangyu Information Technology Co., Ltd.	March 15, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Shanghai Wangyu Information Technology Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
5. Matters concerning the conclusion of the strategic cooperation agreement with Fujian Babycat Animation Technology Co., Ltd.	March 24, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Fujian Babycat Animation Technology Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
6. Matters concerning the conclusion of strategic cooperation agreements with related parties and Shenzhen Tencent Computer System Co., Ltd.	April 6, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Related Parties and Shenzhen Tencent Computer System Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
7. Matters concerning the conclusion of the strategic cooperation agreement with Zhejiang Tmall Technology Co., Ltd.	April 9, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Zhejiang Tmall Technology Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
8. Matters concerning the cooperation between the controlling subsidiary and Shenzhen Capital Group Co., Ltd. on the setup of an investment management company and establishment of Shenzhen Hongtu SEG Intelligent Industrial Investment Fund (Limited Partnership)	April 19, 2016	<i>Announcement on the Cooperation between the Controlling Subsidiary and Shenzhen Capital Group Co., Ltd. on the Setup of an Investment Management Company and Establishment of Shenzhen Hongtu SEG Intelligent Industrial Investment Fund (Limited Partnership)</i> disclosed on http://www.cninfo.com.cn
9. Matters concerning the Company's application for the general credit limit for RMB loans	April 26, 2016	<i>Announcement on Resolutions of the 34th Interim Meeting of the 6th Board of Directors</i> disclosed on http://www.cninfo.com.cn
10. Matters concerning foreign investment and establishment of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	May 10, 2016	<i>Announcement on Foreign Investment and Establishment of SEG Longyan New Energy Application and Development Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
	June 1, 2016	<i>Announcement on Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.'s Acquisition of the Business License</i> disclosed on http://www.cninfo.com.cn
11. Matters concerning equity investment and establishment of Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	May 12, 2016	<i>Announcement on Equity Investment and Establishment of Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
12. Matters concerning the alteration of registered capital of Shenzhen Hongtu SEG Investment Management Co., Ltd.	June 25, 2016	<i>Announcement on Resolutions of the 37th Interim Meeting of the 6th Board of Directors</i> disclosed on http://www.cninfo.com.cn
13. Matters concerning the major assets restructuring process	August 4, 2016	<i>Report of Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions</i> disclosed on http://www.cninfo.com.cn

	August 26, 2016	<i>Announcement on the Approval of State-owned Assets Supervision and Administration Commission of Shenzhen on the Major Assets Restructuring Plan</i> disclosed on http://www.cninfo.com.cn
	August 27, 2016	<i>Announcement on Recordation of the Asset Appraisal Report Related to Major Assets Restructuring by State-owned Assets Supervision and Administration Commission of Shenzhen</i> disclosed on http://www.cninfo.com.cn
	September 14, 2016	<i>Announcement on Receipt of the Notice of the CSRC on Acceptance of Administrative Licensing Application Concerning the Major Assets Restructuring</i> disclosed on http://www.cninfo.com.cn
	October 10, 2016	<i>Announcement on Receipt of the Notice of the CSRC on Primary Feedback Opinion for Review of Administrative Licensing Items Concerning the Major Assets Restructuring</i> disclosed on http://www.cninfo.com.cn
	November 4, 2016	<i>Announcements of Reply to the Notice of the CSRC on Primary Feedback Opinion for Review of Administrative Licensing and Report of Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions (Revision)</i> disclosed on http://www.cninfo.com.cn
	November 22, 2016	<i>Announcement on the Review Reply of the M&A and Restructuring Review Committee of the CSRC on Major Assets Restructuring and Report of Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions (Revision)</i> disclosed on http://www.cninfo.com.cn
14. Matters concerning Shenzhen Hongtu SEG Investment Management Co., Ltd.'s acquisition of the business license	September 1, 2016	<i>Announcement on Shenzhen Hongtu SEG Investment Management Co., Ltd.'s Acquisition of the Business License</i> disclosed on http://www.cninfo.com.cn
15. Matters concerning progress of strategic cooperation between the Company and Taobao (China) Software Co., Ltd.	September 22, 2016	<i>Announcement on Progress of Strategic Cooperation between the Company and Taobao (China) Software Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
16. Matters concerning the Company's receipt of court summons and the civil complaint	September 29, 2016	<i>Announcement on Receipt of Court Summons and the Civil Complaint</i> disclosed on http://www.cninfo.com.cn
17. Matters concerning the acceptance of the Company's application for arbitration Beijing Arbitration Commission accepted the Company's application for arbitration with Zongheng International Expo City (Suzhou) Co., Ltd. as the respondent	October 14, 2016	<i>Announcement on the Acceptance of Application for Arbitration</i> disclosed on http://www.cninfo.com.cn
18. Matters concerning the reduction of holding-shares of Shenzhen Huakong SEG Co., Ltd.	October 25, 2016 October 26, 2016	<i>Announcement on Resolutions of the 5th Interim Meeting of the 7th Board of Directors</i> disclosed on http://www.cninfo.com.cn
	December 31, 2016	<i>Announcement on the Reduction of Stock Equity of Shenzhen Huakong SEG Co., Ltd.</i> disclosed on http://www.cninfo.com.cn

19. Matters concerning the establishment of SEG Longyan Energy Technology Co., Ltd. and launch of CdTe film photovoltaic industrial base	November 12, 2016	<i>Announcement on the Establishment of SEG Longyan Energy Technology Co., Ltd. and Launch of CdTe Film Photovoltaic Industrial Base</i> disclosed on http://www.cninfo.com.cn
20. Matters concerning the progress of the Company's transfer of the equity of Shenzhen SEG E-commerce Co., Ltd.	December 15, 2016	<i>Announcement on Stock Equity Transfer of Shenzhen SEG E-commerce Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
21. Matters concerning the acquisition of 2% of the equity of Shenzhen SEG Credit Co., Ltd. held by Shenzhen SEG E-commerce Co., Ltd.	December 15, 2016	<i>Announcement on the Connected Transaction of Acquisition of 2% of the Stock Equity of Shenzhen SEG Credit Co., Ltd. Held by Shenzhen SEG E-commerce Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
22. Matters concerning the conclusion of the strategic cooperation agreement with Tianjin Allied eSports Internet Technology Co., Ltd.	December 15, 2016	<i>Announcement on the Conclusion of the Strategic Cooperation Agreement with Tianjin Allied eSports Internet Technology Co., Ltd.</i> disclosed on http://www.cninfo.com.cn
23. Matters concerning the establishment of Shenzhen SEG Allied eSports Co., Ltd. and operation of e-sport venue	December 16, 2016	<i>Announcement on the Establishment of Shenzhen SEG Allied eSports Co., Ltd. and Operation of E-sport Venue</i> disclosed on http://www.cninfo.com.cn

XX. Important Matters of Subsidiaries

Applicable Not applicable

Chapter 6 Changes in Share Capital and Information on Shareholders

I. Information on Changes in Share Capital

1. Changes of shares

Unit: Share

	Before the change		Increase/decrease by (+, -)					After the change	
	Quantity	Percentage	New share offering	Bonus share	Capitalization of public reserve	Others	Subtotal	Quantity	Percentage
I. Restricted shares	71,689	0.01%	0	0	0	5,750	5,750	77,439	0.01%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
(2) State-owned legal person's shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	71,689	0.01%	0	0	0	5,750	5,750	77,439	0.01%
Including: Shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	71,689	0.01%	0	0	0	5,750	5,750	77,439	0.01%
4. Shares held by foreign units	0	0.00%	0	0	0	0	0	0	0.00%
Including: Shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	784,727,321	99.99%	0	0	0	-5,750	-5,750	784,721,571	99.99%
1. RMB ordinary shares	538,266,003	68.59%	0	0	0	-5,750	-5,750	538,260,253	68.59%
2. Domestically listed foreign shares	246,461,318	31.40%	0	0	0	0	0	246,461,318	31.40%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	784,799,010	100.00%	0	0	0	0	0	784,799,010	100.00%

Reason for change

 Applicable Not applicable

Approval of changes in share capital

 Applicable Not applicable

Share transfer

Applicable Not applicable

Impact of changes in share capital on such financial indicators as basic EPS, diluted EPS, and net asset per share attributable to common shareholders of the Company in the last year and previous report period

Applicable Not applicable

Other contents as deemed necessary by the Company or required by the securities regulatory authority to be disclosed

Applicable Not applicable

2. Information on changes in restricted shares

Applicable Not applicable

Unit: Share

Name of shareholder	Restricted shares at period beginning	Restricted shares released in the current period	Restricted shares increased in the current period	Restricted shares at period end	Reason for restricted trade	Date for releasing restricted trade
Xu Ning	15,000	0	0	15,000	Senior executive-targeted share	3
Liu Zhijun	7,500	0	0	7,500	Senior executive-targeted share	3
Zheng Dan	31,939	0	0	31,939	Senior executive-targeted share	3
Zhu Longqing	9,000	0	3,000	12,000	Senior executive-targeted share	3
Ying Huadong	7,500	0	2,500	10,000	Senior executive-targeted share	January 13, 2017
Tian Jiliang	750	0	250	1,000	Senior executive-targeted share	January 13, 2017
Total	71,689	0	5,750	77,439	--	--

II. Issuance and listing of shares

1. Securities Issue (preferential shares excluded) in the report period

Applicable Not applicable

2. Explanations to changes of the sum of shares and the shareholder structure as well as the changes of the asset and debt structure of the company.

Applicable Not applicable

3. Information of existing staff shares

□ Applicable √ Not applicable

III. Information on Shareholders and Actual Controllers**1. Information on the number of shareholders and their shareholding status**

Unit: Share

Total number of ordinary shareholders at the end of the report period	76,108	Total number of ordinary shareholders at the end of the month immediately before the disclosure of the annual report	73,299	Total number of preferred shareholders restored with the voting rights (if any) (see note 8)	0	Total number of preferred shareholders restored with the voting rights at the end of the month immediately before the disclosure of the annual report (if any) (see note 8)	0	
Information on the shareholders holding more than 5% shares or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Shares held by the end of the report period	Share increase/decrease in the report period	Quantity of restricted shares held	Quantity of unrestricted shares held	Information on pledged or frozen shares	
							Share status	Quantity
Shenzhen SEG Group Co., Ltd.	State-owned legal person	30.24%	237,359,666	Unchanged	0	237,359,666		Unchanged
Liu Guocheng	Domestic natural person	0.87%	6,804,502	-113,200	0	6,804,502		
GF Securities Co., Ltd. - Baoying Rui Feng innovative and flexible configuration hybrid securities investment fund	Others	0.56%	4,361,800	+4,361,800	0	4,361,800		
Zhang Jiao	Domestic natural person	0.52%	4,046,989	+2,998,601	0	4,046,989		
Liu Guohong	Domestic natural person	0.42%	3,300,558	-54,000	0	3,300,558		
Gong Qianhua	Overseas natural person	0.37%	2,940,000	Unchanged	0	2,940,000		
Zeng Ying	Domestic natural person	0.29%	2,300,000	-1,000,000	0	2,300,000		
China Securities	Domestic	0.29%	2,271,900	Unchanged	0	2,271,900		

Finance Corporation Limited	non-state-owned legal person							
Wu Guixiang	Domestic natural person	0.24%	1,898,801	+1,298,901	0	1,898,801		
NORGES BANK	Overseas legal person	0.24%	1,890,226	Unchanged	0	1,890,226		
Strategic investors or general legal entities who became one of the top ten shareholders by participating in rights issue (If any)	None							
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, nor it is a concerted action unit as described by the <i>Management Methods for Disclosure of Information on Changes of Shareholding Status of Shareholders of Listed Companies</i> It is unknown whether other shareholders have an association relationship or are concerted action units or not.							
Unrestricted Tradable Shares Held by Top Ten Shareholders								
Name of shareholder	Unrestricted shares held at the period end	Type of share						
		Type of share	Quantity					
Shenzhen SEG Group Co., Ltd.	237,359,666	RMB ordinary shares		237,359,666				
Liu Guocheng	6,804,502	Domestically listed foreign shares		6,804,502				
GF Securities Co., Ltd. - Baoying Rui Feng innovative and flexible configuration hybrid securities investment fund	4,361,800	RMB ordinary shares		4,361,800				
Zhang Jiao	4,046,989	RMB ordinary shares		4,046,989				
Liu Guohong	3,300,558	Domestically listed foreign shares		3,300,558				
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 Corporation Limited	2,271,900	RMB ordinary shares		2,271,900				
Wu Guixiang	1,898,801	RMB ordinary shares		1,898,801				
NORGES BANK	1,890,226	Domestically listed foreign shares		1,890,226				
Explanations on the association relationship or concerted action among the top ten shareholders of unrestricted shares, and between the top ten shareholders of unrestricted shares and the top ten shareholders	Shenzhen SEG Group Co., Ltd has no association relationship with other shareholders, nor it is a concerted action unit as described by the <i>Management Methods for Disclosure of Information on Changes of Shareholding Status of Shareholders of Listed Companies</i> It is unknown whether other shareholders have an association relationship or are concerted action units or not.							
Information of top ten ordinary shareholders participating in financing business (if any) (see note 4)	Among the above top 10 shareholders, Zhang Jiao holds 0 shares of the Company by the ordinary account and 4,046,989 shares by the credit account of the securities margin trading investor, totaling 4,046,989 shares of the Company.							

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

Yes No

The top ten ordinary shareholders of the Company or top ten ordinary shareholders of non-restricted shares did not conduct agreed repurchase transactions in the report period.

2. Information about controlling shareholders of the Company

Nature of controlling shareholder: local state-owned control

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative/ Company manager	Date of incorporation	Organization code	Main business
Shenzhen SEG Group Co., Ltd.	Sun Shengdian	August 23, 1984	192180930	Electronic products, household appliances, toys, electronic and telecommunications facilities and equipment, instrument, automobile and motorcycle accessories, computers and accessories, office automation equipment and supplies, production research of electronic chemical projects (the license of the production site to be separately applied for); electronic system engineering projects; electronics and telecommunications markets; talent training; real estate development (on the land with legally acquired land use rights); real estate brokerage; freight forwarding; logistics and warehousing; sightseeing and catering, shopping mall and exhibition business of Shenzhen SEG Plaza; development and maintenance of network and information engineering technology; import and export business; paid use license of SEG registered trademark; investment consulting; investment management; agency accounting; business registration agency.

Equity of other overseas listed companies in which the controlling shareholders have a controlling share and hold shares

No.	Company name	Abbreviations of held stock and securities code	Number of shares held (Unit: Share)	Proportion of shareholding (%)
1	Shenzhen SEG Group Co., Ltd.	Huakong SEG 000068	68,392,697	6.79
2	SEG (HONGKONG) Company Limited	Shen Huafa B200020	16,569,560	5.85
3	GOOD HOPE CORNER INVESTMENTS LTD	Shen Huafa 200020	12,700,000	4.48
4	SEG (HONGKONG) Company Limited	NewOcean Energy 0342	100,000	0.01

Changes of the controlling shareholders in the report period

Applicable Not applicable

In the report period, the controlling shareholders of the Company are not changed.

3. Actual controller of the Company

Nature of actual controller: local state-owned assets management institution

Type of actual controller: legal person

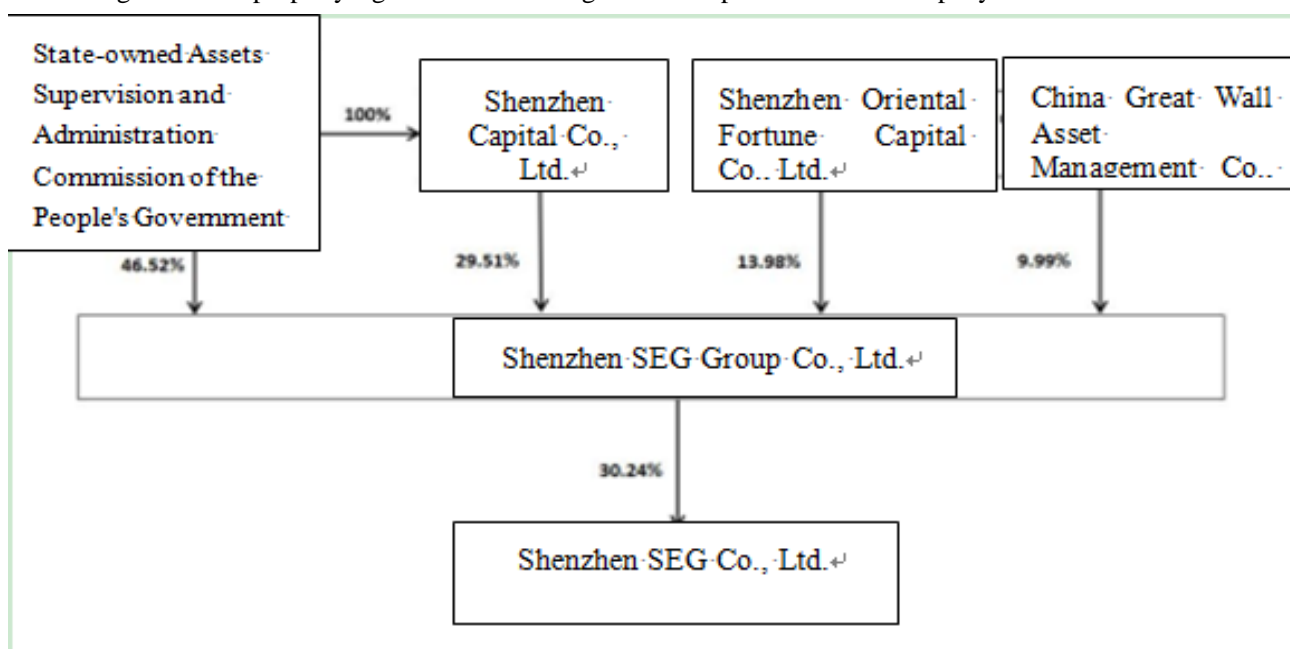
Name of actual controller	Legal representative/ Company manager	Date of incorporation	Organization code	Main business
Shenzhen State-owned Assets Supervision and Administration Commission	Gao Zimin		Not applicable	Not applicable
Equities of other listed companies at home or abroad controlled by the actual controller in the report period	Not applicable			

Changes of the actual controllers in the report period

Applicable Not applicable

In the report period, the actual controllers of the Company are not changed.

Block diagram of the property rights and controlling relationship between the Company and its actual controller



The actual controllers control the Company by trust or other asset management methods.

Applicable Not applicable

4. Other legal-person shareholders who hold more than 10% shares

Applicable Not applicable

5. Limited unloading of shares by controlling shareholder, actual controller, restructured entity and other commitment makers

Applicable Not applicable

Chapter 7 Preferred Shares

Applicable Not applicable

No preferred share is involved in the report period.

Chapter 8 Information on Directors, Supervisors, Senior Executives and Employees

I. Changes in Shares Held by Directors, Supervisors and Senior Executives

Name	Title	Employment status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at period beginning (share)	Increase of shares held in the report period (share)	Decrease of shares held in the report period (share)	Increase or decrease (Share)	Shares held at period end (share)
Wang Li	Chairman	Incumbent	Male	55	July 15, 2016	July 15, 2019	0	0	0	0	0
Zhang Guangliu	Director	Incumbent	Male	54	July 15, 2016	July 15, 2019	0	0	0	0	0
Cao Xiang	Director	Incumbent	Male	48	July 15, 2016	July 15, 2019	0	0	0	0	0
Yu Qian	Director	Incumbent	Male	48	July 15, 2016	July 15, 2019	0	0	0	0	0
Liu Zhijun	Director/ General Manager	Incumbent	Male	48	July 15, 2016	July 15, 2019	10,000	0	0	0	10,000
Zheng Dan	Director/Vice General Manager/Secretary of the Board of Directors	Incumbent	Female	51	July 15, 2016	July 15, 2019	42,586		0	0	42,586
Li Luoli	Independent Director	Incumbent	Male	69	July 15, 2016	July 15, 2019	0	0	0	0	0
Song Pingping	Independent Director	Incumbent	Female	49	July 15, 2016	July 15, 2019	0	0	0	0	0
Fan Zhiqing	Independent Director	Incumbent	Male	67	July 15, 2016	July 15, 2019	0	0	0	0	0
Zhou Hanjun	Independent	Former	Male	47	June 17, 2013	July 15, 2016	0	0	0	0	0

	Director										
Ye Jun	Director	Former	Male	55	June 17, 2013	July 15, 2016	0	0	0	0	0
Xu Ning	Chairman of the Board of Supervisors	Incumbent	Male	51	July 15, 2016	July 15, 2019	20,000	0	0	0	20,000
Tang Chongyin	Supervisor	Incumbent	Male	56	July 15, 2016	July 15, 2019	0	0	0	0	0
Liu Fusong	Supervisor	Incumbent	Male	46	July 15, 2016	July 15, 2019	0	0	0	0	0
Ru Guiqin	Supervisor	Incumbent	Female	52	July 15, 2016	July 15, 2019	0	0	0	0	0
Zhang Haifan	Supervisor	Incumbent	Female	43	July 15, 2016	July 15, 2019	0	0	0	0	0
Peng Aiyun	Supervisor	Incumbent	Male	43	June 17, 2013	July 15, 2016	0	0	0	0	0
Tian Jiliang	Supervisor	Incumbent	Male	50	June 17, 2013	July 15, 2016	1,000	0	0	0	1,000
Ying Huadong	Supervisor	Incumbent	Male	47	June 17, 2013	July 15, 2016	10,000	0	0	0	10,000
Zhu Longqing	Vice General Manager	Incumbent	Male	55	August 1, 2016	July 15, 2019	20,000	0	0	0	20,000
Bo Hongxi	Vice General Manager	Incumbent	Male	58	August 1, 2016	July 15, 2019	0	0	0	0	0
Total	--	--	--	--	--	--	103,586	0	0	0	103,586

II. Changes of Directors, Supervisors, and Senior Executives

Name	Position	Type	Date	Reason
Zhou Hanjun	Independent director	Retired after expiration of term	July 15, 2016	General election of the Board of Directors
Ye Jun	Director	Retired after expiration of term	July 15, 2016	General election of the Board of Directors
Zhu Longqing	Director	Retired after expiration of term	July 15, 2016	General election of the Board of Directors
Peng Aiyun	Supervisor	Retired after expiration of term	July 15, 2016	General election of the Board of Directors
Tian Jiliang	Supervisor	Retired after expiration of term	July 15, 2016	General election of the Board of Directors
Ying Huadong	Supervisor	Retired after expiration of term	July 15, 2016	General election of the Board of Directors

III. Information on Position

Professional background, work experience and main responsibility of incumbent directors, supervisors, and senior executives

(I) Members of the Board of Directors

1. Wang Li, male, born in 1961, Master, is Chairman of the Company, Deputy Secretary of the CPC Committee and General Manager of SEG Group, Chairman of SEG Credit, Director of Shenzhen STS Microelectronics Co., Ltd., and Director of SEG Longyan Technology. He was former Finance Manager, Domestic Owner of Central Africa Division, Vice Director of Finance Department, Director of Fund Department & Deputy Chief Accountant of Kenya Branch of SEG Group, President of SEG Hi-tech, and Vice General Manager & Executive Vice General Manager of SEG Group.

2. Zhang Guangliu, male, born in 1962, Master, is Director of the Company, Vice General Manager of SEG Group, Chairman of SEG Kangle, and Chairman of the Board of Supervisors of Shenzhen Si Semiconductors Co., Ltd. He was former Vice Manager of Industrial Trade Center and Pingxiang Department Store of Jiangxi, Vice Manager of Zhenhua Branch of Shenzhen Tianhong Department Store, Finance Chief of Shenzhen Hua Sheng Enterprise Group Company Limited, Shenzhen Pharmaceutical Production and Supply Corporation, and Shenzhen Building Materials Group Co., Ltd., Chairman of the Board of Supervisors of Huakong SEG, and Chairman of SEG (HONGKONG) Company Limited.

3. Cao Xiang, male, born in 1968, Doctor of Laws, is Director of the Company, General Manager of Shenzhen Kunpeng Equity Investment Management Co., Ltd., Director of Shenzhen HTI Group Co., Ltd., Director of A Capital Group, Director of Shenzhen Institute of Building Research Co., Ltd., Director of SEG Group, and Supervisor of Qianhai Equity Exchange. He was former core researcher of the Research Institute & Director of Investment Banking Division of Guotai Junan Securities, Director of the Research Institute of Bohai Securities, Director & Vice General Manager of Shenzhen Huayangnian Investment and Development Co., Ltd., specially-appointed researcher of the State-owned Assets Administration Research Institute of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen, and Vice General Manager of Shenzhen Capital Co., Ltd.

4. Yu Qian, male, born in 1968, Bachelor, economist, is Director of the Company, Vice General Manager of Shenzhen Office of China Orient Asset Management Co., Ltd. and Director of SEG Group. He was former Section Chief & Deputy Director of Credit Bureau of Hunan Branch of Bank of China, Director of Changsha Office & Senior Manager of China Orient Asset Management Co., Ltd., and Assistant General Manager and Deputy General Manager of Dong Yin Development (Holdings) Limited.

5. Liu Zhijun, male, born in 1968, Master of Engineering, is Secretary of the CPC Committee, Director & General Manager of the Company, Chairman of Nantong SEG, Chairman of Longgang SEG, Chairman of Xi'an SEG, Chairman of Xi'an Hairong SEG, Chairman & General Manager of SEC Investment, Director of SEG Credit, Director of SEG Lianzhong, Supervisor of Kashgar Shenzhen City Co., Ltd, and General Manager of CEEC. He was former Vice Secretary of the CPC Committee of the Company, Chairman of Longyan Application, Chairman of SEG E-commerce, Chairman of Shanghai SEG, Manager of the Business Department of SEG Group, and Vice General Manager of SEG Baohua.

6. Zheng Dan, female, born in 1965, Master of Science, senior economist, is Vice Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, Director, Vice General Manager & Secretary of the Board of Directors of the Company, Standing Committee Member of the Second Committee of Directors and Secretaries of China Association for Public Companies, a joint member of Hong Kong Institute of Chartered Secretaries, winner of the 6th to 12th "Top Secretary" & "Hall of Fame" awarded by New Fortune, Chairman of Suzhou SEG Digital, Chairman of Suzhou SEG Intelligent, Chairman of Wujiang SEG, Chairman of SEG Baohua, Chairman of Suzhou Lianzhong, Director of SEG Credit, Director of Nantong SEG, Director of Nantong SEG Commercial Operation Management Co., Ltd., Director of SEG Investment, Chairman of the Board of Supervisors of Changsha SEG, and Chairman of the Board of Supervisors of Huakong SEG. She was former Director Assistant, Deputy Director, and Director of the Preparation Office and Share and Securities Representative of the Company, Deputy Director of the Equity Division Reform Office of Shenzhen Zhongkang Glass Co., Ltd., Independent Director of Shenzhen Hongji (Group) Co., Ltd. (now known as Tunghsu Azure Renewable Energy Co., Ltd., stock code 00040), Director of SEG E-Commerce, Director of Shenzhen SEG Xinlide Co., Ltd., Director of SEG Navigations, Director of SEG Sanxing, Director of SEG E-commerce, Director of Huakong SEG, Chairman of the Board of Supervisors of SEG Navigations, the Chairman of the Board of Supervisors of Shenzhen SEG Storage and Transportation Co., Ltd., and Chairman of the Board of Supervisors of SEG Baohua.

7. Li Luoli, male, born in 1947, Master of Economics, a professor & doctoral supervisor of Nankai University, is Independent Director of Eternal Asia Supply Chain Management Co., Ltd., Vice Chairman of China Development Institute, Vice President of China Society of Economic Reform, Chairman of Shenzhen Ma Hong Foundation for Economic Improvement Research, and Chief Executive of Shenzhen Charity Federation. He was former Deputy Director of the Institute of Economics of Nankai University, Deputy Director of the Price Institute of the State Administration for Commodity Prices, Deputy Director of the Office of the People's Government of Shenzhen, Director of Shenzhen Information Center, Deputy Secretary-General of Shenzhen CPC Committee & Director of the Reception Office, Vice Chairman & Secretary-General of China Development Institute, and President of China Opening Journal.

8. Song Pingping, female, born in March 1967, Master of Law, is Independent Director of the Company, partner of Shenzhen Oriental Fortune Capital Co., Ltd., Secretary-General of the Risk Control Commission of China Merger & Acquisition Fund Co., Ltd., Arbitrator of South China International Economic and Trade Arbitration Commission, and Independent Director of Shenzhen Yantian Port Group Co., Ltd. She was former partner of King & Wood Mallesons, Independent Director of Shenzhen INVT Electric Co., Ltd., Independent Director of Sunner Development Inc., Independent Director of Shenzhen Topray Solar Co., Ltd., and permanent legal adviser of Gemdale Group.

9. Fan Zhiqing, male, born in 1949, Master in Finance, senior accountant & senior economist, is Independent Director of the Company and was former visiting professor of Shenzhen University and Shenzhen Managers'

College, Independent Director of Shenbao Industrial Co., Ltd., Shenzhen Universal Group, Shahe Industrial Co., Ltd., Kingsignal Technology Co., Ltd., and Ocean's King Lighting Science and Technology Co., Ltd., Finance Chief of the Ministry of Electronics Industry SUNTM Industry, Shenzhen Shenhua Industry and Trade Corporation, Shenzhen Lianhua Investment Group, Shenzhen Investment Journal, Shenzhen Donghai Aidi Real Estate Co., Ltd., and Oct Import & Export Co., Ltd., judge of Guangdong senior accountant and senior economist title and expert of the professional team, senior financial advisor of Shenzhen Academy of Social Sciences & Development Research Center of Shenzhen Municipal People's Government, and teaching and scientific research member in Jiangxi University of Finance and Economics.

(II) Members of the Board of Supervisors

1. Xu Ning, male, born in 1965, Bachelor, is Chairman of the Board of Supervisors of the Company; Vice Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, and Chairman of Labor Union of SEG Group; Secretary of the Committee for Discipline Inspection, Member of the CPC Committee, and Chairman of the Board of Supervisors of Yantian Port Group. He was former researcher at division level of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen and State-owned Assets Supervision and Administration Bureau; Member and Deputy Secretary of the Party Committee and Member and Deputy Secretary of the Committee for Discipline Inspection of Lianhua Street, Futian District, Shenzhen; Member of Standing Committee for Discipline Inspection and Deputy Director of Supervision Bureau of Futian District, Shenzhen; Director and Senior Staff Member of the General Supervision Office of the Committee for Discipline Inspection; Deputy Senior Staff Member, Senior Staff Member, and Supervisor of Shenzhen People's Procuratorate; Section Clerk and Deputy Section Assistant Procurator Anti-corruption Bureau of Jiangxi People's Procuratorate.

2. Tang Chongyin, male, born in 1960, Doctor, is Supervisor of the Company, Director of Capital and Property Management Department, Chairman of Shenzhen Daming Electronics Co., Ltd., Director of Shenzhen SEG Hi-tech Investment Co., Ltd., Director of Shenzhen Si Semiconductors Co., Ltd., Director of Tianjin SEG Haijing Co., Ltd., Director of Shenzhen SEG Yuren Technology Co., Ltd., and Chairman of the Board of Supervisors of SEG Credit. He was former Director of SEG E-commerce and Vice Chairman of Shenzhen Zhongheng Hwafa Co., Ltd.

3. Liu Fusong, male, born in 1970, Bachelor, is Supervisor of the Company, Member of the CPC Committee & Vice General Manager of Shenzhen Office of China Great Wall Asset Management Co., Ltd., and Director of SEG Group. He was former Section Member of Hebei Branch of Agricultural Bank of China, Deputy Senior Staff Member of Asset Management Department of Shijiazhuang Office of China Great Wall Asset Management Co., Ltd., Deputy Leader of the Manager Team of Changzhou Project, Deputy Senior Manager of Asset Management Department No. 3, Deputy Senior Manager of Investment Management Department, Deputy Senior Manager of Investment Banking Department, and Senior Manager and General Manager Assistant of Appraisal Business Department.

4. Ru Guiqin, female, born in 1964, Bachelor, is Employee Supervisor, Director of General Affairs Department, and Chairman of Immediate Labor Union of the Company, Director of Longgang SEG, and Director of SEG Baohua. She was former Director, Deputy Director, and Director Assistant of the Office of the Company, Business Assistant of Joint-stock System Preparation Office of SEG Group, and Business Assistant of Marketing Department of SEG Group.

5. Zhang Haifan, female, born in 1973, Master, is Employee Supervisor and Business Manager of Finance and Asset Management Department of the Company. She was former accountant responsible for consolidating

financial statements of Finance and Asset Management Department, auditor of Audit Department, audit manager of Shenzhen Zhongqing Certified Public Accountants, and technician of Technology Department of Chengdu 745 Plant.

(III) Senior executives

1. Liu Zhijun is General Manager. For details, see the above introduction to directors.
2. Zheng Dan is Vice General Manager. For details, see the above introduction to directors.
3. Zhu Longqing, male, born in 1961, MBA, is Vice General Manager of the Company, Chairman of SEG Industry, Chairman of Changsha SEG, Chairman of Nanjing SEG, Chairman of Wuxi SEG, Chairman of Nanning SEG, Chairman of Shanghai SEG, Director of Nantong SEG, Director of Nantong SEG Operation, Director of SEG Navigations, and Chairman of the Board of Supervisors of SEG Baohua. He was former Director of the Company, Chairman of the Board of Directors & Chairman of the Board of Supervisors of Shenzhen SEG Storage and Transportation Co., Ltd., Director of Longyan Application, Director of SEG Baohua, Director & General Manager of SEG Industry, and Director of SEG E-commerce.
4. Bo Hongxi, male, born in 1958, Bachelor, senior accountant, is Vice General Manager of the Company, Director and General Manager of SEG Baohua, and Chairman of Nantong SEG Operation.

Information about directors, supervisors and senior executives serving in shareholders' units

√ Applicable □ Not applicable

Name	Name of shareholders' units	Position in shareholders' units	Beginning date of office term	Ending date of office term	Receiving remuneration from shareholders' units or not
Wang Li	SEG Group	Vice Secretary of the CPC Committee and General Manager	January 4, 2011	Up to now	Yes
Zhang Guangliu	SEG Group	Vice General Manager	March 10, 2003	Up to now	Yes
Cao Xiang	SEG Group	Director	May 15, 2015	Up to now	No
Yu Qian	SEG Group	Director	October 30, 2012	Up to now	No
Xu Ning	SEG Group	Vice Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, & Chairman of the Labor Union	October 1, 2012	Up to now	Yes
Tang Chongyin	SEG Group	Director of Capital and Property Management Department	April 17, 2003	Up to now	Yes
Liu Fusong	SEG Group	Director	July 29, 2016	Up to now	No

Information about directors, supervisors and senior executives serving in other units

√ Applicable □ Not applicable

Name	Name of other units	Position in other units	Beginning date of office term	Ending date of office term	Receiving remuneration from other units or not
Wang Li	SEG Credit	Chairman	November 1, 2011	Up to now	No
	Shenzhen STS	Director	September 1, 2003	Up to now	No

Name	Name of other units	Position in other units	Beginning date of office term	Ending date of office term	Receiving remuneration from other units or not
	Microelectronics Co., Ltd.				
	SEG Longyan Technology	Director	December 1, 2016	Up to now	No
Zhang Guangliu	SEG Kangle Enterprise Development Co., Ltd.	Chairman	August 1, 2011	Up to now	No
	Shenzhen Si Semiconductors Co., Ltd.	Chairman of the Board of Supervisors	July 1, 2010	Up to now	No
Liu Zhijun	Nantong SEG	Chairman	January 1, 2013	Up to now	No
	Longgang SEG	Chairman	June 1, 2010	Up to now	No
	Xi'an SEG	Chairman	May 1, 2013	Up to now	No
	Xi'an Hairong SEG	Chairman	May 1, 2013	Up to now	No
	SEG Investment	Chairman & General Manager	November 1, 2015	Up to now	No
	SEG Credit	Director	September 1, 2011	Up to now	No
	SEG Lianzhong	Director	December 1, 2016	Up to now	No
	Kashgar Shenzhen City Co., Ltd.	Supervisor	October 1, 2012	Up to now	No
	Longyan Application	Director & General Manager	May 1, 2016	March 1, 2017	No
	CEEC	General Manager	May 1, 2016	Up to now	No
Zheng Dan	Second Committee of Directors and Secretaries of China Association for Public Companies	Standing committee member	November 1, 2015	Up to now	No
	Wujiang SEG	Chairman	June 1, 2012	Up to now	No
	SEG Baohua	Chairman	April 1, 2013	Up to now	No
	Suzhou SEG Digital	Chairman	August 1, 2014	Up to now	No
	SEG Intelligent	Chairman	January 1, 2016	Up to now	No
	SEG Lianzhong	Chairman	December 1, 2016	Up to now	No
	Suzhou SEG	Director	July 1, 2016	Up to now	No
	SEG Credit	Director	September 1, 2011	Up to now	No
	Nantong SEG	Director	January 1, 2013	Up to now	No
	Nantong SEG Operation	Director	May 1, 2014	Up to now	No
	SEG Investment	Director	November 1, 2015	Up to now	No
	Changsha SEG	Chairman of the Board of Supervisors	March 1, 2009	Up to now	No
Huakong SEG	Chairman of the Board of Supervisors	March 1, 2014	Up to now	No	
Xu Ning	Shenzhen Yantian Port Group Co., Ltd.	Secretary of the Committee for	December 1, 2016	Up to now	No

Name	Name of other units	Position in other units	Beginning date of office term	Ending date of office term	Receiving remuneration from other units or not
		Discipline Inspection, Member of the CPC Committee & Chairman of the Board of Supervisors			
Tang Chongyin	Shenzhen SEG Hi-tech Investment Co., Ltd.	Director	July 1, 2006	Up to now	No
	Shenzhen Si Semiconductors Co., Ltd.	Director	December 1, 2010	Up to now	No
	Tianjin SEG Haijing Co., Ltd.	Director	December 1, 2006	Up to now	No
	Shenzhen Daming Electronics Co., Ltd.	Chairman of the Board of Directors	July 1, 2006	Up to now	No
	SEG Credit	Chairman of the Board of Supervisors	May 1, 2014	Up to now	No
	Shenzhen SEG Yuren Technology Co., Ltd.	Director	May 1, 2015	Up to now	No
Ru Guiqin	SEG Baohua	Director	April 1, 2013	Up to now	No
	Longgang SEG	Director	May 1, 2014	Up to now	No
Zhu Longqing	SEG Industry	Chairman	May 1, 2013	Up to now	No
	Changsha SEG	Chairman	June 1, 2010	Up to now	No
	Nanjing SEG	Chairman	April 1, 2011	Up to now	No
	Wuxi SEG	Chairman	August 1, 2012	Up to now	No
	Nanning SEG	Chairman	April 1, 2013	Up to now	No
	Shanghai SEG	Chairman	June 1, 2014	Up to now	No
	Nantong SEG	Director	January 1, 2013	Up to now	No
	Nantong SEG Operation	Director	May 1, 2014	Up to now	No
	SEG Navigations	Director	February 1, 2012	Up to now	No
	Longyan Application	Director	May 1, 2016	Up to now	No
Bo Hongxi	SEG Baohua	Chairman of the Board of Supervisors	April 1, 2013	Up to now	No
	SEG Baohua	General Manager	March 1, 2005	Up to now	Yes
	SEG Baohua	Director	March 1, 1999	Up to now	Yes
Liu Fusong	Nantong SEG Operation	Chairman	May 1, 2014	Up to now	No
	Shenzhen Office of China Great Wall Asset Management Co., Ltd.	Member of the CPC Committee & Vice General Manager	February 1, 2015	Up to now	Yes
Song Pingping	Shenzhen Oriental Fortune Capital Co., Ltd.	Partner	October 1, 2011	Up to now	Yes
	China Merger & Acquisition Fund Co., Ltd.	Secretary-General of the Risk Control Commission	October 1, 2014	Up to now	
	Shenzhen Yantian Port Group Co., Ltd.	Independent director	September 19, 2014	Up to now	Yes
Yu Qian	Shenzhen Office of China Orient Asset Management	Vice General Manager	November 1, 2009	Up to now	Yes

Name	Name of other units	Position in other units	Beginning date of office term	Ending date of office term	Receiving remuneration from other units or not
	Co., Ltd.				
Li Luoli	China Development Institute	Vice Chairman	December 1, 1993	Up to now	No
	Shenzhen Ma Hong Foundation for Economic Improvement Research	Chairman	November 1, 2011	Up to now	No
	Eternal Asia Supply Chain Management Co., Ltd.	Independent Director	June 22, 2016	Up to now	Yes
	Nankai University	Professor & Doctoral Supervisor	September 1, 1994	Up to now	No
	China Society of Economic Reform	Vice President	June 1, 1999	Up to now	No
	Shenzhen Charity Federation	Chief Executive	September 1, 2016	Up to now	No
Cao Xiang	Shenzhen Kumpeng Equity Investment Management Co., Ltd.	General Manager	January 18, 2017	Up to now	Yes
	Shenzhen HTI Group Co., Ltd.	Director	October 16, 2013	Up to now	No
	A Capital Group	Director	September 1, 2011	Up to now	No
	Shenzhen Institute of Building Research Co., Ltd.	Director	August 27, 2015	Up to now	No
	Qianhai Equity Exchange	Supervisor	December 6, 2012	Up to now	No

Information on punishment of incumbent and former directors, supervisors and senior executives in the report period by the securities regulatory authority in the recent three years

Applicable Not applicable

IV. Information about Remuneration of Directors, Supervisors and Senior Executives

Decision-making procedure and establishment criteria for the remuneration to the directors, supervisors and senior executives, and actual payment

The Company implements the position wage system. The annual remuneration of Senior Executives comprises three parts, namely, the wage (the position wage and allowance), bonus, and legal welfare. The wage is decided and monthly paid by the Board of Directors in accordance with the functions of a position and the position wage system of the Company; the year-end bonus is decided based on the completing of annual operation targets and work tasks laid out in the General Meeting of Shareholders, and is implemented after being approved by the Board of Directors.

According to The Articles of Association, the remuneration of directors and supervisors is determined by the General Meeting of Shareholders, but, at present, the Company has not implemented the remuneration system for non-independent directors and supervisors except for independent directors. The directors and supervisors of the Company only receive the wages corresponding to their administrative positions. In the report period, 5 incumbent directors (including independent directors), 2 incumbent supervisors (including employee supervisors), 1 senior executive, 1 former director (including the independent director), and 2 former supervisors (including employee supervisors) received total remuneration of RMB 3,503,200 (tax included) from the Company. The Company shall issue RMB 100,000 (pre-tax) per year as the subsidies for independent directors according to the resolution passed at the seventeenth General Meeting of Shareholders (2011) on April 20, 2012.

The travel and accommodation expenses of Independent Directors due to attendance of the meetings of the Board and the General Meeting of Shareholders as well as the expenses incurred by Independent Directors due to exercising of their powers according to the *Articles of Association* are reimbursed by the Company according to the actual expenses.

Remuneration for directors, supervisors and senior executives in the report period

Unit: RMB 10,000

Name	Title	Gender	Age	Employment Status	Total pre-tax remuneration from the Company	Remuneration acquired from associates
Wang Li	Chairman	Male	55	Incumbent		Yes
Zhang Guangliu	Director	Male	54	Incumbent		Yes
Cao Xiang	Director	Male	48	Incumbent		Yes
Yu Qian	Director	Male	48	Incumbent		Yes
Liu Zhijun	Secretary of the CPC Committee, Director & General Manager	Male	48	Incumbent	84.38	No
Zheng Dan	Deputy Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, Director, Vice General Manager & Secretary of the Board of Directors	Female	51	Incumbent	71.22	No
Zhu Longqing	Director	Male	55	Incumbent		No
Ye Jun	Director	Male	56	Former		Yes
Li Luoli	Independent Director	Male	69	Incumbent	10	No
Song Pingping	Independent Director	Female	49	Incumbent	10	No
Fan Zhiqing	Independent Director	Male	67	Incumbent	4.58	No
Zhou Hanjun	Independent Director	Male	47	Former	5.42	No
Xu Ning	Chairman of the Board of Supervisors	Male	51	Incumbent		Yes
Tang Chongyin	Supervisor	Male	56	Incumbent		Yes
Liu Fusong	Supervisor	Male	46	Incumbent		No
Ru Guiqin	Employee Supervisor	Female	52	Incumbent	25.89	No
Zhang Haifan	Employee	Female	43	Incumbent	14.33	No

	Supervisor					
Peng Aiyun	Supervisor	Male	43	Former		Yes
Tian Jiliang	Employee Supervisor	Male	50	Former	27.06	No
Ying Huadong	Employee Supervisor	Male	47	Former	26.22	No
Zhu Longqing	Vice General Manager	Male	55	Incumbent	71.22	No
Bo Hongxi	Vice General Manager	Male	58	Incumbent		Yes
Total	--	--	--	--	350.32	--

Information on equity incentives bestowed to directors and senior executives in the report period

Applicable Not applicable

V. Information on Employees of the Company

1. Number, profession composition and education background of on-the-job employees

Number of on-the-job employees in the parent company	164
Number of on-the-job employees in the major subsidiaries	569
Total number of on-the-job employees	733
Total number of paid employees in the current period	733
Number of retired workers to whom the Company pays pension benefits assumed by parent company and major subsidiaries	0
Profession composition	
Profession composition	Number of employees
Production staff	163
Sales staff	230
Technical staff	92
Financial staff	73
Administrative staff	175
Total	733
Education background	
Education background	Number of employees
Master	28
Bachelor	249
Junior college graduate	270
Technical secondary school (Polytechnic school) graduate	50
Senior high school (Professional high school) and below	136
Total	733

2. Remuneration policy

Priority to effectiveness: Remuneration structure and level are related to operation performance. Rationally set up salary differences based on value of position as well as individual performance and competence, and incline to core positions to reflect effective incentives of remuneration.

Performance and capability orientation: Correlate remuneration adjustment and payment to organization performance, employee performance and employee capability to reflect value of organization of individuals.

Salary varying with position: The remuneration system supports employee career development; remuneration is strictly matched to position.

Dynamic adjustment: Based on development strategy and operation strategy as well as industrial development, when business model and organization structure are significantly changed, organization functions and positions change, and remuneration structure, payment and adjustment process must be dynamically adjusted for business development.

3. Training plan

The training of the Company in 2016 focused on three key aspects:

1. The Company gave full play to advantages of the headquarters, instructed employees of the Company to optimize working process, improve normative and professional work, enhanced their abilities to identify, analyze, and solve problems, and developed the annual training plan of the Company, including job rotation, internal training, and external training.
2. Benefiting from training resources of this system, the Company strengthen employee training. The Company arranged for employees of the headquarters and subordinate enterprises to participate in certain special training projects such as professional training on management staff, financial standardization to help employees further enhance the comprehensive strength.
3. To make up shortcomings, the Company organized special training targeted at the existing problems.

4. Labor outsourcing

Applicable Not applicable

Chapter 9 Corporate Governance

I. Basic information on corporate governance

(I) In the report period, the Company strictly abides by the *Company Law*, the *Security Law*, *Administrative Regulations on Listed Companies*, and the *Regulations on Stock Listing of Shenzhen Securities Exchange*, and relevant laws and regulations of China Securities Regulatory Commission, continuously improves the structure for company legal person management, establishes and improves internal control system, makes further efforts on Company management, so that the Company may further standardize its operation, increase information disclosure, and actively engage in the management of investor relationships. As of the end of the report period, the Company generally meets the specifications set forth in the regulation documents on listed companies as published by China Securities Regulatory Commission. The followings are particulars on the Company's management: The details of corporate governance of the Company are as follows:

1. Information on the Company and controlling shareholders

Controlling shareholders of the Company, exercising shareholder's rights through the General Meeting of Shareholders, imposes rules on shareholder's behaviors in strict compliance with *Administrative Regulations on Listed Companies*, the *Regulations on Stock Listing of Shenzhen Securities Exchange*, and the *Articles of Association* of the Company. Controlling shareholders are not found to have directly intervened the Company's business and decision-making by acting without consulting with the General Meeting of Shareholders and the Board of Directors. The Company is capable of independent business operation, and is independent from the controlling shareholder in respect of its business, asset, personnel, organization and finance. The Board of Directors, the Board of Supervisors, and the internal organizations can work independently.

2. Shareholders and the General Meeting of Shareholders

The Company convened and held the General Meeting of Shareholders in strict compliance with the *Guidance of the Articles of Association* and the *Rules of Procedure of the Board of Directors*. No proposal to hold the interim meeting of shareholders was put forward by shareholders representing more than 10% of the Company's voting shares in the report period, nor is there a meeting of shareholders held at the proposal of the Board of Supervisors. In the report period, the Company complied with the *Company Law* and the *Articles of Association* by making decisions subject to the deliberation at the general meeting of shareholders without overriding the general meeting of shareholders or implementation before deliberation.

3. Directors and the Board of Directors

The Company elected its directors in strict compliance with the *Articles of Association*. The Board of Directors comprised of 9 directors, including 3 independent directors. The number and composition of personnel in the Board of Directors was in compliance with laws and regulations. The Board of Directors had three special committees under its management. The Board of Directors conscientiously fulfilled its obligations in strict compliance with the *Articles of Association*, *Regulations on Work of Independent Directors*, and the *Rules of Procedure of the Board of Directors*. All directors of the Company attended the meeting of directors and general meeting of shareholders, and actively took part in relevant trainings, and studies relevant laws and regulations. Independent directors protected the overall interests of the Company by performing their obligations in an

independent manner, and by paying special attention to the lawful interests of medium and small shareholders. Also, independent directors expressed their independent opinions on matters of importance and significance.

4. Supervisors and the Board of Supervisors

The Company elected supervisors in strict compliance with the *Company Law* and the *Articles of Association*. The number and composition of the Board of Supervisors complied with laws and regulations. The Company formulated *Rules of Procedure of the Board of Supervisors*; the eligibility and election of supervisors complied with regulations. All supervisors of the Company attended the meeting of supervisors, and reviewed the regular reports prepared by the Board of Directors and gave written opinions by attending the general meeting of shareholders as non-voting members, attending the meeting of the Board of Directors and holding the meeting of the Board of Supervisors. The supervisors were effective at supervising matters of importance, connected transactions and finance status of the Company, and at overseeing the legality and regulation compliance of the Company's directors and senior executives in performing their duties.

5. Management

The management of the Company performs duties strictly according to provisions of the *Articles of Association*, carries out resolutions of the Board of Directors, and does not act beyond its authority. Matters beyond the authority of the management are submitted to the Board of Directors for review. There is no tendency of "insider control". The management is diligent and dedicated to work, strengthens normative operation with honesty during daily operation, and does not unfaithfully perform duties or breach faith.

6. Information disclosure and transparency

The Company designates the works on information disclosure, shareholder visitation and consultation reception to the Secretary's Office of Board of Directors of the Company in strict compliance with the *Management Methods for Disclosure of Information* and the *System on Investor Relationship Management*. The Company appoints *China Securities Journal*, *Securities Times*, *Securities Daily*, *Hong Kong Commercial Daily*, and the Cninfo Website as the newspapers and website on which the Company discloses its information. In the report period, the Company published 116 public announcements in total, disclosing information on the Company's business activities and major issues in a truthful, accurate, complete and timely manner. The Company imposed strict, sufficient and effective internal control on information disclosure without violating regulations of relevant supervisory organs. In the future, the Company will further strengthen communication and information exchange with the supervisory organs by pro-actively reporting Company issues and by having a better understanding of disclosure requirements.

(II) Non-compliance in the report period

1. The controlling shareholders exert the "Property Right Representatives Report System" for managing the Company. The Company's controlling shareholder SEG Group is a state-controlled corporation in Shenzhen and Shenzhen State-owned Assets Supervision and Administration Bureau is the controlling shareholder of SEG Group. It must implement the Property Right Representatives Report System for state-owned assets management according to the management methods of Shenzhen for state-owned assets.
2. In the respect of personnel rating, our controlling shareholder SEG Group evaluates the annual operation performance of the general manager based on the accomplishment of indexes of its annual operation plan and other indexes.
3. The company reports the non-public information to the major shareholders and the actual controllers.

The company reports the non-public information to the major shareholders and the actual controls based on the property right representative reporting system and requirements of the national statistical departments. In accordance with the requirements of state-owned assets supervision department, the Company has been submitting monthly flash reports to the majority shareholder and the actual controller and reporting important issues to the majority shareholder and the actual controller before they are disclosed. The Company submitted the *Undisclosed Information Provided by Listed Companies for the Majority Shareholder or Actual Controller* and *Letter of Commitment* to Shenzhen Securities Regulatory Bureau on October 18, 2007. SEG Group offered the *Letter of Commitment on Strengthening Management of Undisclosed Information* to Shenzhen Securities Regulatory Bureau. Meanwhile, the Company has established and implemented the *Non-public Information Insider Reporting System* and the *Confidentiality System of Shenzhen SEG Co., Ltd for Insiders of Non-public Information* and has monthly reported to Shenzhen Securities Regulatory Bureau about its reports of unpublicized information. Senior executives and all employees at the headquarters signed a “Confidentiality Agreement” with the Company on July 15, 2009. The “Confidentiality Agreement” clearly stipulates that all employees are obligated to hold confidential the business secrets and undisclosed information of the Company.

The unpublicized information the Company offered to the Company's majority shareholder and actual controller in the report period is as follows:

No.	Organization to which information is reported	Relationship between the organization and the Company	Type of information	Procedure of report	Time or period of report	Basis for report	Procedure of approval
1	SEG Group	Controlling shareholder	The flash report of main financial indicators of the Company registered in Shenzhen	The invested corporation of the Company and the financial staff at the Headquarters prepare the report and consolidate the statements, which are reviewed by the leadership of the Financial Department and reported through the <i>State-owned Asset Management Information System</i> .	Monthly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
2	SEG Group	Controlling shareholder	Summary sheet of implementation of monthly expense budget	The invested corporation of the Company and the financial staff at the Headquarters prepare the sheet and consolidate the statements, which are reported through the <i>State-owned Asset Management Information System</i> .	Monthly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
3	SEG Group	Controlling shareholder	Summary sheet of monthly	The invested corporation of the Company and the	Monthly	The document <i>Notice about Formulation of the</i>	Approved by the

No.	Organization to which information is reported	Relationship between the organization and the Company	Type of information	Procedure of report	Time or period of report	Basis for report	Procedure of approval
			cash flow	financial staff at the Headquarters prepare the sheet and consolidate the statements, which are reported through the <i>State-owned Asset Management Information System</i> .		<i>Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Board of Directors
4	SEG Group	Controlling shareholder	Summary sheet of deposits, financing, and loans of the Headquarters	The financial personnel at the Headquarters prepare the sheet that is reported through the <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
5	SEG Group	Controlling shareholder	Summary sheet of quarterly non-operating gains and losses of the Company registered in Shenzhen	The invested corporation of the Company and the financial staff at the Headquarters prepare the sheet and consolidate the statements, which are reported through the <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
6	SEG Group	Controlling shareholder	Summary sheet of quarterly information on investment properties of the Company registered in Shenzhen	It has been reported since June 2009. The invested corporation of the Company and the financial staff at the Headquarters prepare the sheet and consolidate the statements, which are reported through the <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
7	SEG Group	Controlling shareholder	Monthly consolidated	They should be reported every month after being	Monthly	The <i>Notice of Shenzhen SEG Co., Ltd on</i>	Approved by the

No.	Organization to which information is reported	Relationship between the organization and the Company	Type of information	Procedure of report	Time or period of report	Basis for report	Procedure of approval
			statements (including the Balance Sheet, the Profit Statement, the Cash Flow Statement, the Notes to Preparation of the Statements and the Financial Statements)	printed, signed and sealed and reported every quarter through the State-owned Asset Management Information System. They have been reported on line from July 2008.		<i>Submitting of Monthly Statements</i> issued by Shenzhen SEG Group Co., Ltd.	Board of Directors
8	SEG Group Shenzhen Statistics Bureau	Controlling shareholder Government branch	Statistical survey on the statements or monthly and annual reports of the production of electronics information industry	Sealed by the Company	Monthly and annually	It was provided by Article Three of the <i>Statistics Law of the People's Republic of China</i> that state organs, social organizations, corporations, public institutions and privately or individually owned businesses, on which statistical survey is implemented, must comply with the <i>Statistics Law of P. R. China</i> and the regulations of the state and provide statistical data faithfully but not make a false report, conceal data, refuse to report, delay the report, or fabricate or falsify data. Self-governing mass organizations at the grass roots level and citizens have the obligation to provide truthfully the information required by the statistical survey of	Approved by the Board of Directors

No.	Organization to which information is reported	Relationship between the organization and the Company	Type of information	Procedure of report	Time or period of report	Basis for report	Procedure of approval
						the state.	
9	SEG Group	Controlling shareholder	Summary sheet of quarterly financial assets	Sealed by the Company	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003] 23)	Approved by the Board of Directors
10	Shenzhen SASAC	Actual controller	Register of top 100 A and B shareholders in 2016	The hard copy of the official website of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited	Quarterly	Requirements from 2015 Shenzhen state-owned enterprise capital operation meeting	The Board of Directors agrees to report.

Is there any significant variance between the actual governance of the Company and normative documents on listed companies released by China Securities Regulatory Commission?

Yes No

There is no significant variance between the actual governance of the Company and normative documents on listed companies released by China Securities Regulatory Commission.

II. Description about the Company's independence from controlling shareholders in terms of business, personnel, asset, organization and finance

The controlling shareholders of the Company execute rights of contributors through the general meeting and do not interfere in decision-making and operating activities of the Company in ways other than exercise of the rights of making motions and voting. The Board of Directors, Board of Supervisors, and internal management organs operate independently. The Company has basically achieved independence from controlling shareholders in respect of business, personnel, assets, organs, and finance.

(I) In the aspect of business, Shenzhen Securities Regulatory Bureau pointed out that there was horizontal competition between the Company and SEG Group in regard to the electronics market business. The Company received a written commitment letter from SEG Group on September 14, 2007, saying "We have similar business to Shenzhen SEG Co., Ltd. (hereinafter referred to as Shenzhen SEG) in regard to the electronics market of Shenzhen because of historical reasons with an objective market development background. We hereby promise that we will not individually operate a market in a same city whose business is similar with that of Shenzhen SEG. The aforesaid matter was disclosed on *Securities Times*, *China Securities Journal* and *Hong Kong Wen Wei Po* and the Cninfo Website on September 18, 2007. In order to solve the issue of horizontal competition between

the Company and its controlling shareholder, SEG Group, due to historical reasons, the 6th temporary meeting of the 5th Board of Directors held on January 26, 2011 reviewed and approved the Proposal of Solving the Horizontal Competition between the Company and Its Controlling Shareholder. After friendly consultation, SEG Group agreed to entrust the Company to operate and manage with full authority SEG Communications Market under direct management of SEG Group. Therefore, the two parties have signed the entrustment operation and management contract:

(1) SEG Group has the ownership and the income right of SEG Communications Market and assumes all creditor's rights and liabilities occurring during the operation of SEG Communications Market. (2) The management representative from the Company shall operate and management SEG Communications Market during the period of entrustment operation and management, who has a sufficient authority in operation and management of SEG Communications Market. (3) In accordance with the provisions of the Company on entrustment management of the electronics market and with full consideration to the maturity of the entrusted market and whether the market is located in a primary business area, the Company shall collect from SEG Group the management fee and profit fee as follows based on the market sound value: the total income of SEG Communications Market in 2010, RMB 20,000,000 Yuan, shall be regarded as the base number; the Company shall collect a management fee of RMB 200,000 Yuan should the total income of the market in the current year is equal to or less than RMB 20,000,000 Yuan; the Company shall take 20% from the part beyond the base number apart from the management fee that is RMB 200,000 Yuan should the total income in the current year exceed RMB 20,000,000 Yuan. The detailed information about the above-mentioned matter may be referred to in the Public Notice on Shenzhen SEG Co., Ltd on the Connected Transaction for the Purpose of Solving the Issue of Horizontal Competition between the Company and the Controlling Shareholder that was disclosed on the *China Securities Journal*, the *Securities Times*, the *Hong Kong Commercial Daily* and the Cninfo Website on January 28, 2011. Till the disclosure date of this report, the Company had received the timely payment of the management fee of 2011-2016, RMB 200,000 Yuan, from SEG Group.

In the report period, the Company actively promoted major assets restructuring and reduced horizontal competition to the largest extent. After major assets restructuring, the majority of property assets of the controlling shareholder SEG Group, which are engaged in the operation of the electronics market, have been injected into the Company. However, the information registered in the proprietorship certificate is inconsistent with the actual ownership. Some property assets are owned by other external actual proprietors not included in the real estate proprietorship certificate or have no proprietorship certificate. These problems cannot be resolved in the short term. The company will take all necessary measures to address flaws of such properties.

To eliminate the remaining small-scale horizontal competition with the Company, SEG Group made a commitment to reduce horizontal competition on February 3, 2016 and supplemented the commitment on February 19, 2016. For details, see Section 5 - III. Fulfillment of Commitments.

In the report period, SEG Group and SegMaker (a wholly-owned subsidiary of the Company now) entered into the *House Lease Contract*. SEG Group leased 61 properties without proprietorship certificates to SegMaker at the rent of RMB 653,000 per month, which was also an effective way to eliminate the remaining horizontal competition between the parties.

(II) In respect of personnel, the Company's Senior Executives including General Manager, Vice General Manager and Secretary of the Board of Directors take full-time posts; they receive wages from the Company and do not take concurrent posts in the Company's first majority shareholder enterprise; the Company has a complete management system for labor, human resources and wages, which can keep the independence of the personnel.

(III) In respect of assets, at the beginning of the Company's establishment, the equity of the eight enterprises separated from SEG Group to the Company was already audited and evaluated by domestic and overseas accounting firms, which was acknowledged by the state-owned assets management departments of the state and Shenzhen Municipality. The controlling shareholder of the eight enterprises was changed from SEG Group to the Company, which was registered at the Industrial and Commercial Administration. The Company independently makes registration, establishes accounts, and implements accounting and management so as to maintain the completeness and independence of the assets. According to the Article Five of the Equity Transfer Agreement signed by the Company with SEG Group when the Company was listed, SEG Group agreed that the Company and its subsidiaries and associated companies to use the eight trademarks registered by SEG Group at the National Trademark Bureau; SEG Group agreed that the Company used the aforesaid trademarks or similar signs as the Company's logo and used the trademarks and signs during its operation; the Company need not pay any fee to SEG Group for using the aforesaid trademarks or signs.

(IV) In respect of organization, the Company has set up organizations and arranged corresponding personnel fully in accordance with its own demand of operation and management; its production and administrative departments are totally independent from the majority shareholder.

(V) In respect of finance, as a legal entity that implements independent operation and accounting and assumes sole responsibility for its profits and losses, the Company has set up an independent financial and auditing department, an independent accounting system and an financial management system, has its independent bank account, pays taxes independently according to law, and keeps absolute independence in its financial work.

III. Horizontal Competition

Applicable Not applicable

IV. Annual meeting of shareholders and interim meeting of shareholders held in the report period

1. Annual general meeting of shareholders in the report period

Meeting No.	Meeting Type	Percentage of Investor Participation	Date	Disclosure Date	Disclosure Index
21st General Meeting of Shareholders (2015)	Annual general meeting of shareholders	31.05%	April 21, 2016	April 22, 2016	http://www.cninfo.com.cn Announcement about Resolutions of the 21st Meeting of Shareholders (2015) of Shenzhen SEG Co., Ltd.
First Interim Meeting of Shareholders in 2016	Interim general meeting of shareholders	30.77%	July 15, 2016	July 16, 2016	http://www.cninfo.com.cn Announcement about Resolutions of the First Interim General Meeting of Shareholders (2016) of Shenzhen SEG Co., Ltd.
Second Interim Meeting of Shareholders in 2016	Interim general meeting of shareholders	32.73%	September 2, 2016	September 3, 2016	http://www.cninfo.com.cn Announcement about Resolutions of the Second Interim General Meeting of Shareholders (2016) of Shenzhen SEG Co., Ltd.

Third Interim Meeting of Shareholders in 2016	Interim general meeting of shareholders	30.78%	October 18, 2016	October 19, 2016	http://www.cninfo.com.cn Announcement about Resolutions of the Third Interim General Meeting of Shareholders (2016) of Shenzhen SEG Co., Ltd.
Fourth Interim Meeting of Shareholders in 2016	Interim general meeting of shareholders	30.68%	November 30, 2016	December 1, 2016	http://www.cninfo.com.cn Announcement about Resolutions of the Fourth Interim General Meeting of Shareholders (2016) of Shenzhen SEG Co., Ltd.

2. Preferred shareholders restored with the voting rights proposed to hold interim general meeting of shareholders

Applicable Not applicable

V. Performance of independent directors in the report period

1. Attendance of independent directors in meetings of the Board of Directors and the general meeting of shareholders

Attendance of independent directors in meetings of the Board of Directors of the Company						
Name of independent director	Number of meetings to be attended in the report period	Times of entrusted personal presence	Attendances through communication	Times of entrusted presence	Times of absence	Failure to attend the meeting in person in two consecutive times
Zhou Hanjun	10	2	8	0	0	No
Li Luoli	24	5	18	1	0	No
Song Pingping	24	6	18	0	0	No
Fan Zhiqing	14	4	10	0	0	
Times for independent directors to attend the general meeting of shareholders						4

Explanation for failure to attend the meeting of the Board of Directors for two consecutive times

Not applicable

2. Objections raised by independent directors against relevant matters of the Company

Have independent directors raised objections against relevant matters of the Company

Yes No

Independent directors have not raised any objection against relevant matters of the Company in the report period.

3. Other descriptions about the performance of independent directors

Do independent directors accept proposals of the Company?

Yes No

Explanation of independent directors for proposals accepted or unaccepted

In the report period, the Board of Directors of the Company held a general election. The term of independent directors of the 6th Board of Directors including Zhou Hanjun, Li Luoli, and Song Pingping expired, and independent directors of the 6th Board of Directors including Fan Zhiqing, Li Luoli, and Song Pingping was elected at the first extraordinary general meeting (2016) of the Company on July 15, 2016. Four independent directors of two Boards of Directors have adequately exercised powers specified by national regulations and the *Articles of Association*, given play to professional expertise, fulfilled their obligations with reasonable care and diligence, promoted scientific decisions and decision-making process of the Board of Directors, and protected the overall interests of the Company, particularly legal rights and interests of small and medium-sized shareholders.

(I) They attended the meeting of the Board of Directors on time, and actively fulfilled obligations of independent directors. Independent directors deeply understood and investigated resolutions deliberated on by the Board of Directors, actively participated in discussions, and gave rational suggestions. Besides, they always paid attention to important matters of the Company, independently fulfilled obligations without being affected by controlling shareholders, actual controllers or units or individuals having interest in the Company and its controlling shareholders or actual controllers, objectively and cautiously deliberated on self-evaluation reports on connected transactions, financial aid and internal control, expressed independent opinions and fulfilled the obligation of supervision.

(II) They cooperated with the professional committees of the Board of Directors. Independent directors were members of Development Strategy Committee, Audit Committee and Wage and Assessment Committee of the Board of Directors. In compliance with the working rules of the professional committees, they actively participated in daily work of the committees, gave professional opinions and suggestions on the Company development planning, feasibility study of major projects, and major assets restructuring, and supported scientific and cautious decision making of the Board of Directors.

(III) They paid attention to internal control of the Company. Independent directors communicated repeatedly with the management and relevant departments over construction and evaluation of the internal control system, and gave suggestions based on their professional experience. In this way, they played the role of supervisors, supervised and urged the Company to continuously perfect corporate management structure, perfect the internal control system, continuously and deeply carry out corporate management activities and improve normalized operation.

(IV) They deeply understood the Company. In 2016, independent directors took advantage of the Company meetings and specially took time to conduct field investigation of the Company and its investors to deeply understand the Company's daily operation and project construction. Meanwhile, independent directors kept in close touch with other directors, senior executives and personnel by means of phone and e-mails, always paid attention to influences of changes of external environment and market on the Company, and timely understood the progress of important matters of the Company. In addition, independent directors always paid attention to information disclosure, supervised and check such disclosure, and ensure fair and timely disclosure of the Company information so that public shareholders could be timely updated about the development of the Company.

(V) Proposals raised by independent directors in regard to normalized development and the adoption of proposals

Proposal raised by	Proposal content	Form	Adoption status
Zhou Hanjun, Song Pingping, Li Luoli and Fan Zhiqing	Advice on Company major assets restructuring and working implementation	Oral	Adopted
Fan Zhiqing, Song Pingping and Li Luoli	Advice on Emerging strategic cooperation business	Oral	Adopted
Fan Zhiqing, Song Pingping and Li Luoli	Advice on project management and operation of Nantong SEG Times Plaza	Oral	Adopted
Song Pingping and Fan Zhiqing	Advice on available capital operation modes for the Company	Oral	Adopted

(VI) Independent directors' on-the-spot work, on-the-spot inspection, time and specific information

Name of independent director	Work location	Work time	On-the-spot inspection
Zhou Hanjun	Meeting room of the Company	April 17, 2016, 15:00-16:00 pm	Ask the Office of the Secretary to the Chairman about the subsequent progress of major assets restructuring and offer opinions and suggestions.
Li Luoli	Meeting room of the Company	April 18, 2016, 15:00-16:00 pm	Ask the Office of the Secretary to the Chairman about the subsequent progress of major assets restructuring and offer opinions and suggestions.
	Meeting room of the Company	August 4, 2016, 11:30-12:00 am	Ask the Finance and Asset Management Department about the operating result of the first half of the year.
	Meeting room of the Company	November 15, 2016, 15:00-17:00 pm	Ask about the operating condition of Nantong SEG Times Plaza after opening and offer opinions and suggestions.
Song Pingping	Meeting room of the Company	April 18, 2016, 15:00-16:00 pm	Ask the Office of the Secretary to the Chairman about the subsequent progress of major assets restructuring and offer opinions and suggestions.
	Meeting room of the Company	August 1, 2016, 11:30-12:00 am	Ask the Finance and Asset Management Department about the operating result of the first half of the year.
	Meeting room of the Company	November 10, 2016, 9:00-10:00 am	Ask the Office of the Secretary to the Chairman about the current status and future prospects of the CdTe film solar cell industry.
	Meeting room of the Company	November 14, 2016, 15:00-17:00 pm	Ask about the operating condition of Nantong SEG Times Plaza after opening and offer opinions and suggestions.
Fan Zhiqing	Meeting room of the Company	August 4, 2016, 11:30-12:00 am	Ask the Finance and Asset Management Department about the operating result of the first half of the year.
	Meeting room of the Company	November 18, 2016, 15:00-17:00 pm	Ask about the operating condition of Nantong SEG Times Plaza after opening and offer opinions and suggestions.

VI. Performance of duties by special committees of the Board of Directors

In the report period, the Audit Committee, Wage and Assessment Committee, and Development Strategy Committee under the Board of Supervisors conscientiously performed their duties in compliance with the *Code of Corporate Governance for Listed Companies*, the *Articles of Association*, the *Rules of Procedure of the Board of Directors*, and functions, powers and obligations conferred by implementation rules of the special committees.

(I) Performance of duties by the Audit Committee of the Board of Directors

In accordance with the requirements of the *Working Rules of the Audit Committee of Shenzhen SEG Co., Ltd* and the *Working Procedures of the Audit Committee of Shenzhen SEG Co., Ltd for the Annual Report*, the Audit Committee, in the report period, performed its duty in a serious way, implemented supervision and inspection on the establishment and improvement of the internal control system of the Company and a comprehensive inspection on the annual financial auditing.

1. The review opinion of the Audit Committee on the 2016 Financial Statements of the Company

In the report period, the Audit Committee reviewed the annual financial statements and issued opinions for twice in accordance with relevant provisions of CSRC.

(1) Before the entrance of the certified public accountant for annual auditing, the Audit Committee reviewed the financial statements to be audited and issued the first opinion in writing. The Audit Committee believed that the Company formulated reasonable accounting policies and appropriate accounting estimates in accordance with relevant requirements of the accounting standard and based on the actual conditions of the Company; the financial statements prepared by the Company truthfully reflected the financial status of the Company as of December 31, 2016 and the operating results and cash flow of the Company in 2016. The Committee approved the use of these financial statements as the basis for implementation of the audit work for 2016.

(2) After the completing of the first draft by the CPA, the Audit Committee read the draft in time and communicated with the CPA. There was no dispute on the important issues mentioned by the 2016 Financial Statements between the Committee and the CPA. The financial statements comply with the provisions of the Accounting Standard for Business Enterprises and relevant laws and regulations. The Audit Committee approved the use of these financial statements as the basis for the preparation of the 2016 Annual Report and Report Summary.

2. Supervision on and impelling over the audit work of the accounting firm

After consultation with Dahua Certified Public Accountants Co., Ltd., the auditing institution of 2016, the arrangement for the 2016 auditing was decided by the Company in December 2016, which was reported to the Audit Committee in time. After communication with the auditing institution, the Audit Committee believed that the Company had made preparations in advance based on the actual situation and its time arrangement for the annual auditing was appropriate. The Audit Committee approved the annual audit plan formulated by the auditing institution. After the entrance of the auditing institution, the Audit Committee communicated with the main responsible person of the project, the CPA whose signature was provided and relevant personnel got known about the progress of the audit and the issues concerned about by the CPA, and reported the progress and the issues to relevant department of the Company in time.

3. The work summary of the Audit Committee for the 2016 auditing conducted by Dahua Certified Public Accountants Co., Ltd.

In order to conduct timely and accurate audit on the financial status and business results of 2016 of the Company, Dahua Certified Public Accountants Co., Ltd. carried out preliminary investigation and pre-auditing in December 2016, and completed the audit work in March 2017.

The audit committee exchanged ideas with the CPAs on December 30, 2016, and continued the communication during audit. Also, the audit committee reviewed the draft of the annual audit report issued by the CPAs. The Audit Committee believed that the CPA could perform his duty in strict accordance with auditing laws, regulations and principles, focused on the Company's operating environment, understood the establishment, improvement and implementation of the internal control system of the Company, had a strong awareness of risks, and could finish the audit work in time in accordance with the arranged audit schedule. The CPA was capable of being independent and discreet, well finished the auditing on the Financial Statements and internal control of the Company for the Year 2016, and issued an objective and fair audit report.

4. The Audit Committee implemented supervision and inspection on the establishment and improvement of the internal control system and the defect rectification status, and listened to the report about the establishment of the internal control standardization system.

5. Two meetings were held by the Audit Committee of the Board of Directors in the report period and the details were as follows:

(1) At the first meeting of 2016 held by means of voting communication on March 18, 2016, the Audit Committee of the Company reviewed and approved the *Work Summary for 2015 and Work Plan for 2016 of the Audit Committee, Opinions of the Audit Committee on 2015 Financial Statements, Proposal on Further Employment of the Audit Institution for 2016 Annual Financial Report and Payment of the Audit Expense, Proposal on Employment of the Audit Institution for 2016 Internal Control and Payment of the Audit Expense, and Summary of the Audit Committee on 2015 Audit Work of Da Hua Certified Public Accountants (Special General Partnership)*.

(2) At the second meeting of 2016 held by means of voting communication on December 30, 2016, the Audit Committee of the Company reviewed and approved the *Audit Work Plan and Communication Report of the Audit Committee of 2016 of Shenzhen SEG Co., Ltd.*

(II) Performance of duties by the Wage and Assessment Committee of the Board of Directors

The review opinion of the Wage and Assessment Committee on the disclosed remuneration of the present directors, supervisors and senior executives of the Company: Liu Zhijun (general manager & finance chief), Zheng Dan (director, vice general manager & secretary of the board of directors), Zhu Longqing (vice general manager), Tian Jiliang (former supervisor), Ying Huadong (former supervisor), Ru Guiqin (supervisor), and Zhang Haifan (supervisor) only received the wages corresponding to their respective administrative positions; independent directors including Zhou Hanjun, Li Luoli, Song Pingping, and Fan Zhiqing received allowances for independent directors; other directors and supervisors did not receive wages from the Company. The Company has not implemented the remuneration system for non-independent directors and supervisors.

Two meetings were held by the Wage and Assessment Committee of the Board of Directors in the report period and the details were as follows:

1. At the first meeting of 2016 held by means of communication on March 24, 2016, the Wage and Assessment Committee of the Company reviewed and approved the *Proposal of Shenzhen SEG Co., Ltd. on the Implementation of 2015 Budget for Directors, Supervisors, and Senior Executives*.

2. At the second meeting of 2016 held at the meeting room of the Company on December 31, 2016, the Wage and Assessment Committee of the Company reviewed and approved the *Proposal of Shenzhen SEG Co., Ltd. on 2017 Budget for Directors, Supervisors, and Senior Executives*.

(V) Performance of duties by the Development Strategy Committee of the Board of Directors

Two meetings were held in the report period by the Development Strategy Committee of the Board of Directors and the details were as follows:

1. At the first meeting of 2016 held by means of communication on August 1, 2016, the Development Strategy Committee of the Company reviewed and approved the *Proposal on Shenzhen SEG Co., Ltd.'s Share Issuance and Cash Payment to Acquire Assets and Raise Supporting Funds & Connected Transaction (Draft) and the Abstract*. Committee members discussed issues related to major assets restructuring of the Company and offered opinions and suggestions.

2. At the second meeting of 2016 at the meeting room of the Company on December 30, 2016, the Development Strategy Committee of the Company reviewed and approved the *Rolling Business Plan for 2017-2019 of Shenzhen SEG Co., Ltd.*

VII. Performance of the Board of Supervisors

Has the Board of Supervisors found any risk in the Company during supervision in the report period?

Yes No

The Board of Supervisors raised no objections against the supervised matters in the report period.

VIII. Assessment and incentive system for senior executives

Principles on performance management of senior executives of the Company

(I) Target management principle: the target management over senior executives is carried out in light of enterprise annual target and enterprise management requirements.

(II) Categorized assessment principle: categorized assessment is carried out in accordance with the industry engaged in by the enterprise and the industrial characteristics.

(III) The principle of coupling incentives with restrictions: senior executives were rewarded or punished in accordance with the completion of annual targets, and the assessment system is carried out where incentives are coupled with restrictions.

IX. Internal control

1. Information about the major defects discovered in the report period in the internal control self-assessment report

Yes No

2. Internal Control Self-assessment Report

Disclosure date of the internal control self-assessment report	April 18, 2017	
Disclosure index of the internal control self-assessment report	Cninfo Website: http://www.cninfo.com.cn	
Proportion of total assets of enterprises included in the assessment scope to total assets in the consolidated financial statement of the Company	99.37%	
Proportion of operating income of enterprises included in the assessment scope to operating income in the consolidated financial statement of the Company	99.13%	
Defect Identification Standard		
Category	Financial Statements	Non-financial statements
Qualitative standards	Major defect: malpractice by directors, supervisors and senior executives; correction to major errors in published financial report; the current financial report included major faults, and internal control failed to detect such faults in the process; the internal control and supervision by the Audit	Major defects: extremely negative impact due to the lack of scientific decision-making procedures, the intended result being in contrary to the result achieved, or extremely low decision-making efficiency, rendering the Company impossible to grasp market

	<p>Committee and Internal Audit Division on the internal control of the financial report is invalid.</p> <p>Important defects: failure in selecting and applying accounting policies according to publicly recognized accounting standards; failure in establishing anti-malpractice procedures and control measures; failure in establishing corresponding control mechanism or implementing corresponding compensatory control on non-conventional or special transaction accounting treatments; one or more defects in the process of controlling closing financial report, and failure in ensuring the truthfulness and accuracy of the financial statements prepared.</p>	<p>opportunities; major miscalculation due to the Company's decision-making procedures; the Company is given warnings from the securities agency or the securities exchange; serious loss of medium and high level management and senior technical staff; frequent negative news on media, with widespread negative influence and long-term impact; lack of systematic control over major business or failure of the system; failure in correcting major or significant internal control defects of the Company.</p> <p>Important defects: serious negative impact due to a lack of scientific decision-making procedure, the result achieved is far from the intended target, or the decision-making efficiently is very low, with frequent cases where market opportunities are lost; general miscalculation in the Company's decision-making procedures; failure in correcting important or general defects in the Company's internal control; serious loss of personnel in important positions; regional impact of negative news on media; defects in institution or system for important business.</p>
Quantitative standards	<p>Major defects: satisfying one or more conditions as follows: erroneous reporting \geq 10% of total profit; erroneous reporting \geq 1% of total asset; erroneous reporting \geq 2% of business income; erroneous reporting \geq 1% of owner's equity.</p> <p>Important defects: satisfying one or more conditions as follows: 5% of total profit \leq erroneous reporting $<$ 10% of total profit; 0.5% of total assets \leq erroneous reporting $<$ 1% of total asset; 1% of business income \leq erroneous reporting $<$ 2% of total business income; 0.5% of owner's equity \leq erroneous reporting $<$ 1% of owner's equity.</p>	<p>Major defects: absolute value of direct property loss \geq 10% of total profit.</p> <p>Important defects: absolute value of direct property loss \geq 5% of total profit but $<$ 10% of total profit.</p>
Number of major defects in financial report		0
Number of major defects in non-financial report		0
Number of important defects in financial report		1

Number of important defects in financial report	0
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X. Internal Control Audit Report

Applicable Not applicable

Opinion paragraph in the internal control audit report	
Da Hua Certified Public Accountants thinks that the Company has maintained effective internal financial control in every major aspect in accordance with the Basic Standard for Enterprise Internal Control and relevant rules and regulations on December 31, 2016.	
Disclosure on internal audit report	Disclosure
Disclosure date of the internal control audit report	April 18, 2017
Disclosure index of the internal control audit report	Cninfo Website: http://www.cninfo.com.cn Announcement about Internal Control Report (2016) of Shenzhen SEG Co., Ltd.
Type of advice on disclosure on internal audit report	Standard unqualified opinion
Whether or not major defects exist in non-financial report	No

Does the accounting firm provide the internal control audit report with a modified opinion?

Yes No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report provided by the Board of Directors?

Yes No

Chapter 10 Corporate Bonds

Has the Company issued and listed on the stock exchange corporate bonds that are not due or due but cannot be repaid in full on the approved release data of the annual report?

No.

Chapter 11 Financial Report

I. Audit Report

Type of auditor's opinion	Standard unqualified opinion
Signing date of Audit Report	April 14, 2017
Name of audit firm	Da Hua Certified Public Accountants (Special General Partnership)
Audit Report Document No.	Da Hua Shen Zi [2017] No. 003898

Shenzhen SEG Co., Ltd.
Audit Report and Financial Statements
From January 1, 2016 to December 31, 2016

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I. Audit Report

D. H. S. Zi. [2017] No. 003898

To: All shareholders of Shenzhen SEG Co., Ltd.,

We have audited the attached Financial Statements of Shenzhen SEG Co., Ltd (hereinafter referred to as "SEG Corporation"), including the Consolidated Balance Sheet and the Balance Sheet of the Parent Company as of December 31, 2016 as well as the Consolidated Profit Statement, the Profit Statement of the Parent Company, the Consolidated Cash Flow Statement, the Cash Flow Statement of the Parent Company, the Consolidated Statement of Changes in Owners' Equity, the Statement of Changes in Owners' Equity of the Parent Company and the Notes to Financial Statements for the year 2016.

1. Responsibilities of the management to financial statements

It is the responsibility of the management of SEG Corporation to prepare and fairly present financial statements, which includes: (1) preparing financial statements in accordance with the provisions of the Accounting Standard for Business Enterprises and making the statements fairly reflect the financial status of the Company; (2) designing, implementing and maintaining necessary internal control in order to avoid major misstatements resulting from fraud, malpractice, mistakes or errors.

2. CPA's responsibility

Our responsibility is to express opinions on these financial statements on the basis of the implementation of auditing work. We have conducted our audit in accordance with the provisions in the Auditing Standards for Chinese Certified Public Accountants. The Auditing Standards for Chinese Certified Public Accountants require that we observe the professional ethics and regulations, plan and perform the audit to obtain reasonable assurance about whether these financial statements are free of misstatements.

The audit involves the implementation of an audit procedure to obtain the auditing evidences supporting the amounts in the financial statements and relevant disclosure. The selection of the auditing procedure depends on the judgment of the CPA, including the estimation to the risks on material misstatements in the financial statements resulting from malpractice or mistakes and errors. During the process of risk assessment, we took into account the internal control related to the preparation and fair presentation of the financial statements so as to design an appropriate auditing procedure. The audit also comprises assessing the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that we have obtained sufficient and appropriate auditing evidences to provide a reasonable basis for expressing auditor's opinions.

3. Auditor's opinion

We believe that the Financial Statements of SEG Corporation have been prepared in accordance with the provisions of the Accounting Standard for Business Enterprises in all major aspects, which fairly reflect the consolidated and the parent company's financial status as of December 31, 2016 as well as the consolidated and the parent company's operating results and cash flows for the year 2016.

Da Hua Certified Public Accountants (Special
General Partnership)

Certified Public Accountant: Zhang Xing

Beijing, China

Certified Public Accountant: Zhang Chaocheng

April 14, 2017

II. Financial statements

The unit in the notes to the financial statements is RMB Yuan.

1. Consolidated Balance Sheet

Prepared by: Shenzhen SEG Co., Ltd.

December 31, 2016

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	183,094,815.84	276,863,429.10
Deposit reservation for balance		
Loans to other banks	40,000,000.00	40,000,000.00
Financial assets measured by fair value with changes included in current profit and loss		
Derivative financial assets		
Notes receivable	100,792.00	
Accounts receivable	50,870,545.72	98,212,422.87
Prepayment	47,387,004.02	129,044,887.26
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance deposit receivable		
Interest receivable		
Dividends receivable		
Other accounts receivable	63,183,612.96	27,352,784.33
Redemptory monetary capital for resale		
Inventory	602,098,738.92	450,809,934.72
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	268,069,887.58	339,430,419.74
Total current assets	1,254,805,397.04	1,361,713,878.02
Non-current assets:		
Loans and prepayment issued	480,405,158.45	475,520,822.08
Available-for-sale financial assets	34,478,683.41	34,539,973.24
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	183,649,044.67	185,122,573.88
Investment properties	425,169,768.62	443,851,726.40

Item	Closing balance	Opening balance
Fixed assets	39,181,793.82	37,524,425.25
Construction in progress		140,810.00
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	1,251,991.68	1,143,762.11
Development expenses		
Goodwill	10,328,927.82	10,328,927.82
Long-term expenses to be amortized	94,320,491.68	49,235,999.86
Deferred income tax assets	10,880,347.67	10,433,814.57
Other non-current assets	13,804,660.46	5,103,811.14
Total non-current assets	1,293,470,868.28	1,252,946,646.35
Total assets	2,548,276,265.32	2,614,660,524.37
Current liabilities:		
Short-term borrowing	355,000,000.00	367,759,630.48
Loans from central bank		
Deposits from customers and interbank		
Loans from other banks		
Financial liabilities measured by fair value with changes included in current profit and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	20,282,611.08	89,908,781.98
Prepayment from customers	116,529,761.27	190,430,121.05
Financial assets sold for repurchase		
Service charges and commissions payable		
Payroll payable	16,817,256.46	21,849,134.16
Taxes payable	46,917,032.07	34,645,030.07
Interest payable	475,177.74	516,758.34
Dividends payable	17,019,185.19	2,218,224.58
Other payables	190,643,502.25	194,329,885.69
Reinsurance accounts payable		
Insurance deposit		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Held-for-sale liabilities		

Item	Closing balance	Opening balance
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	763,684,526.06	901,657,566.35
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Preferred stock		
Perpetual capital securities		
Long-term payables		
Payroll payable		
Special payables		
Estimated liabilities		7,000,000.00
Deferred income	11,183,333.34	9,634,114.77
Deferred income tax liabilities	14,899,853.99	16,024,102.35
Other non-current liabilities		
Total non-current liabilities	26,083,187.33	32,658,217.12
Total liabilities	789,767,713.39	934,315,783.47
Owners' equity:		
Share capital	784,799,010.00	784,799,010.00
Other equity instruments		
Preferred stock		
Perpetual capital securities		
Capital reserve	495,759,877.42	506,545,831.11
Less: Treasury shares		
Other comprehensive income	296,235.62	326,662.48
Special reserve		
Surplus reserve	121,803,040.24	109,922,336.87
General risk provision		
Undistributed profits	145,542,484.27	73,532,388.70
Total owners' equity attributable to the parent company	1,548,200,647.55	1,475,126,229.16
Minority shareholders' equity	210,307,904.38	205,218,511.74
Total owners' equity	1,758,508,551.93	1,680,344,740.90
Total liabilities and owners' equity	2,548,276,265.32	2,614,660,524.37

Legal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

2. Balance Sheet of the Parent Company

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	90,504,836.76	186,369,470.58
Financial assets measured by fair value with changes included in current profit and loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	426,069.15	
Prepayment		418,544.10
Interest receivable		
Dividends receivable		
Other accounts receivable	724,658,970.18	570,671,617.38
Inventory	442,920.87	112,715.50
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	438,146,382.10	393,166,401.54
Total current assets	1,254,179,179.06	1,150,738,749.10
Non-current assets:		
Available-for-sale financial assets	33,515,392.83	33,515,392.83
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	453,584,470.91	455,106,100.12
Investment properties	273,880,749.30	284,399,860.14
Fixed assets	19,149,224.71	19,458,584.25
Construction in progress		140,810.00
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	425,708.10	622,054.24
Development expenses		
Goodwill		
Long-term expenses to be amortized	7,743,293.52	7,000,181.66
Deferred income tax assets	8,664,455.49	8,242,045.89
Other non-current assets		
Total non-current assets	796,963,294.86	808,485,029.13
Total assets	2,051,142,473.92	1,959,223,778.23
Current liabilities:		

Item	Closing balance	Opening balance
Short-term borrowing	355,000,000.00	315,000,000.00
Financial liabilities measured by fair value with changes included in current profit and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	155,213.00	36,075.52
Prepayment from customers	25,448,125.00	42,704,620.99
Payroll payable	7,817,501.76	13,652,201.42
Taxes payable	23,485,483.97	10,033,418.41
Interest payable	475,177.74	477,402.78
Dividends payable	119,803.29	119,803.29
Other payables	75,858,657.13	95,119,560.37
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	488,359,961.89	477,143,082.78
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Preferred stock		
Perpetual capital securities		
Long-term payables		
Payroll payable		
Special payables		
Estimated liabilities		7,000,000.00
Deferred income	11,183,333.34	9,500,000.00
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	11,183,333.34	16,500,000.00
Total liabilities	499,543,295.23	493,643,082.78
Owners' equity:		
Share capital	784,799,010.00	784,799,010.00
Other equity instruments		
Preferred stock		
Perpetual capital securities		
Capital reserve	498,654,523.66	507,773,837.83
Less: Treasury shares		

Item	Closing balance	Opening balance
Other comprehensive income	178.21	
Special reserve		
Surplus reserve	121,803,040.24	109,922,336.87
Undistributed profits	146,342,426.58	63,085,510.75
Total owners' equity	1,551,599,178.69	1,465,580,695.45
Total liabilities and owners' equity	2,051,142,473.92	1,959,223,778.23

egal representative: Wang Li Person in charge of accounting: Liu Zhijun Responsible person of the accounting institution: Ying Huadong

3. Consolidated Profit Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Total operating income	760,915,085.86	846,675,884.33
Including: Operating income	672,384,276.47	741,533,676.93
Interest income	67,560,598.14	101,205,806.40
Earned premiums		
Service charges and commissions income	20,970,211.25	3,936,401.00
II. Total operating cost	679,055,180.28	708,934,598.86
Including: Operating cost	582,494,679.95	618,062,716.19
Interest expenses	3,004,288.89	5,599,355.64
Commissions		
Surrender value		
Net compensation pay-outs		
Net insurance deposit accrued		
Insurance dividends		
Reinsurance expenses		
Operating tax and surcharges	18,517,765.23	27,804,172.86
Sale expenses	13,846,141.59	4,585,434.23
Management expenses	60,042,027.31	44,222,779.09
Financial cost	4,627,175.84	3,564,776.76
Loss from asset impairment	-3,476,898.53	5,095,364.09
Income from change of fair value (enter "-" for loss)		
Income from investment (enter "-" for loss)	99,145,904.44	17,647,493.77
Including: Income from investment in joint ventures and associated enterprises	-387,059.05	1,703,803.48
Income from exchange (enter "-" for loss)		
III. Operating profit (enter "-" for loss)	181,005,810.02	155,388,779.24

Item	Amount incurred in the current period	Amount incurred in the previous period
Add: Non-operating income	10,897,524.02	2,367,546.40
Including: Gains on disposal of non-current assets	116,977.79	19,382.00
Less: Non-operating expenses	4,366,432.31	14,687,757.38
Including: Loss from disposal of non-current assets	345,909.08	276,651.63
IV. Total profit (enter "-" for total loss)	187,536,901.73	143,068,568.26
Less: Income tax	45,306,572.11	35,099,837.65
V. Net profit (enter "-" for net loss)	142,230,329.62	107,968,730.61
Net profit attributable to owners of the parent company	107,560,213.41	74,242,090.49
Profit and loss of minority shareholders	34,670,116.21	33,726,640.12
VI. Net of tax of other comprehensive incomes	-45,789.16	142,453.34
Total owners' net of tax of other comprehensive incomes attributable to the parent company	-30,426.86	94,845.43
1. Other comprehensive incomes not to be reclassified into profit and loss		
(1) Changes of net liabilities or net assets of the re-measured defined benefit plans		
(2) Shares of the investee of other comprehensive incomes not to be reclassified into profit and loss under the equity method		
2. Other comprehensive incomes to be reclassified into profit and loss	-30,426.86	94,845.43
(1) Shares of the investee of other comprehensive incomes to be reclassified into profit and loss under the equity method	178.21	
(2) Profit and loss from changes of fair value of the available-for-sale financial assets	-30,605.07	94,845.43
(3) Held-to-maturity investments categorized as profit and loss from the available-for-sale financial assets		
(4) Effective gains or loss from cash flows		
(5) Foreign currency translation differences		
(6) Others		
Net of tax of other comprehensive incomes attributable to minority shareholders	-15,362.30	47,607.91
VII. Total comprehensive income	142,184,540.46	108,111,183.95
Total comprehensive income attributable to	107,529,786.55	74,336,935.92

Item	Amount incurred in the current period	Amount incurred in the previous period
shareholders of the parent company		
Total comprehensive income attributable to minority shareholders	34,654,753.91	33,774,248.03
VIII. Earnings per share		
1. Basic earnings per share	0.1371	0.0946
2. Diluted earnings per share	0.1371	0.0946

egal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

4. Profit Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	100,960,545.53	123,925,453.43
Less: Operating cost	74,670,318.50	76,436,384.08
Operating tax and surcharges	5,063,045.37	7,016,959.19
Sale expenses		
Management expenses	40,538,467.44	22,226,491.04
Financial cost	-17,489,447.63	-18,483,129.66
Loss from asset impairment	6,305.06	-448,067.93
Income from change of fair value (enter "-" for loss)		
Income from investment (enter "-" for loss)	141,237,490.92	70,405,467.34
Including: Income from investment in joint ventures and associated enterprises	-387,059.05	1,703,803.48
II. Operating profit (enter "-" for loss)	139,409,347.71	107,582,284.05
Add: Non-operating income	1,830,706.13	297,504.50
Including: Gains on disposal of non-current assets		
Less: Non-operating expenses	3,905,790.35	8,207,673.50
Including: Loss from disposal of non-current assets	12,492.80	
III. Total profit (enter "-" for total loss)	137,334,263.49	99,672,115.05
Less: Income tax	18,527,229.82	7,367,113.48
V. Net profit (enter "-" for net loss)	118,807,033.67	92,305,001.57
V. Net of tax of other comprehensive incomes	178.21	
1. Other comprehensive incomes not to be reclassified into profit and loss		
(1) Changes of net liabilities or net assets of		

the re-measured defined benefit plans		
(2) Shares of the investee of other comprehensive incomes not to be reclassified into profit and loss under the equity method		
2. Other comprehensive incomes to be reclassified into profit and loss	178.21	
(1) Shares of the investee of other comprehensive incomes to be reclassified into profit and loss under the equity method	178.21	
(2) Profit and loss from changes of fair value of the available-for-sale financial assets		
(3) Held-to-maturity investments categorized as profit and loss from the available-for-sale financial assets		
(4) Effective gains or loss from cash flows		
(5) Foreign currency translation differences		
(6) Others		
VI. Total comprehensive income	118,807,211.88	92,305,001.57
VII. Earnings per share		
1. Basic earnings per share		
2. Diluted earnings per share		

egal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

5. Consolidated Cash Flow Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	845,627,989.02	1,511,673,510.40
Net increase in deposits from customers and interbank		
Net increase in loans from central bank		
Net increase in borrowing from other financial institutions		
Cash received from premiums of primary insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investment		
Net increase in financial assets measured by fair value with changes included in current profit and loss		

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash received from interest and commissions	88,530,809.39	102,063,076.56
Net increase in loans from other banks		
Net increase in redemption capital		
Tax refunds	82,932,677.81	152,736,297.03
Other cash received related to operating activities	296,477,886.37	421,560,930.37
Subtotal of cash inflow from operating activities	1,313,569,362.59	2,188,033,814.36
Cash paid for goods and service	908,435,005.94	1,521,336,369.82
Net increase in loans to customers and prepayment	877,622.60	23,205,533.47
Net increase in deposits with central bank and interbank		
Cash paid for compensation pay-outs of primary insurance contracts		
Cash paid for interest, service charges, and commissions	2,123,698.47	120,333.34
Cash paid as insurance dividends	113,247,538.62	101,723,764.24
Cash paid to and on behalf of employees	111,807,580.62	101,723,764.24
Taxes paid	118,517,063.83	127,410,425.79
Other cash paid related to operating activities	291,838,448.81	386,690,911.52
Subtotal of cash outflow in operating activities	1,433,599,420.27	2,200,487,338.18
Net cash flow from operating activities	-120,030,057.68	-12,453,523.82
II. Cash flows from investing activities:		
Cash received from withdrawal of investment	787,844,658.58	2,247,982,304.11
Cash received from investment income	11,119,431.60	16,383,656.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	196,050.00	183,182.50
Net cash received from disposal of subsidiaries and other business units	4,388,617.09	
Other cash received related to investing activities	2,000,000.00	
Subtotal of cash inflow from investing activities	805,548,757.27	2,264,549,143.15
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	10,533,826.64	17,573,875.73
Cash paid for investment	719,386,160.00	2,154,600,000.00
Net increase in mortgage loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow in investing activities	729,919,986.64	2,172,173,875.73

Item	Amount incurred in the current period	Amount incurred in the previous period
Net cash flow from investing activities	75,628,770.63	92,375,267.42
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Including: Cash received by subsidiaries from investment of minority shareholders		
Borrowings received	460,020,000.00	442,000,000.00
Cash received from bond issue		
Other cash received related to financing activities	1,347,812.30	
Subtotal of cash inflow from financing activities	461,367,812.30	442,000,000.00
Cash repayment	458,179,630.48	513,484,629.66
Cash paid for dividend and profit distribution or interest payment	50,325,023.50	56,139,431.32
Including: Dividends and profit paid by subsidiaries to minority shareholders	10,647,780.72	23,853,751.20
Other cash paid related to financing activities	4,490,500.00	58,830,972.92
Subtotal of cash outflow in financing activities	512,995,153.98	628,455,033.90
Net cash flow arising from financing activities	-51,627,341.68	-186,455,033.90
IV. Influence of exchange rate fluctuation on cash and cash equivalents	15.47	38.70
V. Net increase in cash and cash equivalents	-96,028,613.26	-106,533,251.60
Add: Opening balance of cash and cash equivalents	275,523,429.10	382,056,680.70
VI. Closing balance of cash and cash equivalents	179,494,815.84	275,523,429.10

Legal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

6. Cash Flow Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	105,235,891.60	124,700,292.45
Tax refunds		
Other cash received related to operating activities	228,693,257.76	180,735,884.82
Subtotal of cash inflow from operating activities	333,929,149.36	305,436,177.27
Cash paid for goods and service	82,096,021.68	55,054,712.57
Cash paid to and on behalf of employees	43,976,017.80	37,351,053.58
Taxes paid	59,381,044.41	73,873,732.82
Other cash paid related to operating activities	336,858,224.56	262,681,816.46

Item	Amount incurred in the current period	Amount incurred in the previous period
Subtotal of cash outflow in operating activities	522,311,308.45	428,961,315.43
Net cash flow from operating activities	-188,382,159.09	-123,525,138.16
II. Cash flows from investing activities:		
Cash received from withdrawal of investment	852,392,256.58	2,065,693,441.09
Cash received from investment income	67,578,674.96	70,106,085.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000.00	
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities	2,000,000.00	
Subtotal of cash inflow from investing activities	921,980,931.54	2,135,799,526.94
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	1,809,071.46	2,002,530.00
Cash paid for investment	828,881,900.00	1,965,600,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow in investing activities	830,690,971.46	1,967,602,530.00
Net cash flow from investing activities	91,289,960.08	168,196,996.94
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Borrowings received	355,000,000.00	315,000,000.00
Cash received from bond issue		
Other cash received related to financing activities	7,812.30	
Subtotal of cash inflow from financing activities	355,007,812.30	315,000,000.00
Cash repayments of amounts borrowed	315,000,000.00	350,000,000.00
Other cash paid related to financing activities	38,780,262.58	27,697,680.55
Subtotal of cash outflow in financing activities	353,780,262.58	377,697,680.55
Net cash flow arising from financing activities	1,227,549.72	-62,697,680.55
IV. Influence of exchange rate fluctuation on cash and cash equivalents	15.47	38.70
V. Net increase in cash and cash equivalents	-95,864,633.82	-18,025,783.07
Add: Opening balance of cash and cash equivalents	186,369,470.58	204,395,253.65
VI. Closing balance of cash and cash equivalents	90,504,836.76	186,369,470.58

egal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

7. Consolidated Statement of Changes in Owners' Equity

Amount incurred in the current period

Unit: Yuan

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
	Preferred Shares	Perpetual capital securities	Others										
I. Closing balance of the previous year	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90
Plus: Change of accounting policies													
Correction to errors of the previous period													
Merger of the enterprises under the control of a same entity													
Others													
II. Opening balance of the current year	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90
III. Increase and decrease of the current year (enter "-" for decrease)					-10,785,953.69		-30,426.86		11,880,703.37		72,010,095.57	5,089,392.64	78,163,811.03
1. Total							-30,426.86				107,560,213.41	34,654,753.91	142,184,540.46

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
	Preferred Shares	Perpetual capital securities	Others										
comprehensive income													
2. Capital invested or decreased by owners					-1,658,827.22							-2,375,474.47	-4,034,301.69
(1) Ordinary shares invested by the shareholders												-14,700,000.00	-14,700,000.00
(2) Capitals invested by other equity instrument holders													
(3) Amount of share-based payment included in owners' equity													
(4) Others					-1,658,827.22							12,324,525.53	10,665,698.31
3. Profit distribution									11,880,703.37		-35,550,117.84	-27,189,886.80	-50,859,301.27
(1) Accrual of surplus reserve									11,880,703.37		-11,880,703.37		
(2) Accrual of general risk provision											-23,669,414.47	-27,189,886.80	-50,859,301.27
(3) Amount distributed to owners (or shareholders)													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
	Preferred Shares	Perpetual capital securities	Others										
(4) Others													
4. Internal carrying forward of owners' equity													
(1) Capital reserve transferred to increase capital (or share capital)													
(2) Surplus reserve transferred to increase capital (or share capital)													
(3) Surplus reserve compensating losses													
(4) Others													
5. Special reserve													
(1) Accrual of the current year													
(2) Amount utilized in the current period													
6. Others					-9,127,126.47								-9,127,126.47
IV. Closing balance of	784,799,010.00				495,759,877.42		296,235.62		121,803,040.24		145,542,484.27	210,307,904.38	1,758,508,551.93

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
the current period													

Legal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

Amount of the previous period

Unit: Yuan

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
I. Closing balance of the previous year	784,799,010.00				404,727,257.72		231,817.05		102,912,835.67		6,299,799.41	196,398,356.76	1,495,369,076.61
Plus: Change of accounting policies													
Correction to errors of the previous period													
Merger of enterprises under common control													

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
	Preferred Shares	Perpetual capital securities	Others										
Others													
II. Opening balance of the current year	784,799,010.00				404,727,257.72		231,817.05		102,912,835.67		6,299,799.41	196,398,356.76	1,495,369,076.61
III. Increase and decrease of the current year (enter "-" for decrease)					101,818,573.39		94,845.43		7,009,501.20		67,232,589.29	8,820,154.98	184,975,664.29
1. Total comprehensive income							94,845.43				74,242,090.49	33,774,248.03	108,111,183.95
2. Capital invested or decreased by owners					101,818,573.39								101,818,573.39
(1) Ordinary shares invested by the shareholders													
(2) Capitals invested by other equity instrument holders													
(3) Amount of share-based payment included in owners' equity													
(4) Others					101,818,573.39								101,818,573.39
3. Profit distribution									7,009,501.20		-7,009,501.20	-24,954,093.05	-24,954,093.05

Item	Previous period												Minority shareholders' equity	Total owners' equity
	Owners' equity attributable to the parent company													
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits			
Preferred Shares		Perpetual capital securities	Others											
(1) Accrual of surplus reserve								7,009,501.20		-7,009,501.20				
(2) Accrual of general risk provision												-24,954,093.05	-24,954,093.05	
(3) Amount distributed to owners (or shareholders)														
(4) Others														
4. Internal carrying forward of owners' equity														
(1) Capital reserve transferred to increase capital (or share capital)														
(2) Surplus reserve transferred to increase capital (or share capital)														
(3) Surplus reserve compensating losses														
(4) Others														
5. Special reserve														

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
(1) Accrual of the current year													
(2) Amount utilized in the current period													
6. Others													
IV. Closing balance of the current period	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90

Legal representative: Wang Li Person in charge of accounting: Liu Zhijun Responsible person of the accounting institution: Ying Huadong

8. Statement on Changes of Owners' Equity of the Parent Company

Amount incurred in the current period

Unit: Yuan

Item	Amount incurred in the current period											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity	
		Preferred Shares	Perpetual capital securities	Others								
I. Closing balance of the previous year												
Plus: Change of accounting policies												

Item	Amount incurred in the current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
Correction to errors of the previous period											
Others											
II. Opening balance of the current year											
III. Increase and decrease of the current year (enter "-" for decrease)											
1. Total comprehensive income											
2. Capital invested or decreased by owners											
(1) Ordinary shares invested by the shareholders											
(2) Capitals invested by other equity instrument holders	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
(3) Amount of share-based payment included in owners' equity											
(4) Others											
3. Profit distribution											

Item	Amount incurred in the current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
(1) Accrual of surplus reserve	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
(2) Amount distributed to owners (or shareholders)					-9,119,314.17		178.21		11,880,703.37	83,256,915.83	86,018,483.24
(3) Others							178.21			118,807,033.67	118,807,211.88
4. Internal carrying forward of owners' equity											
(1) Capital reserve transferred to increase capital (or share capital)											
(2) Surplus reserve transferred to increase capital (or share capital)											
(3) Surplus reserve compensating losses											
(4) Others											
5. Special reserve									11,880,703.37	-35,550,117.84	-23,669,414.47
(1) Accrual of the current year									11,880,703.37	-11,880,703.37	
(2) Amount utilized in the current period										-23,669,414.47	-23,669,414.47
6. Others											

Item	Amount incurred in the current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
IV. Closing balance of the current period											
					-9,127,126.47						-9,127,126.47
	784,799,010.00				498,654,523.66		178.21		121,803,040.24	146,342,426.58	1,551,599,178.69

Legal representative: Wang Li Person in charge of accounting: Liu Zhijun Responsible person of the accounting institution: Ying Huadong

Amount of previous period

Unit: Yuan

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
I. Closing balance of the previous year	784,799,010.00				405,955,264.44				102,912,835.67	-22,209,989.62	1,271,457,120.49

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
Plus: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Beginning balance of the current year	784,799,010.00				405,955,264.44				102,912,835.67	-22,209,989.62	1,271,457,120.49
III. Increase and decrease of the current year (enter "-" for decrease)					101,818,573.39				7,009,501.20	85,295,500.37	194,123,574.96
1. Total comprehensive income										92,305,001.57	92,305,001.57
2. Capital invested or decreased by owners					101,818,573.39						101,818,573.39
(1) Ordinary shares invested by the shareholders											
(2) Capitals invested by other equity instrument holders											
(3) Amount of share-based payment included in owners' equity											

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
(4) Others					101,818,573.39						
3. Profit distribution											
(1) Accrual of surplus reserve											
(2) Amount distributed to owners (or shareholders)											
(3) Others											101,818,573.39
4. Internal carrying forward of owners' equity									7,009,501.20	-7,009,501.20	
(1) Capital reserve transferred to increase capital (or share capital)									7,009,501.20	-7,009,501.20	
(2) Surplus reserve transferred to increase capital (or share capital)											
(3) Surplus reserve compensating losses											
(4) Others											
5. Special reserve											
(1) Accrual of the current year											
(2) Amount utilized in the current period											

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
6. Others											
IV. Closing balance of the current period	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45

Legal representative: Wang Li

Person in charge of accounting: Liu Zhijun

Responsible person of the accounting institution: Ying Huadong

Shenzhen SEG Co., Ltd.

Notes to 2016 Financial Statements

I. Company Profile

(I) Registered Place, Organizational Form and Headquarters Address

Shenzhen SEG Co., Ltd. (hereinafter referred to as "the Company") was incorporated on July 16, 1996 through public offering with Shenzhen SEG Group Co., Ltd. as the sole initiator upon the approval of relevant departments of Shenzhen and the state in accordance with the *Company Law of the People's Republic of China*. The Company holds the Enterprise Corporation Business License with the unified social credit code 91440300279253776E and the registration number 440301103573251. Upon the approval of the securities administration departments of Shenzhen and the state, the Company's B shares and A shares were listed on Shenzhen Stock Exchange respectively in July 1996 and December 1996.

On June 7, 2006, the Company passed a resolution at the general meeting of shareholders concerning the equity division reform. According to the transfer plan of capital reserve into common shares, the Company distributed 4,6445 shares to tradable A share shareholders for each 10 shares, which totaled 40,233,322 transferred shares. As a result, its non-tradable A shares were qualified for listing and circulating. Among the converted and increased capital share obtained by the tradable A-share shareholders, 6,997,054 shares were received due to the company's share capital expansion and the rest of 33,236,268 shares were the consideration paid to the tradable A-share shareholders by non-tradable A-share holders under fixed arrangements.

As of December 31, 2016, the total capital share of the Company amounts to 784,799,010 shares, including 77,439 restricted shares and 784,721,571 unrestricted shares. The registered capital is 784,799,010 Yuan. The registered address is 31F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen. The final controlling party of the Company is Shenzhen State-owned Assets Supervision and Administration Commission. The parent company is Shenzhen SEG Group Co., Ltd., and its final controlling party is Shenzhen State-owned Assets Supervision and Administration Commission.

(II) Business Scope

General items: Investment in industrial projects (specific items to be declared separately); operation and management of electronics markets; online trade; Internet technology development; advertising business; housing leasing; sales of computers, software, auxiliary equipment, and electronic products; cultural and artistic exchange activity planning (excluding performances); exhibition activities; investment in and management of children's industrial chain projects; children's playground equipment leasing (excluding financial leasing activities); playground management and services (limited to branch management); catering services (limited to branch management); business management consulting; education consulting; wholesale and retail of pre-packaged food, unpacked food, and dairy products (including infant formula milk powder) (limited to branch management); sales of stationery, craft gifts, toys, children's clothing, electronic products, handicrafts, and daily necessities; photography services; technical development of new energy; EPC of photovoltaic power generation and building integrated photovoltaic (BIPV) engineering; technical development and services of CdTe film solar cell modules; investment in photovoltaic power plants, contracting of BIPV curtain wall engineering; domestic

trade (excluding franchised goods, proprietary goods, and goods under special control). (Any item subject to approval pursuant to laws can be operated only after approval.)

Licensed items: information services (limited to Internet information services); sales of food; manufacturing and sales of CdTe solar cell modules.

(III) Business Property and Main Business Operations

The Company engages in business service industry, involving products and service mainly in operation and management of special electronics markets, lease business and other tertiary industries.

(IV) Approval for Disclosure of the Financial Statements

The Financial Statements are approved for disclosure by all directors of the Company on April 14, 2017.

II. Scope of Consolidated Financial Statements

Twenty-three entities are included in the current consolidated financial statements, namely:

Company name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Holding subsidiary	I	66.58	66.58
Shenzhen Mellow Orange Business Hotel Management Co., Ltd.	Holding grandson company	II	66.58	66.58
Shenzhen SEG Industrial Investment Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Changsha SEG Development Co., Ltd.	Holding subsidiary	I	46.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Share-controlled subsidiary	I	70.00	70.00
Suzhou SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	45.00	45.00
Xi'an SEG Electronics Market Co., Ltd.	Holding subsidiary	I	65.00	65.00
Shenzhen SEG Credit Co., Ltd.	Holding subsidiary	I	54.00	54.00
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Hairong SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wujiang SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wuxi SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Shunde SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00

Company name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
Nanning SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Nantong SEG Times Plaza Development Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Yantai SEG Times Plaza Development Co., Ltd.	Holding subsidiary	1	90.00	90.00
Nantong SEG Commercial Operation Management Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Suzhou SEG Digital Plaza Management Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Suzhou SEG Intelligent Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Holding subsidiary	1	50.00	50.00
Shenzhen SEG Investment Management Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Holding subsidiary	1	50.00	50.00

For the cause of difference between the proportion of shareholding and the proportion of voting rights and the basis for control of the invested entity even with half of voting rights or less, see "Attachment 9: Equities in other entities – (1) Equities in subsidiaries".

Compared with the previous period, three more entities are included in and one entity is excluded from the consolidated financial statements in the current period, including:

1. Subsidiaries, special purpose entities, and business entities that gain control by way of commissioning management or renting included in the consolidation scope in the current period

Name	Reason for change
Suzhou SEG Intelligent Technology Co., Ltd.	Newly established
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Newly established
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Newly established

2. Subsidiaries, special purpose entities, and business entities that lose control by way of commissioning management or leasing excluded from the consolidation scope in the current period

Name	Reason for change
Shenzhen SEG E-Commerce Co., Ltd.	Transfer-out of all equities

For details of entity change in the consolidation scope, see "Note VIII. Change in consolidation scope".

III. Basis of preparation of the financial statements

(I) Basis of preparation of the financial statements

The Company has conducted confirmation and measurement based on the transactions and events that have been actually incurred and in accordance with the *Accounting Standards for Business Enterprises (ASBE)* and specific standards, the application guide of ASBE, the interpretation of ASBE and other relevant regulations (hereinafter collectively referred to as "the ASBE"). According to *Listed Company Information Disclosure Preparation Rules No. 15 - General Regulations on Financial Report* (amended in 2014) released by CSRC, the Company prepared the financial statements.

(II) Going-concern ability

The Company has evaluated the going-concern ability for the 12-month period from the end of the report period, and no matters or circumstances of major concern were found. Accordingly, the financial statements are prepared on a going-concern basis.

IV. Main accounting policies and accounting estimates

(I) Statement on compliance with ASBE

The financial statements prepared by the Company comply with the requirements of the *Accounting Standard for Business Enterprises* and truthfully and completely reflect relevant information on the financial position, operating results, and cash flows of the Company.

(II) Accounting period

A fiscal year lasts from January 1st to December 31st of the Gregorian calendar.

(III) Business period

The business period is 12 months, which is a criterion for the liquidity division of assets and liabilities.

(IV) Recording currency

Renminbi is the recording currency of the financial statements of the Company.

(V) Accounting method for the business merger under or not under common control

1. If the terms and conditions or economic influences of deals involved in business merger by steps are consistent with the following case(s), several deals will be treated as a package deal for accounting treatment.

- (1) Those deals are made at the same time or in consideration of mutual influences;
- (2) A complete business result can be achieved only with the deals as integrity;
- (3) The occurrence of one deal depends on the occurrence of at least one deal.
- (4) A single deal is uneconomical but the integration with other deals is economical.

2. Business merger under common control

Assets and liabilities acquired by the Company in the merger are calculated based on the book value of the merged party's assets and liabilities (including goodwill resulting from the acquisition of the merged party) in the consolidated financial statements of the ultimate controlling party on the date of merger. The capital stock premium of capital reserve is adjusted based on the difference between the book value of net assets acquired in the merger and that of the consideration of the merger (or the total book value of issued shares). The retained earnings are adjusted if the capital stock premium is not sufficient for writing off.

If contingent consideration exists and the estimated liabilities and assets have to be recognized, the capital reserve (capital surplus or capital stock premium) is adjusted based on the difference between the estimated

liabilities and assets and the subsequent contingent consideration. The retained earnings are adjusted if the capital reserve is not sufficient for writing off.

For business merger through several deals, deals in a package will be treated as one deal with control right acquired for accounting treatment; for deals not in a package, the capital reserve is adjusted based on the difference between the initial cost of long-term equity investment and the sum of book value of long-term equity investment before merger and book value of consideration payment for new shares. The retained earnings are adjusted if the capital reserve is not sufficient for writing off. For equity investment held before merger, other comprehensive income recognized by the equity method, financial instruments or calculation standards will not be subject to accounting treatment, and until the disposal of such investment such accounting treatment is carried out on the same basis as the direct disposal of related assets and liabilities by the invested party; other changes in owners' equity excluding net profit and loss, other comprehensive income and profit distribution in the net assets of the invested party recognized by the equity accounting method will not be subject to accounting treatment and is transferred to current profit and loss after the disposal of such investment.

3. Business merger not under common control

The assets paid and the liabilities incurred or undertaken by the Company as the consideration on the date of merger are calculated based on fair value. The difference between fair value and book value will be included in current profit and loss.

If the merger cost is higher than the fair value of the net identifiable assets of the acquired party acquired by merger, the difference is recognized as goodwill. If the merger cost is lower than the fair value of the net identifiable assets of the acquired party acquired by merger, the difference is included in current profit and loss.

For business merger through several deals, deals in a package will be treated as one deal with control right acquired for accounting treatment; for deals not in a package, the sum of book value of long-term equity investment before merger and new investment cost is treated as the initial cost of long-term equity investment on the date of merger. For equity investment held before merger, other comprehensive income recognized with the equity accounting method, accounting treatment of such investment is carried out on the same basis as the direct disposal of related assets and liabilities by the invested party. If the equity investment held before merger is subject to recognition by financial instruments and accounting by measure standards, the sum of book value of long-term equity investment on the date of merger and new investment cost is treated as the initial cost of long-term equity investment on the date of merger. The difference between the fair value and book value of the equity previously held and accumulative changes in fair value originally included in other comprehensive income are transferred to the investment income of the period of the date of merger.

4. Expenses incurred due to merger

The auditing, legal, appraisal and consulting, and other relevant direct fees incurred for business merger are included in current profit and loss at occurrence. The transaction expenses of equity securities issued for business merger which are directly attributable to equity transaction are deducted from the equity.

(VI) Preparation method of the consolidated financial statements

1. Consolidation scope

The scope of the consolidated financial statements of the Company is determined based on share-holding status, and all subsidiaries are included in the scope.

2. Consolidation procedure

The Company prepares the consolidated financial statements based on the financial statements of its own and its subsidiaries and other related materials. In the preparation of consolidated financial statements, the whole group is deemed as an accounting entity. According to the recognition, calculation and presentation requirements of related accounting standards and consistent accounting policies, the overall financial condition, operation results and cash flow are reflected.

The accounting policies and accounting period adopted by all subsidiaries included in the consolidation scope are consistent with those of the Company. Otherwise, the Company shall make necessary adjustments according to its own accounting policies and accounting period when preparing the consolidated financial statements.

During the consolidation, the influences of internal transactions between the Company and its subsidiaries and among the subsidiaries on the consolidated balance sheet statement, the consolidated profit statement, the consolidated cash flow statement and the consolidated statement of changes of owner's equity will be counteracted. If judgment on the same transaction differs from the group perspective and with the Company or a subsidiary as the accounting entity, the transaction shall be adjusted from the group perspective.

The owner's equity of subsidiaries, current net profit and loss and minority shares in current comprehensive income are separately listed in the owner's equity of the consolidated balance sheet statement, net profit and total comprehensive income of the consolidated profit statement respectively. If the current losses undertaken by minority shareholders of a subsidiary exceed the owners' equity shared by minority shareholders of a subsidiary, the balance will be used to offset the minority shareholders' equity.

For a subsidiary acquired by merger of enterprises under common control, its financial statements are adjusted based on the book value of its assets and liabilities (including goodwill resulting from acquisition of this subsidiary) in the financial statements of the ultimate controlling party.

For a subsidiary acquired by merger of enterprises not under common control, its financial statements are adjusted based on the fair value of net identifiable assets on the date of acquisition.

(1) Expansion of subsidiaries or business

In the current report period, in case of expansion of subsidiaries or business due to merger of enterprises under common control, the opening amount of the consolidated balance sheet is adjusted. The income, expenses and profits of such subsidiaries and business from the beginning of merger to the end of the current report period are included in the consolidated profit statement. The cash flow of such subsidiaries from the beginning of merger to the end of the current report period is included in the consolidated cash flow statement and relevant items of comparative statements are also adjusted. The reporting entity after merger is deemed to exist since the ultimate controlling party starts control.

If the Company exerts control on an invested party under common control due to additional investment, it is deemed that all parties involved in merger make adjustments in the present condition since the ultimate controlling party starts control. For the equity investment held before acquisition of control right of the acquiree, relevant income and loss, other comprehensive income and other changes in net asset are recognized from the later one between the date of acquisition of the original equity and the date of the acquirer and the acquiree under common control to the date of merger, which are used to offset the opening retained earnings or current profit and loss respectively.

In the current report period, in case of expansion of subsidiaries or business due to merger of enterprises not under common control, the opening amount of the consolidated balance sheet is not adjusted. The income, expenses and profits of such subsidiaries and business from the date of acquisition to the end of the current

report period are included in the consolidated profit statement. The cash flow of such subsidiaries from the date of acquisition to the end of the current report period is included in the consolidated cash flow statement

If the Company exerts control on an invested party not under common control due to additional investment, the equity of the acquiree held before the date of acquisition shall be remeasured based on its fair value on the date of acquisition, and the difference between the fair value and book value of the equity shall be included in current investment income. If the equity of the acquiree held before the date of acquisition is involved in other comprehensive income and other changes in owner's equity except net profit and loss, other comprehensive income and profit distribution with the equity method, the relevant other comprehensive income and other changes in owner's equity are included in current investment income, excluding other comprehensive income due to re-measurement of changes in net liabilities and net assets in defined benefit plans.

(2) Disposal of subsidiaries or business

1) General disposal method

If the Company disposes of a subsidiary in the current report period, the income, expenses and profits of the subsidiary from the beginning period to the disposal date are included in the consolidated profit statement and the cash flow of the subsidiary in the same period is included in the consolidated cash flow statement.

If the Company loses control of its subsidiary due to disposal of part of equity investment or other reasons, the remaining equity shall be remeasured at fair value on the day when the Company loses control of the subsidiary. The difference between the sum of consideration acquired due to equity disposal & fair value of the remaining equity and the sum of net assets to be enjoyed based on the original shareholding proportion since the date of acquisition or merger & goodwill is included in the investment income in the period of loss of control. Other comprehensive income and other changes in owner's equity except net profit and loss, other comprehensive income and profit distribution relevant to the equity investment in any previous subsidiary are transferred to current investment income at the time of loss of control, excluding other comprehensive income due to re-measurement of changes in net liabilities and net assets in defined benefit plans.

2) Disposal of subsidiaries by steps

If the Company disposes of equity investment in a subsidiary in several deals by steps until its loss of control and the terms and conditions or economic influences of deals are consistent with the following case(s), several deals will be treated as a package deal for accounting treatment.

- A. Those deals are made at the same time or in consideration of mutual influences;
- B. A complete business result can be achieved only with the deals as integrity;
- C. The occurrence of one deal depends on the occurrence of at least one deal.
- D. A single deal is uneconomical but the integration with other deals is economical.

If deals incurred for disposal of equity investment in a subsidiary until the loss of control belong to a package deal, the Company treats all deals as one for accounting treatment. However, the difference between the consideration acquired from every disposal and the net asset to be enjoyed such subsidiary based on such equity investment before loss of control is recognized as other comprehensive income of the consolidated financial statements and transferred to the current profit and loss at the time of loss of control.

For deals not in a package, before loss of control, the accounting treatment is based on policies about disposal of part of equity investment in a subsidiary in case of no loss of control while at the time of loss of control, the accounting treatment is based on general methods for disposing of such subsidiary.

(3) Acquisition of minority shares of subsidiary

Based on the difference between long-term equity investment acquired due to acquisition of minority shares and net assets to be enjoyed from such subsidiary since the date of acquisition (or merger), the capital stock premium of the consolidated balance sheet statement is adjusted. The retained earnings are adjusted if the capital stock premium is not sufficient for writing off.

(4) Disposal of part of equity investment in a subsidiary in case of no loss of control

The difference between the consideration acquired due to disposal of party of long-term equity investment in a subsidiary and net assets to be enjoyed from such subsidiary since the date of acquisition (or merger), the capital stock premium of the consolidated balance sheet statement is adjusted. The retained earnings are adjusted if the capital stock premium is not sufficient for writing off.

(VII) Classification of joint venture arrangement and accounting treatment method of joint operation

1. Classification of joint venture arrangement

Based on the structure and legal form of joint venture arrangement, terms agreed in joint venture arrangement and other facts and condition, the Company classifies joint venture arrangement into joint operation and joint venture.

Joint venture arrangement agreed not by individual entities is defined as joint operation. Joint venture arrangement agreed by individual entities is generally defined as joint venture. If any joint venture arrangement satisfies any of the following conditions and conforms to relevant laws and regulations with conclusive evidence, such joint venture arrangement is defined as joint operation:

- (1) The legal form of joint venture arrangement shows that joint ventures share rights and obligations for assets and liabilities in such arrangement.
- (2) It is agreed in the terms of joint venture arrangement that joint ventures share rights and obligations for assets and liabilities in such arrangement.
- (3) Other facts and condition show that joint ventures share rights and obligations for assets and liabilities in such arrangement. For example, the joint ventures enjoy nearly all output relevant to such arrangement and settlement of liabilities in such arrangement constantly depends on the support of joint ventures.

2. Accounting treatment method of joint operation

The Company recognizes the following items in interest shares during joint operation, and carries out accounting treatment in accordance with Accounting Standards for Business Enterprises:

- (1) Recognizing the assets held separately and assets shared based on shares;
- (2) Recognizing the liabilities undertaken separately and liabilities shared based on shares;
- (3) Recognizing the income from sales of the share in joint operation output;
- (4) Recognizing the income from sales of joint operation output based on shares;
- (5) Recognizing the expenses individually incurred and expenses incurred by joint operation based on shares.

If the Company invests or sells assets (excluding assets that constitute business) to the joint operation, before such assets are sold by the joint operation to the third party, only the part of profit and loss attributed to other parties in the joint operation incurred by such transaction is recognized. If any impairment losses occur to the assets invested or sold in accordance with Accounting Standards for Business Enterprises No. 8 - Asset Impairment, the Company recognizes the losses in full.

If the Company purchases assets from the joint operation, before such assets are sold to the third party, only the part of profit and loss attributed to other parties in the joint operation incurred by such transaction is recognized. If any impairment losses occur to the assets purchased in accordance with *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the Company recognizes the losses based on shares.

The Company enjoys no common control of the joint operation. If the Company enjoys assets in the joint operation and undertakes liabilities in the joint operation, the Company shall still carry out accounting treatment based on the foregoing principles. Otherwise, the Company shall carry out accounting treatment in accordance with *Accounting Standards for Business Enterprises*.

(VIII) Standards for determination of cash and cash equivalents

In the preparation of the cash flow statement, the cash on hand and the bank deposits available for payment at any time of the Company are recognized as cash. The investments that meet four conditions at the same time, i.e. short term (due within 3 months since the date of purchase), strong liquidity, easiness in being converted into known cash, fairly small risk of value fluctuation are recognized as cash equivalents.

(IX) Foreign currency business and translation of foreign currency financial statements

1. Foreign currency business

In the initial recognition, a foreign currency business transaction is converted to RMB for bookkeeping based on the spot exchange rate at the date of transaction.

On the balance sheet date, monetary items in foreign currency are converted based on the spot exchange rate on the balance sheet date. The exchange difference thus incurred is included in current profit and loss while the exchange difference incurred by special foreign currency borrowings for acquisition and construction of assets eligible for capitalization is treated with the principle of capitalization of borrowing costs. Non-monetary items in foreign currency measured by the historical cost method are converted based on the spot exchange rate at the date of transaction, and the amount in the recording currency is not changed.

Non-monetary items in foreign currency measured by fair value are converted based on the spot exchange rate at the date of recognition of the fair value while the translation difference thus incurred is included in current profit and loss as profit and loss from changes in fair value. For non-monetary items in available-for-sale foreign currency, the translation difference is included in other comprehensive income.

2. Translation of foreign currency financial statements

In the balance sheet statement, assets and liabilities are converted based on the spot exchange rate at the date of balance sheet statement, and items other than "undistributed profits" in the owner's equity are converted based on the spot exchange rate. The income and expense in the profit statement are converted based on the spot exchange rate at the date of transaction. The translation difference of foreign currency financial statements with the foregoing method is included in other comprehensive income.

At the disposal of overseas business, the translation difference of foreign currency financial statements that is listed in other comprehensive income of the balance sheet statement and relevant to such overseas business is transferred from other comprehensive income to current profit and loss in the period of disposal. The equity proportion in overseas business is reduced due to disposal of part of equity investment or other reasons but the control right on the overseas business remains, the translation difference of foreign currency financial statements relevant to such overseas business is not transferred to current profit and loss. At the disposal of part of equity investment in overseas business in the form of associate or joint venture, the translation difference of foreign

currency financial statements relevant to such overseas business is transferred to current profit and loss in the period of disposal based on the proportion of disposal.

(X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

According to the contract terms and economic nature of financial instruments rather than in the legal form only, in combination of the purposes of acquisition and holding of financial assets and undertaking of financial debts, during initial confirmation, the Company classifies financial assets and liabilities as follows: financial assets (or liabilities) measured by fair value with changes included in current profit and loss, held-to-maturity investment, accounts receivable, available-for-sale financial assets, and other financial liabilities.

2. Confirmation basis for and measurement method of financial instruments

(1) Financial assets (liabilities) measured by fair value with changes included in current profit and loss

Financial assets or liabilities measured by fair value with changes included in current profit and loss include transactional financial assets or liabilities and financial assets or liabilities to be measured by fair value with changes included in current profit and loss through direct designation.

Transactional financial assets or liabilities refer to financial assets or liabilities that satisfy any of the following conditions:

- 1) Such financial assets or liabilities are acquired for the purpose of sales, repurchase or redemption in a short term;
- 2) Such financial assets or liabilities are part of identifiable financial instruments portfolio available for central management, and objective evidence shows that the Company has recently managed the portfolio for short-term gains;
- 3) Such financial assets or liabilities belong to derivative financial instruments, excluding the designated derivative instruments which are effective hedging instruments, derivative instruments for financial guarantee contracts, and derivative instruments that are connected with equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Financial assets or liabilities can be measured by fair value with changes included in current profit and loss through designation only when one of the following conditions is met.

- 1) Through such designation, inconsistency in recognition or measurement of profit and loss resulting from different measurement basis of financial assets or liabilities can be eliminated or obviously reduced;
- 2) It has been set forth in formal written documents about risk management or investment strategy that such financial asset portfolio, financial liability portfolio, or the portfolio of such financial assets or liabilities shall be managed, evaluated and reported to key management based on fair value;
- 3) A mixed instrument with one and several embedded derivative instrument (s), unless the embedded derivative instruments cause no major changes to the cash flow of such mixed instrument or shall not be separated from the derivative instrument (s) obviously;
- 4) A mixed instrument with embedded derivative instrument (s) that needs to be separated but cannot be separately measured at the time of acquisition or the subsequent balance sheet date.

The Company treats the fair value of financial assets or liabilities measured by changes in fair value included in current profit or loss at the time of acquisition as the initial recognized amount, including relevant transaction expenses in current profit and loss. The interests and cash dividends acquired during the period of holding are recognized as investment income. At the time of disposal, the difference between the fair value and the initial amount entered in the account is recognized as investment income and the profit and loss from changes in fair value are adjusted at the same time.

(2) Accounts receivable

Accounts receivable are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market.

For credit receivable arising from commodities sold or labor services provided by the Company and credit of other enterprises held by the Company other than the credit of debt tools that are quoted in an active market, including accounts receivable, other receivables, notes receivable, and prepayment, the amount receivable in contracts or agreements from the purchaser is treated as the initial recognition amount. For those of a financing nature, the present value is treated as the initial recognition amount.

At the time of collection or disposal, the difference between the amount acquired and the book value of such accounts receivable are included in current profit and loss.

(3) Held-to-maturity investment

Held-to-maturity investment refers to non-derivative financial assets with fixed maturity date and fixed or definite recovery amount which the Company may hold to maturity with clear intention and ability.

For held-to-maturity investment, the Company treats the sum of fair value at the time of acquisition (deducting bond interests matured but not collected) and relevant transaction expenses as the initial recognition amount. During the period of share-holding, the interest income is calculated and confirmed in accordance with the amortized and the actual interest rate, which is included in the investment income. The actual interest rate is determined at the time of acquisition and remains unchanged within the anticipated existence period or a shorter period applicable. At the time of disposal, the difference between the price of acquisition and the book value of such investment is included in investment income.

If the amount of held-to-maturity investment disposed of or reclassified into other financial assets is larger than the total amount of held-to-maturity investment before sales or reclassification, the remaining held-to-maturity investment shall be immediately reclassified into available-for-sale financial assets after disposal or reclassification. The difference between book value and fair value of such investment is included in other comprehensive income at the date of reclassification, and transferred to current profit and loss in case of impairment of such available-for-sale financial assets or termination of recognition. However, the following cases are exceptional:

- 1) The date of sales or reclassification is close to the due date or redemption date of such investment (e.g. within 3 months before the due date), and changes in the market interest rate have no significant influence on the fair value of such investment.
- 2) The enterprise has recovered almost all initial principal with the payment method agreed in the contract.
- 3) The sales or reclassification arise from independent events beyond the control that are not expected to recur and is difficult to predict reasonably.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative available-for-sale financial assets through designation at initial recognition and financial assets other than other financial asset categories.

For available-for-sale financial assets, the Company treats the sum of fair value at the time of acquisition (deducting bond interests matured but not collected) and relevant transaction expenses as the initial recognition amount. The interests or cash dividends obtained during the time of holding are recognized as investment income. Profit or loss from change in the fair value of available-for-sale financial assets, excluding impairment loss and exchange difference of monetary financial assets in foreign currency, are directly included in other comprehensive income. At the time of disposal, the difference between the price of acquisition and the book value of such financial assets is included in investment profit and loss. At the same time, the amount of assets disposed originally included in the accumulative amount of changes in the fair value of other comprehensive income is transferred to investment profit and loss.

Equity instruments with no quotes in the active market and with fair value not reliably measured and derivative instruments that are connected with the said equity instruments and settled by delivery of the said equity instruments are measured by cost.

(5) Other financial liabilities

The sum of the fair value of such assets and relevant transaction expenses is taken as the initial recognition amount. The amortized cost is adopted in the subsequent measurement.

3. Recognition basis and measurement method of financial assets transfer

In case of financial assets transfer of the Company, if almost all risks and returns in the ownership rights of financial assets are transferred to the assignee, the recognition of such financial assets is terminated, and if almost all risks and returns in the ownership rights of such financial assets are retained, the recognition of such financial assets is not terminated.

In the judgment whether a financial asset transfer meets the foregoing conditions for termination of its recognition, the principle of more focus on substance than form is adopted. The Company divides financial assets transfer into the complete and the partial transfer. Where the complete transfer of financial assets meets the conditions for termination of recognition, the difference between the following two amounts is included in current profit and loss.

(1) Book value of the transferred financial assets;

(2) The sum of consideration acquired due to transfer and the accumulative amount of changes in fair value originally included in owners' equity (involving the case where the transferred financial assets are the available-for-sale financial assets).

If the partial transfer of financial assets meets conditions for termination of recognition, the part with its recognition terminated and that with its recognition not terminated, among the book value of all the transferred financial assets, are apportioned separately based on their relevant fair value while the difference between the following two amounts is included in current profit and loss.

(1) Book value of the part with its recognition terminated;

(2) The sum of consideration of the part with its recognition terminated and the amount of the part with its recognition terminated originally included in the accumulative amount of changes in the fair value of owners' equity (involving the case where the transferred financial assets are the available-for-sale financial assets).

In case that financial assets transfer does not meet the conditions for termination of recognition, the recognition of such financial assets is continued. The consideration acquired is recognized as a financial liability.

4. Conditions for termination of recognition of financial liabilities

If current obligations for a financial liability are discharged wholly or partially, the recognition of the financial liability is terminated wholly or partially. If the Company signs an agreement with the creditor to substitute an existing financial liability with a new financial liability and the contract terms about the new liability and the existing liability are inconsistent, the recognition of the existing financial liability is terminated and the new financial liability is recognized at the same time.

If material alterations have been made to contract terms of the existing financial liability wholly or partially, the recognition of the existing liability is wholly or partially terminated and, in the meantime, the liability after alterations is recognized as a new financial liability.

If the confirmation of all or a part of a financial liability is terminated, the difference between the book value of the liability with its confirmation terminated and the consideration (including non-cash assets transferred or the new liability assumed) is included in current profit and loss.

If the Company repurchases part of a financial liability, the total book value of such liability is allocated on the date of purchase based on the relative fair value of the part with its recognition continued and that with its recognition terminated. The difference between the book value allocated to the part with its recognition terminated and the consideration (including non-cash assets or the new liability) is included in current profit and loss.

5. Methods for the determination of the fair value of financial assets and liabilities

For financial assets and liabilities in an active market, the Company determines respective fair value based on the quotation in the active market. The quotation in the active market includes the quotation of an asset or liability that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing agencies, or regulators and can represent the actual and frequent trading on the basis of fair trade.

For financial assets initially acquired or derivative financial assets or liabilities undertaken, the Company determines their fair value based on the market price.

For financial assets and liabilities that do not exist in an active market, their fair values are determined with appraisal techniques. In appraisal, the Company adopts applicable appraisal techniques in the current case with sufficient data and other information support, chooses the input values that are consistent with features of assets or liabilities taken into consideration by market participants in relevant transactions, and makes priority use of relevant observable input values. In case that relevant observable input values cannot be obtained or it is unpractical to obtain them, unobservable input values will be used.

6. Accrual of impairment provision for financial assets (excluding accounts receivable)

The Company shall verify the book value of financial assets measured by fair value with changes included in current profit and loss on the balance sheet date. If any objective evidence shows impairment of such financial assets, an impairment provision shall be made.

Objective evidence for impairment of such financial assets includes but is not limited to:

- (1) A serious financial difficulty occurs to the issuer or debtor;
- (2) The debtor breaches any contract terms, for example, fails to pay or delays the payment of interests or the principal;

- (3) The creditor makes any concession to the debtor which is in financial difficulties due to economic or legal factors;
- (4) The debtor will probably become bankrupt or carry out other financial reorganizations;
- (5) The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;
- (6) It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, for example, the ability of the debtor of the said combination of financial assets worsens gradually, the unemployment rate of the country or region where the debtor is situated increases, the prices of the region where the guaranty is situated are obviously dropping, or the industrial sector concerned is in slump;
- (7) Any seriously disadvantageous change has occurred to technical, market, economic or legal environment wherein the issuer operates its business, which makes the investor of an equity instrument unable to withdraw its investment cost;
- (8) Where the fair value of the equity instrument investment drops significantly or not temporarily.

Specific impairment methods of financial assets are as follows:

(1) Impairment provision for available-for-sale financial assets

The Company shall appraise individual available-for-sale equity instrument investment on the balance sheet date. In case the fair value of the equity instrument investment on the balance sheet date is lower than over 50% (included) of its cost or is lower than its cost for over 12 months (included) consecutively, it indicates that such asset is impaired. In case the fair value of such equity instrument investment on the balance sheet date is lower than over 20% (included) but below 50% of its cost, the Company will determine whether such equity instrument investment is impaired by taking into consideration other relevant factors such as price volatility.

The cost described in the preceding paragraph is determined at the initial acquisition cost of available-for-sale equity instrument investment less the recovered principal, amortized amount, and impairment losses originally included in profit or loss. The fair value of available-for-sale equity instrument investment that does not exist in an active market is determined at the present value of the future cash flows discounted at the current market yield. The fair value of available-for-sale equity instrument investment that is quoted in an active market is determined at the closing price of the stock exchange at the end of the period, unless such available-for-sale equity instrument investment is subject to restricted period. The fair value of available-for-sale equity instrument investment that is subject to restricted period is determined at the closing price of the stock exchange at the end of the period less the amount of compensation claimed by market participants for bearing the risk of being unable to sell such equity instrument in the open market for a specified period.

When an available-for-sale financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from decrease in the fair value of the owner's equity which was directly included in other comprehensive income shall be transferred out and included in current profit and loss. The accumulative losses that are transferred out shall be the balance between the initial costs of the financial asset available for sale and the principals as taken back, the current fair value and the impairment-related losses as was included in current profit and loss.

As for the available-for-sale debt instruments whose impairment losses have been recognized, if, within the accounting period thereafter, the fair value has risen and such instruments are objectively related to the subsequent events that occur after the original impairment losses were recognized, the originally recognized impairment losses shall be reversed and included in current profit and loss. The impairment loss of available-for-sale equity instruments shall be reversed when the value of such equity instruments rebound. However, for equity instruments investment with no quotes in the active market and with fair value not reliably measured and derivative instruments that are connected with the said equity instruments and settled by delivery of the said equity instruments, the impairment loss shall not be reversed.

(2) Impairment provision for held-to-maturity investments

If any objective evidence shows impairment of held-to-maturity investments, the impairment loss shall be calculated based on the difference between the book value of those investments and the current value of the expected future cash flow. If any evidence indicates that the investment value has recovered after provision, the originally recognized impairment loss can be reversed and included in current profit and loss. However, the reversed book value shall not exceed the amortized cost of such financial assets at the date of reversal in case that the impairment provision has not been made.

7. Counteraction of financial assets and liabilities

Financial assets and liabilities are separately listed in the balance sheet statement and not counteracted. However, if the following conditions are satisfied at the same time, the balance after counteraction may be listed in the balance sheet statement.

- (1) The Company has the legal right to counteract the recognized amount which is currently enforceable.
- (2) The Company plans to settle in net amount or realize such financial assets and liquidate such financial liabilities at the same time.

(XI) Accounts receivable

1. Accounts receivable with single significant amount and single provision for bad debts

Recognition criteria for accounts receivable with single significant amount and single provision for bad debts:

Top 5 accounts receivable

Recognition criteria for accounts receivable with single significant amount: impairment tests are carried out separately, and the difference between the expected future cash flow and its book value is accrued for bad debt provision and included in current profit and loss. Accounts receivable with no impairment by test shall be included in the bad debt provision for a certain combination.

2. Accounts receivable with bad debt provision accrued based on credit risk feature combinations

(1) Determination basis for credit risk feature combinations

Accounts receivable with no single significant amount and accounts receivable with single significant amount and no impairment by test are classified into several combinations according to credit risk feature. Based on the actual loss rate of the accounts receivable combinations with similar credit risk feature in the previous year, the bad debt provision accrual shall be determined according to the present condition.

Determination basis for combination:

Name of combination	Method of accrual	Determination basis for combination
Combination of aging	Aging analysis method	The Company makes the best appraisal of the provision proportion of

analysis method		accounts receivable based on the previous experience and classifies the credit risk feature combinations by reference to aging of accounts receivable
Combination of specific object	No bad debt provision accrual	Based on the property of accounts receivable, the bad debt provision is not accrued, including rental deposit, deposit, account with related parties, etc.

(2) Accrual method based on credit risk feature combinations:

① Bad debt provision accrued with the aging analysis method

Aging	Provision proportion of accounts receivable (%)	Provision proportion of other accounts receivable (%)
Within 1 year	—	—
1-2 years	5.00	5.00
2-3 years	10.00	10.00
Over 3 years	20.00	20.00

3. Accounts receivable with no single significant amount but with single provision for bad debts

Reason for single provision for bad debts: Any objective evidence indicates that the Company is unable to recover the accounts receivable according to the original terms.

Accrual method for bad debt provision: The difference between the expected future cash flow and its book value is accrued for bad debt provision.

(XII) Inventory

1. Classification of inventory

Inventory refers to finished products or commodities held for sale by the Company in daily activities, products in process, and materials consumed in the production or labor service process. It mainly includes raw materials, circulating materials, commissioned processing materials, products in process, semi-finished goods, finished products (stock goods), delivered goods, development costs, developed products, etc.

Development costs refer to properties not completed for sale purposes. Lands to be developed refer to the land which is purchased and planned for developed products after its completion. Developed products refer to properties which have been completed and are to be sold. In the overall development of a project, lands to be developed are transferred to development costs. In the development by phases, the land developed in phases is transferred to development costs while the land not developed remains in the land to be developed.

2. Pricing method of inventory

Initial measurement will be carried out at the time of acquisition of the inventory based on its costs, including procurement cost, processing cost and other costs. The pricing of the inventory is based on the weighted-average method at the time of delivery.

3. Determination basis for net realizable value of inventory and accrual method for inventory depreciation provision

After a complete check on the inventory at the end of the period, the inventory depreciation provision is accrued or adjusted based on the lower one between the inventory cost and the net realizable value. The net realizable value of commodity inventory directly for sale including finished products, stock goods and materials for sale is

determined by the estimated selling price of such inventory minus estimated selling expenses and relevant taxes during production and operation. The net realizable value of material inventory to be processed is determined by the estimated selling price of the finished product minus estimated cost to be incurred until completion, estimated selling expenses and relevant taxes during production and operation. The net realizable value of inventory held for fulfilling sales contract or labor service contract is calculated based on the contract price. If quantity of inventories held is more than the ordered quantity in the sales contract, the net realizable value of the inventory for the excess part is calculated based on general selling price.

At the end of the period, the inventory depreciation provision is accrued based on separate items. However, for inventories in large quantity at low unit price, the depreciation provision is accrued based on types of inventories. For inventories that are related to product series produced and sold in the same area for same or similar final use or purpose and difficult to be measured separately from other items, inventory depreciation provision is consolidated for accrual.

Where factors that caused decrease in value of inventory disappear, the amount written down shall be recovered and written back from the accrued inventory depreciation provision. The amount written back shall be included in current profit and loss.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortization method of low-value consumables and packages

(1) For low-value consumables, one-off amortization method is adopted.

(2) For packages, one-off amortization method is adopted.

(3) Other turnover materials are amortized with one-off write-off method.

6. Accounting method of land for development

The expenses incurred by pure land development project shall constitute the land development cost alone.

For projects with overall development of property, the expenses with definite payers are generally amortized to the commodity house cost based on the actual area.

7. Accounting method of public facility expenses

For public facilities not available for paid transfer, the expenses shall be included in the commodity house cost based on the benefit ratio;

For public facilities available for paid transfer, all supporting facilities are treated as the accounting object and the costs incurred are collected.

8. Accounting method of maintenance fund

According to relevant provisions at the location of the developed project, the maintenance cost is collected from the house purchaser or included in the development cost when the relevant developed product is sold (or pre-sold), and turned in to maintenance cost management department.

9. Accounting method of quality deposit

The quality deposit is retained from the project fund of the construction party according to the construction contract. Maintenance expenses incurred during the warranty period of the developed product are used to offset the quality deposit. When the agreed warranty period expires, the remaining quality deposit is returned to the construction party.

(XIII) Loans and prepayment issued**1. Loan**

Loan refers to the money in RMB lent to medium and small enterprise corporations, individual businessmen and individuals according to the market interest rate, the principal of which issued will be taken as the amount for initial recognition. The earnings of interest recognized during the holding of the loan shall be calculated according to actual interest rate, which will be determined when the loan is issued, and will remain unchanged during the holding of the loan or shorter period.

2. Reserve for loss of loan

In the end of every quarter, the Company will divide every unit loan into such five categories as normal, focused, secondary, suspicious and lost according to the quality of the credit assets and incorporate into daily credit management to carry out classified supervision.

The Company shall reasonably estimate possible loss that might arise from the loan to accrue reserve for loss of loan in time, which shall include general reserve and special reserve. General reserve is accrued according to certain percentage of the total balance of loan, used for compensating the reserve of potential loss not recognized. Special reserve is the provision accrued for compensating special loss according to the level of the loss of every loan after classifying the risks of the loan in light with the *Guiding Principles o Classification of Risks of Loan*.

The scope of provision of reserve for loss of loan comprises the assets to bear risks and losses, in details, including all kinds of small loans (including loan by mortgage, pledge, guarantee and credit, etc.) and bill discount, etc.

The Company shall withdraw general serve every quarter. The year-end balance of general reserve shall not be lower than 1% of the balance of the loan in the end of the year.

The Company shall withdraw special reserve per quarter according to the following percentages:

- (1) Normal loan: the percentage of provision is 1%;
- (2) Focused loan: the percentage of provision is 2%;
- (3) Secondary loan: the percentage of provision is 25%;
- (4) Suspicious loan: the percentage of provision is 50%;
- (5) Lost loan: the percentage of provision is 100%.

(XIV) Held-for-sale assets**1. Standards to recognize as held-for-sale**

The Company will recognize the components of the enterprise (or non-circulating assets) satisfying the following conditions at the same time as the held-for-sale part:

- (1) Such components can be sold immediately under current situations according to the conventional terms for selling such components;
- (2) The enterprise has made resolution on how to dispose such components. If approval shall be obtained from shareholders according to the stipulations, approval has been obtained from the General Meeting of Shareholders or relevant power authority;
- (3) The enterprise has signed irrevocable transfer agreement with the transferee;
- (4) This transfer will be completed within one year.

2. Accounting method for dividing to held-for-sale

The Company will adjust the estimated net residual value of the fixed asset held-for-sale to make its estimated residual value reflect the amount of its fair value minus the disposition cost, but shall not exceed the original book value of such fixed asset in compliance with the held-for-sale conditions. The balance between the original book value and the estimated net residual value (the former higher than the latter) shall be recognized in current profit or loss as assets impairment loss. No depreciation or amortization will be accrued for held-for-sale fixed asset, but will measurement will be carried out according to the lower between the book value and the net amount of fair value minus the disposition cost.

Other non-circulating assets including equity investment and intangible assets in compliance with the held-for-sale conditions shall be treated according to the aforesaid principles, but will not include deferred income tax assets, financial assets normalized by the contractual rights arising from *Enterprise Accounting Rules No. 22-Recognition and Measurement of Financial Instruments*, investment real estate and biological assets measured by fair value and contractual rights arising from insurance contract.

(XV) Long-term equity investment

1. Determination of initial investment cost

(1) Long-term equity investment formed by consolidation of enterprises. For specific accounting policies, please refer to Notes IV/v Accounting Treatment Methods of Consolidation of Enterprises under Same Control and Not under Same Control.

(2) Long-term equity investment obtained by other methods

Concerning the long-term equity investment obtained by paying cash, the purchasing price actually paid will be taken as initial investment cost, which includes costs, taxes and other necessary expenditures directly related with the acquisition of long-term equity investment.

Concerning the long-term equity investment obtained by issuing equity securities, the fair value of the equity securities issued shall be taken as the initial investment cost. Transaction cost arising from issuance or acquiring own equity tools, if can be directly attributed to equity transaction, can be deducted from equity.

Under the preconditions that the non-monetary assets exchange possesses commercial nature and the fair value of assets exchanged in or out can be reliably measured, the initial investment cost of long-term equity investment exchanged in by non-monetary assets shall be determined based on the fair value of assets exchanged out, unless there is solid evidence proving that the fair value of the assets exchanged in is more reliable. For the exchange of non-monetary assets not satisfying aforesaid preconditions, the book value of the assets exchanged out and relevant taxes payable shall be recognized as the initial investment cost of long-term equity investment exchanged in.

The initial investment cost of the long-term equity investment obtained by restructure of debts shall be determined based on fair value.

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The Company can adopt cost method to account the long-term equity investment controlled by the invested unit, and priced according to the investment cost, add or recover the investment and adjust the cost of long-term equity investment.

Except the cash dividends or profits included in the price or the consideration actually paid when acquiring the investment but not issued, the Company shall recognize the cash dividends or profits announced to distribute by the invested unit as the current investment earnings.

(2) Equity method

The Company adopts equity method to account the long-term equity investment to the affiliated business and jointly operated enterprise. For equity investment of the jointly operated enterprise indirectly held by similar subject including venture investment organization, joint fund, trust company or unit-linked insurance fund, fair value shall be adopted for measurement and the changes will be recognized in profit or loss.

For the balance between the initial investment cost of long-term equity investment higher than the identifiable net assets fair value of the invested unit at the time of investment, initial investment cost of long-term equity investment shall not be adjusted. The balance between the initial investment costs lower than the fair value shares of identifiable net assets of the invested unit at the time of investment shall be recognized in current profit or loss.

After the Company acquires long-term equity investment, according to the net profit or loss recognized by the invested unit to be enjoyed or shared and other comprehensive earnings, investment earnings and other comprehensive earnings shall be recognized respectively, meanwhile book value of long-term equity investment shall be adjusted. Moreover, according to the profits or cash dividends announced by the invested unit to be distributed, the part to be received will be calculated and book value of long-term equity investment shall be reduced accordingly. Concerning other changes in owner's equity of the invested unit apart from net profit or loss, other comprehensive earnings and profits distribution, book value of long-term equity investment shall be adjusted and incorporated into owner's rights and interests.

When recognizing the shares of net profit or loss of the invested unit to be received, based on the fair value of each identifiable asset of the invested unit at the time of acquiring the investment, recognition shall be made after adjusting the net profits of the invested unit. Profits and losses from internal transactions not realized between the Company and the joint ventures and jointly operated enterprises shall be amortized according to the part attributable to the Company that is calculated based on the percentage receivable, and on such basis investment profits and losses are recognized.

When the Company recognizing the losses of the invested unit to be shouldered, it shall be handled according to the following sequence: firstly, to write down the book value of the long-term equity investment; secondly, if the book value of long-term equity investment is not sufficient to write down, investment loss shall be recognized continuously based on the book value of long-term equity that has materially formed net investment to the invested unit, and write down the book value of long-term receivable items. At last, after aforesaid disposal, according to investment contract or agreement, if it is stipulated that the enterprise shall undertake extra obligations, estimated liabilities shall be recognized according to the estimated obligations for undertaking, incorporated into current investment loss.

If profits are realized by the invested unit in subsequent period, after the Company deducts the shares to be shouldered for the losses not recognized, the treatment shall be made according to reverse sequence as above mentioned. After writing down the book balance of estimated liabilities, recovering the long-term equity that actually forms net investment to the invested unit as well as the book value of long-term equity investment, investment earnings shall be recovered in recognition.

3. Conversion of accounting method for long-term equity investment

(1) Measurement of fair value changed to accounting by equity method

Concerning the equity investment on which accounting treatment is carried out held by the Company previously that has no control, joint control or significant influences on the invested unit according to the recognition as financial instruments and measurement rules, after increasing investment, if the Company is able to impose significant influences on the invested unit or performs joint control by not control, the total of the fair value of the equity investment held according to *Enterprise Accounting Rules No. 22-Recognition and Measurement of Financial Instruments* plus the newly increased investment cost shall be recognized as the initial investment cost accounted by equity method.

If the originally held equity investment is classified as available-for-sale financial asset, the balance between its fair value and book as well as the total fair value changes that were incorporate dint other comprehensive earnings shall be transferred to the current profit or loss accounted by equity method.

The book value of the long-term equity investment accounted by the balance between the initial investment cost accounted by equity method and the fair value of identifiable net assets of the invested unit on the date of increased investment determined by the new shareholding percentages after the increase of investment, and shall be incorporated into current non-operating revenue.

(2) Fair value measurement or equity method accounting changed to accounting by cost method

Concerning the equity investment held by the Company in the invested unit that the Company does not control, jointly control or generates significant influences accounted according to recognition of financial instruments and measurement rules, or due to the increase of investment in long-term equity investment held in any joint venture or jointly operated enterprise, the Company is able to perform control on the invested unit not under the same control, when individual financial statement is prepared, the total of the book value of the equity investment held previously and the newly increased investment cost will be recognized as initial investment cost accounted by cost method.

Concerning other comprehensive earnings recognized by adopting equity method on equity investment held before the date of acquisition, when such investment is disposed, accounting treatment shall be carried out according to the same basis as directly treatment of relevant assets or liabilities by the invested unit.

If the equity investment held before the date of acquisition encounters accounting treatment in accordance with relevant stipulations set out in *Enterprise Accounting Rules No. 22 - Recognition and Measurement of Financial Instruments*, total changes of fair value that was incorporated into other comprehensive earnings previously shall be transferred into current profit or loss when cost method is used for accounting.

(3) Accounting by equity method changed to measurement by fair value

If the Company loses it joint control or significant influence on the invested unit due to such reason as disposing part of the equity investment, the remaining equity shall be accounted according to *Enterprise Accounting Rules No. 22 - Recognition and Measurement of Financial Instruments*. The balance between the fair value and the book value on the date of losing joint control or significant influence shall be incorporated into current profit or loss.

Other comprehensive earnings recognized because of the adaptation of equipment method for the accounting of the original equity investment shall receive accounting treatment of the same basis as the invested unit directly treating relevant assets or liabilities when the use of equity method for accounting is terminated.

(4) Cost method changed to equity method

If the Company has lost the control over the invested unit due to such reasons as treating part of equity investment, when preparing individual financial statement, if the remaining equity after treatment can perform joint control or impose significant influences on the invested unit, equity method shall be used for the accounting, and adjustment shall be implemented as if the remaining equity has been accounted by using equity method since the acquisition.

(5) Cost method changed to measurement by fair value

If the Company has lost the control over the invested unit due to such reasons as treating part of equity investment, when preparing individual financial statement, if the remaining equity after treatment cannot perform joint control or impose significant influences on the invested unit, accounting treatment shall be changed to according to relevant stipulations set out in *Enterprise Accounting Rules No. 22 - Recognition and Measurement of Financial Instruments*. The balance between the fair value and the book value on the date of losing control shall be incorporated into current profit or loss.

4. Treatment on long-term equity investment

When treating long-term equity investment, the balance between its book value and the actually acquired price shall be incorporated into current profit or loss. Concerning long-term equity investment accounted by equity method, when treating such investment, the same basis used by the invested unit in directly treatment relevant assets or liabilities shall be adopted to carry out accounting treatment on the part that was incorporated into other comprehensive earnings according to relevant percentages.

When treating the equity investment to subsidiaries, if terms, conditions and economic influences of the transactions comply with one or several situations below, several transactions shall be taken as package deal to carry out accounting treatment:

- (1) These transactions are concluded at the same time or after mutual influences are considered.
- (2) The entirety of these transactions can reach a complete business result.
- (3) Occurrence of one transaction depends on at least one other transaction.
- (4) On transaction, separately seen, is not economic, but when being considered with other transactions, is economic.

If control over the previous subsidiary is lost due to treating part of equity investment or other reasons, it is not considered as package deal. Individual financial statement and consolidated financial statement shall be distinguished to carry out relevant accounting treatment.

(1) In individual financial statement, the balance between the book value and the actual acquisition price of the equity to be treated shall be incorporated into current profit or loss. If the remaining equity after treatment can implement joint control or impose significant influence on the invested unit, equity method shall be changed for accounting, and adjustment shall be made on the remaining equity as if it was accounted by equity method at the time of acquisition. If the remaining equity after treatment cannot implement joint control or impose significant influence on the invested unit, accounting treatment shall be carried out according to relevant stipulations set out in *Enterprise Accounting Rules No. 22 - Recognition and Measurement of Financial Instruments*. The balance between the fair value and the book value on the date of losing control shall be recognized in current profit or loss.

(2) In consolidated financial statement, for all the transactions before the loss of the control on the subsidy, capital surplus (share capital premium) shall be adjusted based on the balance between the disposition price and

the net assets shares enjoyable in the subsidiary that is calculated continuously since the date of purchase or consolidation. If the capital surplus is not sufficient to write down, retained earnings shall be adjusted. When the control over the subsidy is lost, the remaining equity shall be measured again according to the fair value on the date of losing the control. The balance obtained by total of consideration acquired by disposing equity and the fair value of remaining equity minus the net assets calculated continuously since the date of purchase of the subsidiary enjoyable as calculated according to the original shareholding percentage shall be incorporated into the investment earnings of the term in which the control is lost, meanwhile goodwill shall be written down. Other comprehensive earnings related with the equity investment of the previous subsidiary shall be transferred to be current investment earnings when the control is lost.

If the transactions from dealing with the equity investment to subsidiary until the loss of control belong to package deal, all transactions shall be taken as one transaction of disposing equity investment to the subsidiary and losing control for accounting treatment. Relevant accounting treatment shall be carried out in individual financial statement and consolidated financial statement:

(1) In individual financial statement, before the loss of control, the balance between the price of every disposal and the book value of long-term equity investment corresponding to the equity disposed shall be recognized as other comprehensive earnings, and will be transferred to losses and profits of the term in which the control is lost when the control is lost.

(2) In consolidated financial statements, the balance between the price of every disposal before the loss of control and the net assets shares held in the subsidiary corresponding to the disposal of investment shall be recognized as other comprehensive earnings, and will be transferred to losses and profits of the term in which the control is lost when the control is lost.

5. Standards to judge control joint and significant influences

If the Company controls some arrangement with other participants collectively according to relevant stipulations, and the decision on activity that generates significant influence on the return of such arrangement only exists upon consensus of all participants that share the control right, it will be regarded as the Company controls such arrangement jointly with other participants, and the arrangement belongs to jointly operated arrangement.

If jointly operated arrangement is achieved by single entity, according to relevant stipulations, if it is judged that the Company has right on the net assets of such single entity, the single entity shall be taken as joint venture, and equity method will be adopted for settlement. If according to relevant stipulations, it is judged that the Company has no right on the net assets of such single entity, such single entity shall be taken as jointly operating. The Company shall recognize the items that are related with the shares of the jointly operated interests, and carry out accounting treatment according to the stipulations set out in relevant enterprise accounting standards.

Significant influence refers that the investor has the power to participate in the decision-making of financial and operation policies of the invested unit, but cannot control or jointly control with other parties the formulation of these policies. The Company will judge the possession of significant influence on the invested unit through one or several situations below and comprehensively consideration of all facts and situations. (1) Has designated deputy in the Board of Directors or similar power authority in the invested unit; (2) Participates in the formulation of financial and operation policies of the invested unit; (3) Has important transactions with the invested unit; (4) Has dispatched management personnel to the invested unit; (5) Provides key technical files to the invested unit.

(XVI) Investment real estate

Investment real estate refers to the real estate held for earning rent or capital value adding or both, including the using right of the land leased, the land using right held for transfer after appreciation and the leased buildings.

Cost of investment real estate of the Company shall be taken as entry value. Cost of purchased investment real estate includes purchasing price, relevant taxes and other expenses that can be directly attributable to such asset. Cost of the investment real estate built will be composed by all necessary expenses to build such asset and those arising before the asset reach the estimated usable status.

The Company carries out follow-up measurement on investment real estate by adopting cost mode, and accrues depreciation or amortization on buildings and land using right according to estimated service life and net residual value rate. Estimated service life, net residual value rate and yearly depreciation (amortization) rate are shown below:

Type	Estimated service life (year)	Estimated net residual value rate	Yearly depreciation (amortization) rate
Buildings	20-40	5%	4.75%-2.38%

If the purpose of investment real estate is for own use, since the date of change, the Company converts such investment real estate to fixed asset or intangible asset. If the purpose of the real estate is changed to earning rent or capital value adding, since the date of change, the Company shall convert fixed asset or intangible asset to investment real estate. When conversion occurs, the book value before the conversion will be taken as the entry value after conversion.

When investment real estate is disposed or permanently exits from use, and is estimated that no economic interest will be gained from its disposal, the recognition on such investment real estate shall be terminated. The income of disposal of real estate, including selling, transferring, discarding or destroying the investment real estate minus its book value and relevant taxes shall be recognized in current profit or loss.

(XVII) Fixed asset

1. Conditions to recognize fixed assets

Fixed assets refer to intangible assets that are held for producing commodities, providing labors, renting or operation management with the service life over one fiscal year. Fixed asset will be recognized when satisfying the following conditions at the same time:

- (1) Economic interest related with such fixed assets might probably flow into the enterprise.
- (2) Cost of such fixed asset can be reliably measured.

2. Initial measurement of fixed assets

Initial measurement on the fixed assets of the Company will be carried out according to the cost, in which cost of fixed assets purchased include purchasing price and import tariff, etc. as well as other expenses arising in order to make the fixed assets reach estimated usable status that can be directly attributable to such assets. Cost of fixed asset built by the Company will be composed of necessary expenses to make the asset reach usable status. Value of fixed asset invested by the investor stipulated in the investment contract or agreement shall be taken as entry value, but if the price set out in the contract or agreement is not fair, it shall be accounted according to its fair value. If the price of fixed asset purchased exceeds normal credit conditions and is paid in extension, in fact possessing financing nature, the cost of fixed asset shall be determined based on the current value of purchasing price. The balance between the actually paid price and the current value of purchasing price, except to be capitalized, shall be recognized in current profit or loss in the credit period.

3. Follow-up measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed asset shall be accrued during the estimated service life according to the entry value minus the estimated net residual value. For fixed asset that impairment reserve has been provided, depreciation shall be determined according to the book value after the deduction of impairment reserve in the coming period as well as the years to be used.

According to nature and situation of use of fixed asset, the Company will determine the service life and estimated net residual value of the fixed asset. At the end of the year, the Company will recheck the service life, the estimated net residual value and the depreciation method of the fixed. If there is difference from the previously estimated amount, relevant adjustment shall be carried out.

Estimated service life, net residual value rate and yearly depreciation rate of different type of fixed assets are shown below:

Type	Depreciation method	Depreciation life (year)	Residual value rate (%)	Yearly depreciation rate (%)
Buildings and constructions	Straight-line depreciation method	20-40	5	4.75-2.38
Machines and equipment	Straight-line depreciation method	5-10	5	19.00-9.50
Electronic equipment	Straight-line depreciation method	5-10	5	19.00-9.50
Transportation equipment	Straight-line depreciation method	5-10	5	19.00-9.50
Other equipment	Straight-line depreciation method	5-10	5	19.00-9.50

(2) Subsequent expenditures of fixed assets

Subsequent expenditures related with fixed asset, if complies with the recognition conditions for fixed asset, shall be incorporated into the cost of fixed asset; if does not comply with the recognition conditions for fixed asset, shall be recognized in current profit or loss at the time of occurrence.

(3) Disposal of fixed asset

When a fixed asset cannot generate economic profits by disposal or by use as estimated, such fixed asset shall be terminated in recognition. The amount received by disposal of fixed asset, such as selling, transferring, discarding or destroying, minus its book value and relevant taxes shall be recognized in current profit or loss.

4. Recognition basis, pricing and depreciation method of fixed assets leased by financing

When fixed asset leased by the Company complies one or several standards set below, it shall be recognized as fixed asset leased in by financing:

(1) When the leasing period is expired, the ownership of the leased asset will be transferred to the Company.

(2) The Company has the option to purchase the leased asset. It is estimated that the purchasing price concluded will be far lower than the fair value of the leased asset at the time of exercising the option, therefore, it can be reasonably decided from the starting date of the lease that the Company will excise such option.

(3) Even if the ownership of asset will not be transferred, the leasing period accounts for most of the service life of the leased asset.

(4) The current value of the minimum leasing payment from the starting date of the lease is almost equal to the fair value of the leased asset when the lease starts.

(5) The nature of the leased asset is special. If no big renovation is made, it can only be used by the Company.

The lower between the fair value of the leased asset starting from the leasing date and the current value of the minimum leasing payment will be taken as the entry value of the fixed asset leased in by financing. The minimum leasing payment shall be taken as the entry value of long-term payable, and its balance shall be taken as the unrecognized financing cost. Initially direct expenses arising from the leasing negotiation and the signing of leasing contract attributable to leased items, including commission charge, lawyer fee, traveling cost and stamp tax shall be incorporated into the value of the leased asset. The leasing expenses not recognized will be amortized by using actual interest rate method during the period of leasing in installments.

The Company adopts depreciation policy consistent with the self-owned fixed assets to accrue depreciation of fixed assets leased in by financing. If it can be reasonably determined that the ownership of the leased asset can be acquired when the leasing period is expired, depreciation shall be accrued during the service life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired when the leasing period is expired, depreciation shall be accrued in the shorter period between the leasing period and the service life of the leased asset.

(XVIII) Construction in progress

1. Initial measurement of construction in progress

Construction in progress built by the Company shall be priced according to the actual cost, which will be composed of the necessary costs to build the asset and make it reach the estimated usable status, including material cost for the project, labor cost, relevant taxes paid, borrowing cost to be capitalized and indirect cost to be amortized.

2. Standard and time for construction in progress to be carried over to fixed asset

All costs of construction in progress arising to make such asset reach estimated usable status shall be taken as the entry value of the fixed asset. If the construction in progress built has reached the estimated usable status, but no completion settlement is done, from the date of reaching the usable status, according to engineering budget, construction cost or actual cost of the project, the construction in progress will be carried over to fixed asset according to the estimated value, and depreciation of fixed asset shall be accrued according to the Company's depreciation policy on fixed assets. After the completion settlement is done, the estimated value shall be adjusted according to the actual cost, but the depreciation accrued will not be adjusted.

(XIX) Borrowing costs

1. Recognition principles of capitalization of borrowing costs

Borrowing costs incurred by the Company, if can be directly attributable to the purchase, construction or production of asset in compliance with the capitalization conditions, will be capitalized upon satisfying the conditions of capitalization, and incorporated into costs of relevant assets. Other borrowing costs will be recognized as costs according to the accrual at the time of occurrence, and recognized in current profit or loss.

Assets in compliance with the capitalization conditions refer to fixed assets, investment real estate and inventory that can reach estimated usable or sellable status after quite long time of purchasing, construction or production activities.

Borrowing costs will be capitalized when satisfying the following conditions at the same time:

(1) Assets costs have occurred, which include the expenses arising from paying cash, transferring non-cash assets or bearing liabilities with interest in order to purchase, build or produce assets in compliance with the capitalization conditions.

(2) Borrowing costs have occurred.

(3) Necessary activities including purchasing, building or production to make the asset reach estimated usable or sellable status have been started.

2. Period of capitalization of borrowing costs

The capitalization period refers to the period from when the borrowing costs are capitalized to the stop of the capitalization. The suspended period of capitalization of borrowing costs are not included.

When the assets purchased, built or produced in compliance with the capitalization conditions reach estimated usable or sellable status, the capitalization of borrowing costs shall be stopped.

When part of the items in the assets purchased, built or produced in compliance with the capitalization are completed respectively and can be used separately, the capitalization of borrowing costs of such part of assets shall be stopped.

If the assets purchased, built or produced are completed in different parts, but can only be used or sold after the entire completion, the capitalization of borrowing costs shall be stopped when such assets are entirely completed.

3. Period of suspension of capitalization

If asset in compliance with capitalization conditions encounters abnormal suspension, and the suspension exceeds 3 months continuously during the process of purchase, construction or production, the capitalization of borrowing costs shall be suspended. If such suspension is necessary procedure to make the asset in compliance with capitalization conditions purchased, built or produced to reach usable or sellable status, capitalization of borrowing costs shall be continued. The borrowing costs arising during the suspension shall be recognized in current profit or loss until the activities of purchasing, building or production of asset are restarted, capitalization of borrowing costs shall be continued.

4. Calculation method for amount of capitalization of borrowing costs

Interest of special loan (minus the income of interest obtained by unused loan deposited in the bank or the investment earnings obtained by temporary investment) and its auxiliary costs shall be capitalized before the asset in compliance with the capitalization conditions purchased, built or produced reaches usable or sellable status.

Interest amount of general loan to be capitalized shall be calculated and determined by the weighted average of the accumulated asset expenditures exceeding special loan multiplying the capitalization rate of general loan occupied. Capitalization rate will be calculated and determined according to the weighted average interest rate of general loan.

If the loan has discount or premium, amount of discount or premium to be amortized in every accounting period shall be determined according to actual interest rate method, and amount of interest of every period shall be adjusted.

(XX) Intangible assets and development expenses

An intangible asset refers to an identifiable non-monetary asset without physical substance which is possessed or controlled by the Company, including purchased software and land use rights.

1. Initial measurement of intangible assets

The cost of the intangible assets purchased from outside includes purchase price money, relevant taxes and other expenses incurred due to putting such assets to the anticipated use that can be directly attributed to such assets. Where the price money of the purchased intangible assets is paid on a deferred basis within a term exceeding regular credit conditions and actually of a financing nature, the cost of the intangible assets is determined on the basis of the current value of the price money in purchase.

The entry value in the account of the fixed assets obtained from debtors for the repayment of liabilities in debt restructuring is determined on the basis of the fair value of the fixed assets. The difference between the book value of debt restructuring and the fair value of the fixed assets used for the repayment of liabilities is included in current profit and loss.

Under the premises that the non-monetary assets exchange is of commercial nature and that the fair value of the assets received and given out in the exchange can be measured reliably, the initial investment cost of the long-term equity investment received in non-monetary assets exchange is determined on the basis of the fair value of the assets given out, unless there are definite evidences that the fair value of the received assets is more reliable. For the non-monetary assets exchange that do not meet the above premises, the book value of the received assets and relevant taxes payable is taken as the cost of the long-term equity investment.

The recorded value in the account of the intangible assets obtained by the merger of the enterprises under the control of a same entity is determined according to the book value of the merged party. The recorded value in the account of the intangible assets obtained by the merger of the enterprises under the control of different entities is determined according to the fair value.

The cost of the intangible assets formed through internal R&D activities includes: the cost of materials and labor consumed in the development of such intangible assets, registration fee, the amortization of other patent rights and franchises used in the development process and the interests expenses that meet the conditions of capitalization, and other direct expenses incurred due to putting such intangible assets into the anticipated use.

2. Subsequent measurement of intangible assets

When the Company acquires intangible assets, the Company analyzes and determines the service life and classifies intangible assets into intangible assets with limited service life and intangible assets with uncertain service life.

(1) Intangible assets with limited service life

The intangible assets with limited service life are amortized based on straight-line method in the period when the assets bring economic benefits to the enterprise. The estimated service life and basis of intangible assets with limited service life are as follows:

Item	Estimated service life	Basis
Outsourced software	5	Benefit period
Land use right	50	Benefit period

At the end of each year, the service life and amortization method of intangible assets with limited service life are rechecked and an adjustment is made if the service life differs from the original estimated service life.

At the end of the current period, the service life and amortization method of the intangible assets are the same as the last year.

(2) Intangible assets with unlimited service life

If the period during which an intangible asset will bring economic benefits to an enterprise is unpredictable, the service life of such intangible asset is deemed as uncertain. Intangible assets with uncertain service life are not amortized during the holding period and the service life is reviewed at the end of each period. If the service life is still uncertain after review, the impairment test is performed in each accounting period.

3. Classification standards for research and development phases of R&D projects inside the Company

Research phase: a phase in which creative and planned investigation and research activities are carried out for the purpose of obtaining and understanding new scientific or technological knowledge.

Development phase: a phase in which research results or other knowledge, before being produced or used for commercial purposes, are applied in a certain plan or design for the purpose of producing materials, equipment and products that are new or feature substantial improvement.

The expenses for inside R&D projects in the research phase are included in current profit and loss when the expenses occur.

4. Standards for meeting the conditions of capitalization by research phase

The expenditure in the development phase of the research and development project can be recognized as intangible assets only when all the following conditions are met:

- (1) The completion of such intangible assets makes it usable or its sale technically feasible.
- (2) There is an intention to complete such intangible assets and use or sell it.
- (3) The way that the intangible assets generate economic interests can prove that the product using such intangible assets or the intangible assets itself have market. If the intangible assets are to be used internally, its usefulness is proved.
- (4) The Company has sufficient technical and financial resources and other resources to support the completion of the development of such intangible assets and the capacities to use or sell such intangible assets.
- (5) The expenditure attributed to the development stage of such intangible assets can be reliably measured.

The expenditure in the development phase not meeting the preceding conditions is recognized in current profit or loss when it is incurred. The development expenditure that is recognized in profit or loss of the previous year will not be identified as assets again in later years. The capitalized expenditure in the development phase is listed as development expenditure in the balance sheet and is converted into intangible assets from the date when it meets the expected purpose.

(XXI) Long-term impairment of assets

The Company determines whether any sign of possible impairment exists for long-term assets on the balance sheet date. If the sign of impairment exists for long-term assets, the recoverable amount of each asset is estimated. If the recoverable amount of each assets cannot be estimated, the recoverable amount of the asset group where the asset belong is determined based on the asset group.

The recoverable amount may be determined according to the higher one of the net value of the fair value of the assets minus the disposal expenses and the current value of the anticipated future cash flow of the assets.

If the measurement result of recoverable amount indicates that the recoverable amount of a long-term asset is lower than its book value, the book value of the long-term asset is written down to the recoverable amount. The write-down amount is identified as asset impairment loss and is recognized in current profit or loss and provision for asset impairment provision is made. Once the impairment loss of assets is recognized, the loss will not be reversed in later accounting periods.

At the same time, the corresponding assets impairment provision is accrued. After the recognition of assets impairment loss, corresponding adjustments are made in the future periods on the depreciation or amortized expenses of the impaired assets so that the adjusted book value of such assets (with the anticipated expected salvage value deducted) can be amortized systematically within the remaining service life.

The goodwill and intangible assets with uncertain service life, which are formed due to enterprise merger, are tested every year on whether the sign of impairment exists.

During impairment test of goodwill, the book value of goodwill can be amortized to the asset group or combination of asset groups that is expected to acquire synergistic benefit from business combination. When impairment test is performed for relevant asset groups or asset group combinations that include goodwill, for example, if the sign of impairment exists for asset groups or asset group combinations relevant to goodwill, the impairment test is first performed for the asset groups or asset group combinations that do not include goodwill and the recoverable amount is calculated and is compared with the relevant book value to recognize the corresponding impairment loss. Then the impairment test is first performed for the asset groups or asset group combinations that include goodwill and the book value (including the book value of amortized goodwill) of the relevant asset groups or asset group combinations is compared with the recoverable amount. If the recoverable amount of relevant asset groups or asset group combinations is lower than the book value, the impairment loss of goodwill is recognized.

(XXII) Long-term expenses to be amortized

1. Method of amortization

Long-term unamortized expenses refer to the expenses that have incurred at the Company but should be born in current period and later periods, where the amortization period is above one year. Long-term unamortized expenses shall be amortized based on direct method in the period of benefit.

2. Age limit of amortization

It is based on benefit period.

(XXIII) Payroll

Payroll refers to various remunerations and compensations provided by the Company for obtaining services provided by employees or for terminating the employment relationship. Payroll includes short-term remuneration, welfare after leave, dismissal welfare and other long-term employee's welfare.

1. Short-term payroll

Short-term remuneration refers to the payroll that needs to be paid completely within 12 months in the annual report period when employees provide relevant services, excluding welfare after leave and dismissal welfare. In the accounting period when employees provide services, the Company identifies short-term remuneration as

liabilities and includes it in relevant asset costs and fees according to the benefit objects of services provided by employees.

2. Post-employment welfare

The welfare after leave refers to the remuneration and welfare provided by the Company for obtaining services provided by employees or for terminating the employment relationship after employees have retired, excluding short-term remuneration and dismissal welfare. The welfare plan after dismissal of the Company is classified into the defined contribution plan and the defined benefit plan.

The welfare defined contribution plan aims to join the social basic endowment insurance and unemployment insurance organized and implemented by labor and social security agencies in various regions. In addition to social basic endowment insurance and unemployment insurance, employees can join the pension plan set by the Company at their own discretion. In the accounting period when employees provide the Company with services, the amount that shall be paid and deposited shall be identified as liabilities according to the defined contribution plan and is recognized in current profit or loss or relevant asset costs.

After making the preceding payment according to the national standard and pension plan, the Company shall no longer have any other payment obligation.

3. Dismissal welfare

Dismissal welfare refers to the compensation the Company gives to an employee for terminating the employment relationship with employee before the employment contract expires or for encouraging an employee to accept downsizing. It is a liability incurred by compensating an employee for terminating employment relationship with the employee when the Company cannot unilaterally withdraw the contract termination plan or downsizing suggestion, or when the Company confirms the costs related to restructuring that involves payment of dismissal welfare, whichever is earlier. Dismissal welfare is recognized in current profit or loss.

The Company provides early retirement welfare for the employees who accept early retirement. Early retirement welfare involves salary paid to and social insurance premiums paid for the employees who are permitted by the Company management to voluntarily leave office before state-specified retirement age. The Company pays early retirement welfare to early retired employees from the day the arrangement takes effect to the day the employees reach retirement age. The Company deals with early retirement welfare using the accounting method for dismissal welfare, namely when the conditions for dismissal welfare are met, recognizing the salary and social insurance premiums to be paid within the period from the day the employees leave office to the day the employees reach the retirement age as liabilities and including them in current profit or loss once. Actuarial analysis of early retirement welfare assumes that differences caused by changes and welfare standard adjustment are recognized in current profit or loss.

4. Other long-term employees' welfare

Other long-term employees' welfare refers to all other employees' welfare except short-term remuneration, welfare after leave and dismissal welfare.

For other long-term employees' welfare that meets conditions of the defined contribution plan, the amount that shall be paid and deposited shall be identified as liabilities in the accounting period and is recognized in current profit or loss or relevant asset costs; except other long-term employees' welfare in the preceding circumstance, an independent actuary sets the welfare generated by the defined benefit plan to the period in which employees provide services by using the method of expected accumulative welfare unit and includes it in current profit or loss or relevant asset costs.

(XXIV) Estimated liabilities**1. Recognition standards for estimated liabilities**

The obligations related to contingencies, which meet all the following conditions, are recognized by the Company as estimated liabilities.

The obligation is a current obligation undertaken by the Company;

The fulfillment of the obligation is very likely to cause an outflow of economic interests from the Company;

The amount of the obligation can be measured reliably.

2. Measurement method of estimated liabilities

Initial measurement is carried out to estimated liabilities of the Company according to the optimum estimation amount of the required expense when relevant obligations are fulfilled.

When determining the optimum estimation amount, the Company considers in a comprehensive way the factors related to contingencies like risks, uncertainties and time value of currency. Where there are great influences of time value of currency, the optimum estimation amount is determined after discounting relevant future cash flows.

The optimum estimation amount is determined according to different situations as follows:

Where there is a continuous range (or interval) of the required expense and different results in the range have same possibility to occur, the optimum estimation amount is determined according to the intermediate value of the range, i.e. the average of the maximal and the minimum amounts.

Where there is no continuous range (or interval) or there is a continuous range but different results have different possibilities to occur, if contingencies involve individual proceedings, the optimum estimation amount is the amount most likely to occur, and if contingencies involve several proceedings, the optimum estimation amount is determined according to various possible results and the calculation of relevant probabilities.

If all expenses or part of them, which are used by the Company for paying off estimated liabilities, are anticipated to be compensated by a third party and compensation amount is basically sure to be received, the compensation amount is recognized separately as an asset, which should not exceed the book value of the estimated liabilities.

(XXV) Share-based payment**1. Types of share-based payment**

The Company provides equity-settled and cash-settled share-based payment.

2. Recognition of the fair value of equity instruments

For equity instruments such as the granted option, which exist in the active market, the fair value is recognized according to their prices in the active market. For those not existing in the active market, their fair value is recognized by using the option pricing model, which should be selected in consideration of the following factors: a. option exercise price; b. option period; c. the current price of the underlying shares; d. the predicted fluctuation rate of the share price, e. the estimated dividend of the share; f. risk free rate in the option period; g. payment of shares of installment options

When determining the grant-date fair value of equity instruments, the Company shall take into account the influence of market conditions in vesting conditions and non-vesting conditions stipulated in the share-based payment agreement. Where a share-based payment has a non-vesting condition, the Company shall recognize

receipt of the corresponding service cost if employees or other parties satisfy all the non-market conditions (for example, service duration) in vesting conditions.

3. Basis of recognition of the best estimate of the number of vested equity instruments

On each balance sheet date in the vesting period, the Company shall make the best available estimate of the number of equity instruments expected to vest, and shall revise that estimate if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the Company shall revise the estimate to equal the number of equity instruments that ultimately vested.

4. Accounting treatment method

The Company shall measure the equity-settled share-based payment at the fair value of the granted employee equity instruments. If the equity instruments granted vest immediately, the Company shall include the grant-date fair value of equity instruments into related cost or expense, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the counterparty completes a specified period of service or achieves a performance condition in the vesting period, the Company shall include the service obtained in the current period into related cost or expense and capital reserved by reference to the grant-date fair value of equity instruments based on the best estimate of the number of vested equity instruments on each balance sheet date during the vesting period. The Company shall not adjust the confirmed cost or expense and total equity amount after the vesting date.

The case-settled share-based payment shall be measured by reference to the fair value of the Company's eligible liabilities which is calculated based on shares or other equity instruments. If the equity instruments granted vest immediately, the Company shall include the fair value of eligible liabilities in related cost or expense on the vesting date, with a corresponding increase in liabilities. For the cash-settled share-based payment where the granted options are not exercised until the counterparty completes a specified period of service or achieves a performance condition in the vesting period, the Company shall include the service obtained in the current period into related cost or expense and liabilities by reference to the grant-date fair value of liabilities, based on the best estimate of the number of vested equity instruments on each balance sheet date during the vesting period. The Company shall re-measure the fair value of its liabilities on each balance sheet date and settlement date before settlement of related liabilities, and include liability changes in current profit and loss.

If a grant of an equity instrument is canceled during the vesting period, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore include immediately the amount that would otherwise have been confirmed for services received over the remainder of the vesting period in the current profit and loss, and recognize capital reserve. If employees or other parties can but fail to satisfy non-vesting conditions in the vesting period, the Company shall account for the failure as a cancellation of the grant of the equity instrument.

(XXVI) Other financial instruments such as preferred stock and sustainable debt

Based on the rules of financial instruments, the Company classifies financial instruments or their components into financial liabilities or equity instruments during initial recognition according to the contract terms of financial instruments such as preferred stock and sustainable debt and economic essence they reflect rather than legal form, in combination with definitions of financial liabilities and equity instruments.

1. When one of the following conditions is met, the issued financial instrument is classified into financial liabilities:

(1) Contractual obligation to deliver cash or other financial assets to other parties;

- (2) Contractual obligation to exchange financial assets or financial liabilities under potential adverse conditions;
- (3) Non-derivative instrument contract that must or may use equity instruments of an enterprise for settlement in the future (the enterprise delivers a variable number of equity instruments according to the contract);
- (4) Derivative instrument contract that must or may use equity instruments of an enterprise for settlement in the future (except derivative instrument contracts that use a fixed number of equity instruments to exchange a fixed amount of cash or other financial assets).

2. When the following conditions are met at the same time, the issued financial instruments are classified into equity instruments:

- (1) The financial instruments do not include the contractual obligation to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities under potential adverse conditions;
- (2) For the financial instruments that must or may use equity instruments of an enterprise for settlement in the future, if the financial instruments are non-derivative instruments, the contractual obligation to deliver a variable number of equity instruments for settlement is not included; if the financial instruments are derivative instruments, the enterprise can only settle the financial instruments by exchanging a fixed number of equity instruments with the fixed amount of cash or other financial assets.

3. Accounting treatment method

For financial instruments that belong to equity instruments, the interest expenditure or dividend distribution shall be used as profits of the enterprise for distribution, the buy-back and write-off are treated as changes of equity, and transaction expenses such as handling charge and commission shall be deducted from the equity.

For financial instruments that belong to financial liabilities, the interest expenditure or dividend distribution shall be treated as borrowing costs in principle, the gain or loss generated due to buy-back or redemption are recognized in current profit or loss, and transaction expenses such as handling charge and commission are included in the initial amount of measurement of the issues instruments.

(XXVII) Income

1. Standards for recognition time of sales income

The realization of the income from the sale of commodities is recognized when the Company has already transferred the main risks and consideration in the ownership right of the commodities to the purchaser, the Company has not retained any further management right connected to the ownership right nor implement effective control over the sold commodities, the amount of the revenue can be reliably measured, relevant economic interests are likely to flow into the enterprise, and relevant costs incurred or to be incurred can be measured reliably.

The Company mainly runs the leasing business in the electronics market. It identifies received rental as rental income in the term of lease by using the method of line and the income of other business is recognized when the risk premium is transferred according to contract provisions.

The price of a contract or agreement is collected through deferral. In the case of actual financial nature, the amount of income from sales commodities shall be determined according to the fair value of the price of the contract or agreement.

2. Basis for recognition of income from transfer of asset use right

When economic interests relevant to transaction probably flow into the enterprise and the amount of income can be reliably measured, the amount of income from transfer of asset use right is determined in the following circumstances:

- (1) The amount of interest income is determined according to the time and actual interest rate of other people using the monetary fund of the enterprise.
- (2) The amount of the income from use fee is determined in accordance with the time and method of charges as agreed in relevant contract or agreement.

3. Recognition basis and method for income from rendering of services

Where the results of the labor services provided on the balance sheet date can be estimated reliably, the income from the provision of labor services is recognized with the completion percentage method. The completion progress of a labor service transaction is determined by survey of the work completed.

When the following conditions are met at the same time, the result of rendering of services can be reliably estimated:

- (1) The amount of income can be measured reliably;
- (2) Relevant economic interests are very likely to flow into the enterprise;
- (3) The completion progress of transactions can be reliably determined;
- (4) The costs that have been incurred or will be incurred in transactions can be reliably measured.

The total amount of the income from the provision of labor services is determined according to the price money received or receivable of a relevant contract or agreement, unless the price money received or receivable of a relevant contract or agreement is unfair. The labor services income of the current period is recognized on the balance sheet date according to the resulted amount of the total amount of income from provision of labor services times the completion percentage and deducted by the accumulative amount of the recognized income from provision of labor services in previous accounting periods. At the same time, the labor cost of the current period is carried forward according to the estimated total cost of the provision of labor services times the completion percentage and deducted by the accumulative amount of the recognized labor cost in previous accounting periods.

Where the results of the provision of labor services on the balance sheet date cannot be estimated reliably, such results are processed respectively according to the following conditions:

- (1) Where it is estimated that the labor services cost incurred can be compensated, the income from provision of labor services is recognized according to the amount of the labor services cost incurred and the same amount is transferred to the labor cost.
- (2) Where it is estimated that the labor services cost incurred cannot be compensated, the labor services cost incurred is included in current profit and loss and no income is recognized.

When the contracts or agreements between the Company and other companies involve commodity sales and labor service and these two parts can be differentiated from each other and can be separately measured, commodity sales and labor service are handled separately. If they cannot be differentiated from each other or they can be differentiated from each other but cannot be separately measured, both parts will be handled as commodity sales.

4. Recognition basis and method for income from construction contracts

(1) When the results of construction contracts can be reliably estimated, relevant income from contracts and costs of contracts are confirmed based on the method of completion percentage. The method of completion percentage refers to the method for confirming income from contracts and costs of contracts according to the completion progress of contracts. The completion progress of a contract is determined according to the ratio of actual accumulative cost of the contract to estimated total costs of the contract.

If the following conditions are met at the same time, the result of a fixed construction contract can be reliably estimated:

- 1) The total income from the contract can be reliably measured;
- 2) Economic interests relevant to the contract are very likely to flow into the enterprise;
- 3) The actual costs of the contract can be clearly distinguished and reliably measured;
- 4) The completion progress of the contract and the costs needed for completing the contract can be reliably determined.

If the following conditions are met at the same time, the result of a cost-plus contract can be reliably estimated:

- 1) Economic interests relevant to the contract are very likely to flow into the enterprise;
- 2) The actual costs of the contract can be clearly distinguished and reliably measured;

On the balance sheet date, the amount of total contractual income multiplied by the completion progress, deducting the accumulated confirmed income in the previous accounting period, is recognized as the current contractual income; the amount of estimated total contract cost multiplied by the completion progress, deducting the accumulative confirmed cost in the previous accounting period, is recognized as the current costs of contract. The change of contract engineering, claim and bonus is included in the total income of contract based on the amount that may be brought and can be reliably calculated.

(2) If the result of a construction contract cannot be reliably estimated, the contract is treated as follows:

- 1) If the contract cost can be recovered, the income from the contract is recognized according to the actual recovered contract cost and the contract cost is recognized as the current costs of contract.
- 2) If the contract cost cannot be recovered, the cost is immediately recognized as the costs of contract in the current period when the cost is incurred and the income from the contract is not recognized.
- (3) If the total cost of contract probably exceeds the total income from the contract, the expected loss is immediately recognized as costs.

5. Transfer of the assets with repurchase conditions

If the Company signs a repurchase agreement when selling products or transferring other assets, whether the products sold meet the conditions for income recognition is judged according to the articles of the agreement. If the repurchase is a financing transaction, the Company does not recognize sales income when delivering products or assets. If the repurchase price is higher than the selling price, interests are accrued for the difference during repurchase period and included in financial expenses.

(XXVIII) Government subsidies

1. Type

A government subsidy means the monetary or non-monetary assets obtained free by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise. Based on the

subsidy objects specified in relevant government documents, the subsidies are divided into subsidies relevant to assets and subsidies relevant to profits.

Subsidies relevant to assets refer to government subsidies acquired by the Company for the purposes of acquisition and construction or turned to long-term assets in other ways. Subsidies relevant to profits refer to government subsidies other than subsidies relevant to assets.

2. Recognition of government subsidies

If any evidence indicates that the Company can meet relevant conditions for financial support policies and is expected to obtain financial support fund at the end of the period, the government subsidy shall be recognized based on the amount receivable. In other cases, government subsidies shall be recognized at receipt.

Government subsidies that are monetary funds shall be measured based on the amount received or receivable. Government subsidies that are non-monetary funds shall be measured based on fair value. Where the fair value cannot be reliably calculated, the nominal amount (1 Yuan) is measured. Government subsidies that are measured by nominal amount shall be directly included in current profit and loss.

3. Accounting treatment method

The government subsidies relevant to assets are recognized as deferred income and are included in non-operating income according to the service life of the built or purchased assets;

The government subsidies related to profits, used to compensate relevant expenses or losses in later periods, are recognized as deferred profits when they are obtained; the subsidies, used to compensate relevant expenses or losses having occurred, are recognized as the current non-operating income when they are obtained.

If recognized government subsidies have to be returned and the balance of relevant deferred income exists, the book balance of relevant deferred income is offset and the excess part is included in the current profit and loss; when relevant deferred income does not exist, the government subsidies are directly included in the current profit and loss.

(XXIX) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognized according to the difference (temporary difference) between the taxable basis of the assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and liabilities are measured based on the tax rate applicable to the period when the assets are expected to be recovered or the liabilities are expected to be paid off.

1. Basis for recognition of deferred incomes tax assets

The Company confirms the deferred income tax assets generated due to deductible temporary difference based on the amount of taxable income that is probably obtained to deduct deductible temporary difference and can carry over deductible loss and tax deduction. However, the deferred income tax assets generated due to initial recognition of assets or liabilities in a transaction with the following features at the same time: (1) the transaction is not business merger; (2) the transaction does not affect the accounting profit, taxable income or deductible loss.

For the deductible temporary difference relevant to investment of joint ventures, when the following conditions are met at the same time, corresponding deferred income tax assets are confirmed; the temporary difference is probably reversed in the foreseeable future and taxable income used to deduct the deductible temporary difference will probably be obtained in the future.

2. Basis for recognition of deferred income tax liabilities

The temporary difference between the tax payable but unpaid in the current period and that in previous periods is recognized by the Company as deferred income tax liabilities, excluding:

- (1) Temporary difference formed due to initial confirmation of goodwill;
- (2) Transaction or matter formed due to factors rather than business merger (the transaction or matter does not affect the accounting profit or the temporary difference formed due to taxable income or deductible loss);
- (3) For the taxable temporary difference relevant to investment of subsidiaries and joint ventures, the reversal time of the temporary difference can be controlled and may not be reversed in the foreseeable future.

3. The balance between deferred income tax assets and deferred tax income liabilities is listed if the following conditions are met at the same time.

- (1) The entity has the legal right to settle the current tax income assets against current income tax liabilities; and
- (2) The deferred income tax assets and deferred tax income liabilities are relevant to income taxes levied by common taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(XXX) Lease

If the lease terms essentially transfer all risks and gains related to the ownership of the leased asset to the lessee, such lease is finance lease while other leases are operating lease.

1. Accounting treatment of operating lease

(1) The rental fee paid by the Company for rented assets is apportioned by the straight-line method in the whole lease term including the rent-free period and included in current expenses. The initial direct expenses related to lease transactions, paid by the Company, are included in current expenses.

In case that the lessor undertakes the lease-related expenses that shall be undertaken by the Company, the Company shall deduct such expenses from the total rental fee and the rental fee after deduction is apportioned in the lease term and included in current expenses.

(2) The rental fee received by the Company from leasing of assets is apportioned by the straight-line method in the whole lease term including the rent-free period and included in the lease income. The initial direct expenses related to lease transactions, paid by the Company, are included in current expenses. Those with significant amounts are capitalized and included in current profit in the whole lease term on the same basis for recognition of the lease income.

In case that the Company undertakes the lease-related expenses which shall be undertaken by the lessee, the Company shall deduct the expenses from the total lease income and the lease expenses after deduction are allocated in the lease term.

2. Accounting treatment of financing lease

(1) Assets leased under financing lease: The lower one between the fair value of rented assets and the minimum lease payment is treated as the recording value of the rented assets, the minimum lease payment as the recording value of long-term accounts payable, and the difference between the two as financing expenses yet to be recognized. For details of the determination basis, valuation method and depreciation method of fixed assets under financing lease, see "Note IV (17) Fixed Assets".

The financing expenses yet to be recognized are apportioned by the Company by the actual interest rate method in the lease term of the assets and included in accounting expenses.

(2) Assets rented under financing lease: The difference between the total residual value, without guarantee, of the financing lease payment receivable and the current value is recognized by the Company on the lease-beginning date as financing profits yet to be realized and as the lease income in future lease periods. The initial direct expenses related to lease transactions are included in the initial measurement of financing lease payment receivable and the amount of profits recognized in the lease term is reduced.

(XXXI) Other significant accounting policies, accounting estimates, and preparation method of financial statements

1. Termination of business

A constituent part that meets any of the following conditions and have been disposed of or classified as held-for-sale and can be separately presented in operation or financial statements is recognized as a constituent part of discontinuation.

- (1) The constituent part stands for an independent main business or a major business area.
- (2) The constituent part is part of the plan intended to dispose of an independent main business or a major business area.
- (3) The constituent part is a subsidiary acquired solely for the purpose of re-sale.

(XXXII) Changes of main accounting policies and accounting estimates

1. Changes of accounting policies

No change was made to main accounting estimates in the current report period.

2. Changes of accounting estimates

No change was made to main accounting estimates in the current report period.

V. Notes to change in items presented in financial statements

The Ministry of Finance issued the *VAT Accounting Treatment Rules* (C. K. [2016] No. 22) on December 3, 2016.

According to the *VAT Accounting Treatment Rules*, after the program of replacing business tax with value-added tax is put into trial implementation, "business tax and surtax" is changed to "tax and surtax", relating to the accounting of the consumption tax, urban maintenance and construction tax, resource tax, educational surtax, property tax, land use tax, travel tax, and stamp duty incurred by business operation; the "business tax and surtax" in the profit statement is changed to "tax and surtax".

As specified in the *VAT Accounting Treatment Rules*, the closing debit balance of "VAT payable", "unpaid VAT", "input tax to be deducted", "input tax to be certified", and "excess VAT paid" under the "tax payable" item shall be presented in "other current assets" or "other non-current assets" of the balance sheet statement as the case may be; the closing debit balance of "tax payable-output tax to be transferred" shall be presented in "other current liabilities" or "other non-current liabilities" of the balance sheet statement as the case may be.

In accordance with the *VAT Accounting Treatment Rules*, the Company has adjusted the amount of affected items in the financial statements, such as assets, liabilities, profit and loss arising from transactions from May 1, 2016 to the implementation of the Rules. The property tax, land use tax, travel tax, and stamp duty incurred after May 1, 2016 are adjusted from "management fee" to "tax and surtax" RMB 4,775,904.89; the amount of transactions

occurring from January 1 to April 30, 2016 is not subject to retroactive adjustment; financial statements (2016) in the comparable period are not subject to retroactive adjustment.

VI. Taxes

(I) Main tax types and tax rates imposed on the Company

Tax category	Basis	Tax rate (%)
Value-added tax	Sales of goods, taxable sales and service income, intangible assets or real estate	5%, 6%, 11%, 17%
Business tax	Taxable turnover before the program of replacing business tax with value-added tax	5%
Urban maintenance and construction tax	Paid-in turnover tax payable	7%
Educational surtax	Paid-in turnover tax payable	3%
Local educational surtax	Paid-in turnover tax payable	2%
Enterprise income tax	Taxable income	15%, 25%
Property tax	70% of the original value of the property (or rental income) as the taxation basis	1.2%, 12%

1. Notes to income tax rate for different tax payers:

Name of tax payer	Income tax rate
Xi'an SEG Electronics Market Co., Ltd.	15%
Xi'an Hairong SEG Electronics Market Co., Ltd.	15%

2. Individual income tax

The individual income tax of the staff is withheld by the Company.

(II) Tax preference policy and basis

According to the confirmation letter (S. F. G. C. Y. Q. R. H. [2014] No. 134 issued by Shaanxi Provincial Development and Reform Commission, Xi'an SEG Electronics Market Co., Ltd., a subsidiary of the Company, is engaged in projects encouraged by the nation and complies with the corporate income tax preference policy for development of the west regions. Therefore, the corporate income tax shall be paid at the rate of 15%.

According to the confirmation letter (S. F. G. C. Y. Q. R. H. [2015] No. 042 issued by Shaanxi Provincial Development and Reform Commission, Xi'an Hairong SEG Electronics Market Co., Ltd., a subsidiary of the Company, is engaged in projects encouraged by the nation and complies with the corporate income tax preference policy for development of the west regions. Therefore, the corporate income tax shall be paid at the rate of 15%.

Excluding the foregoing two subsidiaries, the income tax rates of other subsidiaries are 25%.

VII. Notes to Main Items of the Consolidated Financial Statements

(Unless specifically noted, the following unit of the amount is RMB Yuan)

Note 1 Monetary funds

Item	Closing balance	Opening balance
Cash on hand	568,293.43	526,467.72

Item	Closing balance	Opening balance
Bank deposit	168,548,637.23	274,816,839.04
Other monetary capital	13,977,885.18	1,520,122.34
Total	183,094,815.84	276,863,429.10

Details of other restricted monetary fund:

Item	Closing balance	Opening balance
Performance bond	3,600,000.00	340,000.00
Cash deposit for credit card repayment		1,000,000.00
Total	3,600,000.00	1,340,000.00

Note 2 Loans to other banks

Item	Closing balance	Opening balance
Loans to interbank	40,000,000.00	40,000,000.00
Less: impairment provision	---	---
Total	40,000,000.00	40,000,000.00

Note 3 Notes receivable**1. Types of notes receivable**

Item	Closing balance	Opening balance
Bank's acceptance bill	100,792.00	---
Commercial acceptance bill	-	---
Total	100,792.00	---

2. The Company has no pledged notes receivable at the end of the period.

3. The Company has no notes receivable endorsed or discounted and not due on the balance sheet date at the end of the period.

4. The Company has no notes that were transferred to accounts receivable due to default by the biller at the end of the period.

Note 4 Accounts receivable**1. Accounts receivable disclosed by type**

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with single significant amount and single bad debt provision	3,092,011.09	4.98	3,092,011.09	100.00	-
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	51,089,626.92	82.24	219,081.20	0.43	50,870,545.72

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with no single significant amount but with single provision for bad debts	7,937,897.42	12.78	7,937,897.42	100.00	-
Total	62,119,535.43	100.00	11,248,989.71	18.11	50,870,545.72

Continued:

Type	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with single significant amount and single bad debt provision	---	---	---	---	---
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	98,238,596.47	89.91	26,173.60	0.03	98,212,422.87
Accounts receivable with no single significant amount but with single provision for bad debts	11,029,908.51	10.09	11,029,908.51	100	---
Total	109,268,504.98	100.00	11,056,082.11	10.12	98,212,422.87

Notes to types of accounts receivable:

(1) Accounts receivable with single significant amount and single provision for bad debts at the end of the period

Name of company	Closing balance			Reason for provision
	Accounts receivable	Bad debt provision	Proportion of provision (%)	
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00	Unable to be recovered for aging of over 5 years
Total	3,092,011.09	3,092,011.09	100.00	--

(2) Accounts receivable with no single significant amount but with single provision for bad debts at the end of the period

Name of company	Closing balance			Reason for provision
	Accounts receivable	Bad debt provision	Proportion of provision (%)	
Shenzhen Shuangxionghui Industrial Co., Ltd	2,160,725.63	2,160,725.63	100.00	Unable to be recovered for aging of over 5 years

Name of company	Closing balance			Reason for provision
	Accounts receivable	Bad debt provision	Proportion of provision (%)	
Shenzhen LiYuanshun Industrial Co., Ltd.	1,906,865.35	1,906,865.35	100.00	Unable to be recovered for aging of over 5 years
Zhejiang Financial Information Co., Ltd	786,000.00	786,000.00	100.00	Unable to be recovered for aging of over 5 years
Shanghai Tianci Industrial Co., Ltd.	899,000.00	899,000.00	100.00	Unable to be recovered for aging of over 5 years
Other companies	2,185,306.44	2,185,306.44	100.00	Unable to be recovered for long aging
Total	7,937,897.42	7,937,897.42	100.00	-

(3) Accounts receivable in combinations with bad debt provision accrued by the aging analysis method

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Less than one year	47,231,474.91	-	---
1-2 years	3,334,680.01	166,734.00	5.00
2-3 years	523,472.00	52,347.20	10.00
Over 3 years	---	---	---
Total	51,089,626.92	219,081.20	0.43

2. Accrual, recovery and writing back of current bad debt provision

The accrual amount of current bad debt provision is RMB 192,907.60.

3. No accounts receivable are written off in the current period.**4. Accounts receivable with top 5 closing balance collected based on debtors**

Name of company	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Xinjiang Zhongdi Communication Equipment Co., Ltd.	13,241,726.56	21.32	---
Shenzhen Runneng Digital Co., Ltd.	9,449,393.38	15.21	---
Shenzhen Wonder Industry Co., Ltd.	7,785,736.82	12.53	---
Shenzhen Comnet Technology Co., Ltd.	4,267,709.73	6.87	---
Jiangsu Unicom	3,092,011.09	4.98	3,092,011.09
Total	37,836,577.58	60.91	3,092,011.09

5. There are no accounts receivable with its recognition terminated due to transfer of financial assets in the current period.**6. There are no assets and liabilities due to transfer or increase of accounts receivable in the current period.**

Note 5 Prepayment**1. Prepayment listed by aging**

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than one year	47,042,217.82	99.27	129,044,887.26	100.00
1-2 years	344,786.20	0.73	---	---
2-3 years	---	---	---	---
Over 3 years	---	---	---	---
Total	47,387,004.02	100.00	129,044,887.26	100.00

2. Prepayment with top 5 closing balance collected based on prepayment payers

Name of company	Period-end amount	Percentage in the total amount of accounts receivable (%)	Prepayment date	Reason for non-settlement
Xi'an Gaoke (Group) New West China Industrial Development Co., Ltd	20,000,000.00	42.21	Less than one year	Prepaid rental for 2017
Telling Telecommunication Holding Co., Ltd.	15,239,668.97	32.16	Less than one year	Prepayment for goods
Hunan Beilong Digital Technology Co., Ltd.	4,139,237.00	8.73	Less than one year	Prepayment for goods
Shenzhen Youyou Communication Equipment Co., Ltd.	1,911,048.71	4.03	Less than one year	Prepayment for goods
Hubei Songlian Dingsheng Technology Co., Ltd.	1,176,573.85	2.48	Less than one year	Prepayment for goods
Total	42,466,528.53	89.61	-	-

Note 6 Other accounts receivable**1. Other receivables disclosed by type**

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other accounts receivable with single significant amount and single bad debt provision	20,131,835.38	20.97	20,131,835.38	100.00	-
Other accounts receivable with bad debt provision accrued based on credit risk feature combinations	63,841,785.75	66.50	658,172.79	1.03	63,183,612.96
Other accounts receivable with no single significant amount but with single provision for bad debts	12,033,969.53	12.53	12,033,969.53	100.00	-

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Total	96,007,590.66	100.00	32,823,977.70	34.19	63,183,612.96

Continued:

Type	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other accounts receivable with single significant amount and single bad debt provision	14,434,547.87	24.12	14,434,547.87	100	---
Other accounts receivable with bad debt provision accrued based on credit risk feature combinations	27,674,049.48	46.25	321,265.15	1.16	27,352,784.33
Other accounts receivable with no single significant amount but with single provision for bad debts	17,731,257.04	29.63	17,731,257.04	100	---
Total	59,839,854.39	100	32,487,070.06	54.29	27,352,784.33

Notes to types of other accounts receivable:

(1) Other accounts receivable with single significant amount and single bad debt provision at the end of the period

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Yangjiang Yuntong Grease Co., Ltd.	8,530,276.35	8,530,276.35	100.00	Unable to be recovered for aging of over 5 years
Creditor's right transferred in by SEG Communications	5,904,271.52	5,904,271.52	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Lianjing Trade Co., Ltd.	5,697,287.51	5,697,287.51	100.00	Unable to be recovered for aging of over 5 years
Total	20,131,835.38	20,131,835.38	100.00	-

(2) Other accounts receivable with no single significant amount but with single provision for bad debts at the end of the period

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Shenzhen Tuopu Industrial Co., Ltd.	3,281,387.96	3,281,387.96	100.00	Unable to be recovered for aging of over 5 years

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Yunsen Trade Co., Ltd.	1,668,343.74	1,668,343.74	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Shoujia Industrial Development Co., Ltd.	1,611,184.04	1,611,184.04	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Jimeng Industrial Development Co., Ltd.	1,358,912.37	1,358,912.37	100.00	Unable to be recovered for aging of over 5 years
Shenzhen SEG Xinlide Intelligent System Engineering Co., Ltd.	690,082.80	690,082.80	100.00	Unable to be recovered for aging of over 5 years
Shanghai subsidiary	659,224.00	659,224.00	100.00	Unable to be recovered for aging of over 5 years
SEG Orient Industrial Development Co., Ltd.	443,910.00	443,910.00	100.00	Unable to be recovered for aging of over 5 years
Shenzhen SEG Xinlide Intelligent System Engineering Co., Ltd.	349,061.35	349,061.35	100.00	Unable to be recovered for long aging
Shenzhen Jamei scientific Equipment Co., Ltd.	282,812.53	282,812.53	100.00	Unable to be recovered for aging of over 5 years
Dongguan Changan Hongfa	231,920.00	231,920.00	100.00	Unable to be recovered for aging of over 5 years
Other 19 companies	1,457,130.74	1,457,130.74	100.00	Unable to be recovered for aging of over 5 years
Total	12,033,969.53	12,033,969.53	-	-

(3) Other accounts receivable in combinations with bad debt provision accrued by the aging analysis method

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Proportion of provision (%)
Less than one year	38,058,980.61	-	---
1-2 years	395,699.67	19,784.99	5.00
2-3 years	6,308,560.50	630,856.05	10.00
Over 3 years	37,658.75	7,531.75	20.00
Total	44,800,899.53	658,172.79	1.47

(4) Other accounts receivable in Combination 2 except for that withdrawn according to aging analysis method are mainly deposit, security deposit, and account with related parties.

2. Accrual, recovery and writing back of current bad debt provision

The amount of the current accrued bad debt provision is RMB 336,907.64.

3. No other accounts receivable are written off in the current period.**4. Classification of other receivables by nature**

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

Item	Closing balance	Opening balance
Creditor's right transfer cost	30,907,913.14	32,165,804.91
Imprest	1,242,431.61	831,185.54
Deposit and security deposit	34,040,886.22	23,342,863.94
Transfer-in of prepaid rental from Zongheng International	17,500,000.00	
Others	12,316,359.69	3,500,000.00
Total	96,007,590.66	59,839,854.39

5. Other accounts receivable with top 5 closing balance collected based on debtors

Name of company	Nature of receivables	Closing balance	Aging	Percentage in the total amount of other accounts receivable (%)	Bad debt provision Closing balance
Zongheng International Electronic Expo City (Suzhou) Co., Ltd.	Prepaid rental and deposit	22,487,500.00	Less than one year and over 5 years	23.42	-
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	8.89	8,530,276.35
Nantong Construction Engineering Administration	Salary deposit for peasant workers	6,200,000.00	2-3 years	6.46	620,000.00
Creditor's right transferred in by SEG Communications	Debt restructuring of SEG Communications	5,904,271.52	Over 5 years	6.15	5,904,271.52
Shenzhen Lianjing Trade Co., Ltd.	Creditor's incomings and outgoings	5,697,287.51	Over 5 years	5.93	5,697,287.51
Total		48,819,335.38		50.85	20,751,835.38

6. There are no items involving government subsidies in the current period.

7. There are no other accounts receivable with its recognition terminated due to transfer of financial assets in the current period.

8. There are no assets and liabilities due to transfer or increase of other accounts receivable in the current period.

Note 7 Inventory

1. Classification of inventory

Item	Closing balance			Opening balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	17,523.81	---	17,523.81	149,186.66	---	149,186.66

Item	Closing balance			Opening balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Commodity stock	4,599,633.46	---	4,599,633.46	1,579,916.40	---	1,579,916.40
Low-value consumables	216,734.06	---	216,734.06	222,080.75	---	222,080.75
Development cost	---	---	---	448,858,750.91	---	448,858,750.91
Development product	597,264,847.59	---	597,264,847.59	---	---	---
Total	602,098,738.92	---	602,098,738.92	450,809,934.72	---	450,809,934.72

2. Notes to capitalization amount of borrowing costs included in closing balance of inventory

Inventory item name	Opening balance	Increase in the current period	Decrease in the current period		Closing balance	Capitalization rate of capitalization amount recognized in the current period (%)
			Decrease in sales	Others		
Nantong SEG Times Plaza	13,915,097.17	8,741,475.31	---	---	22,656,572.48	4.59
Total	13,915,097.17	8,741,475.31	---	---	22,656,572.48	

3. Development cost

Project name	Commencement time	Expected completion date	Expected investment amount	Closing balance	Opening balance
Nantong SEG Times Plaza	2013. 05	2016. 06	0.7 billion	---	448,858,750.91
Total	---	---	---	---	448,858,750.91

4. Development product

Project name	Completion time	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Nantong SEG Times Plaza	2016. 06	---	597,264,847.59	---	597,264,847.59
Total		---	597,264,847.59	---	597,264,847.59

Note 8. Other current assets

Item	Closing balance	Opening balance
Bank financial products	266,500,000.00	259,831,270.00
Tax to be deducted and withheld	350,217.26	79,402,305.52

Item	Closing balance	Opening balance
Prepaid tax	961,125.63	
Others	258,544.69	196,844.22
Total	268,069,887.58	339,430,419.74

Note 9 Loans and prepayment issued

1. Loans and prepayment issued

Item	Closing balance	Opening balance
Loan principal	487,312,682.37	486,435,059.77
Advance	---	---
Less: Impairment provision for loans and prepayment	6,907,523.92	10,914,237.69
Total	480,405,158.45	475,520,822.08

Note 10 Available-for-sale financial assets

1. Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instruments	---	---	---	---	---	---
Available-for-sale equity instruments	---	---	---	---	---	---
Measured by fair value	683,290.58	---	683,290.58	744,580.41	---	744,580.41
Measured by cost	33,810,392.83	15,000.00	33,795,392.83	33,810,392.83	15,000.00	33,795,392.83
Others	---	---	---	---	---	---
Total	34,493,683.41	15,000.00	34,478,683.41	34,554,973.24	15,000.00	34,539,973.24

2. Available-for-sale financial assets measured by fair value at the end of the period

Classification	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Cost of equity instruments/amortized cost of debt instruments	90,405.00	---	---	90,405.00
Accumulative changes in fair value included in other comprehensive income	592,885.58	---	---	592,885.58
Less: Accrued impairment amount	---	---	---	---
Fair value	683,290.58	---	---	683,290.58

3. Equity instruments measured by cost at the end of the period

Invested organization	Shareholding proportion (%)	Book balance			Closing balance
		Opening balance	Increase in the current period	Decrease in the current period	
Kashgar Shenzhen City Co., Ltd.	3.03	20,000,000.00	---	---	20,000,000.00
Shenzhen SEG GPS Scientific Navigations Co., Ltd.	11.38	13,515,392.83	---	---	13,515,392.83
Nanjing Shangsha Co., Ltd	0.68	280,000.00	---	---	280,000.00
Anshan Yibai Co., Ltd	---	15,000.00	---	---	15,000.00
Total		33,810,392.83	---	---	33,810,392.83

Continued:

Invested organization	Impairment provision				Cash dividends of the current period
	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	
Kashgar Shenzhen City Co., Ltd.	-	-	-	-	-
Shenzhen SEG GPS Scientific Navigations Co., Ltd.	-	-	-	-	-
Nanjing Shangsha Co., Ltd	-	-	-	-	-
Anshan Yibai Co., Ltd	15,000.00	-	-	15,000.00	-
Total	15,000.00	-	-	15,000.00	-

4. Loss from impairment of available-for-sale financial assets in the current report period

Available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Accrued impairment provision at the beginning of period	15,000.00	-	-	15,000.00
Provision of the year	-	-	-	-
Including: Transfer in Other comprehensive income	-	-	-	-
Decrease in the year	-	-	-	-
Including: Writing back due to recovery of fair value at the end of the period	-	-	-	-
Accrued impairment provision at the end of the period	15,000.00	-	-	15,000.00

Note 11 Long-term equity investment

Invested organization	Opening balance	Increase/Decrease of the year
-----------------------	-----------------	-------------------------------

		Additional investment	Negative investment	Investment profit and loss recognized with the equity method	Adjustment of other comprehensive income
I. Associates	---	---	---	---	---
Shanghai SEG Electronics Market Co., Ltd.	3,379,412.81	---	---	172,145.25	---
Shenzhen Huakong SEG Co., Ltd.	181,743,161.07	---	-9,086,648.37	1,895,383.08	178.21
Shenzhen International Consumer Electronics Exhibition/Exchange Center	---	9,000,000.00	---	-2,454,587.38	---
Total	185,122,573.88	9,000,000.00	-9,086,648.37	-387,059.05	178.21

Continued:

Invested organization	Increase/Decrease of the year				Closing balance	Closing balance of impairment provision
	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
I. Associates	---	---	---	---	---	---
Shanghai SEG Electronics Market Co., Ltd.	---	-1,000,000.00	---	---	2,551,558.06	---
Shenzhen Huakong SEG Co., Ltd.	---	---	---	---	174,552,073.99	---
Shenzhen International Consumer Electronics Exhibition/Exchange Center	---	---	---	---	6,545,412.62	---
Total	---	-1,000,000.00	---	---	183,649,044.67	---

Note 12 Investment properties

1. Details of investment properties

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	718,281,629.05	5,237,512.49	---	723,519,141.54
2. Increase in the current period	---	---	---	---
Outsourcing	---	---	---	---
Transfer-in of inventory/fixed assets/construction in progress	---	---	---	---
Consolidation of enterprises not under the same control	---	---	---	---

Item	Houses and buildings	Land use right	Construction in progress	Total
Capital invested by shareholders	---	---	---	---
Increase for other reasons	---	---	---	---
3. Decrease in the current period	---	---	---	---
Disposal	---	---	---	---
Disposal of subsidiaries	---	---	---	---
Decrease for other reasons	---	---	---	---
4. Closing balance	718,281,629.05	5,237,512.49	-	723,519,141.54
II. Accumulated depreciation (amortization)				
1. Opening balance	277,694,588.74	1,972,826.40		279,667,415.14
2. Increase in the current period	18,561,357.93	120,599.85	-	18,681,957.78
Accrual in the current period	18,561,357.93	120,599.85		18,681,957.78
Consolidation of enterprises not under the same control	---	---	---	---
Capital invested by shareholders	---	---	---	---
Increase for other reasons	---	---	---	---
3. Decrease in the current period	---	---	---	---
Disposal	---	---	---	---
Disposal of subsidiaries	---	---	---	---
Decrease for other reasons	---	---	---	---
4. Closing balance	296,255,946.67	2,093,426.25	-	298,349,372.92
III. Impairment provision				
1. Opening balance	---	---	---	---
2. Increase in the current period	---	---	---	---
Accrual in the current period	---	---	---	---
Consolidation of enterprises not under the same control	---	---	---	---

Item	Houses and buildings	Land use right	Construction in progress	Total
Increase for other reasons	---	---	---	---
3. Decrease in the current period	---	---	---	---
Disposal	---	---	---	---
Disposal of subsidiaries	---	---	---	---
Decrease for other reasons	---	---	---	---
4. Closing balance	---	---	---	---
IV. Book value				
1. Closing book value	422,025,682.38	3,144,086.24	---	425,169,768.62
2. Opening book value	440,587,040.31	3,264,686.09	---	443,851,726.40

2. Details of investment properties

Owner of investment property	Investment property project	Net value of investment property
Shenzhen SEG Co., Ltd.	F2, F4 and F5 of SEG Plaza	222,339,172.95
Shenzhen SEG Co., Ltd.	Some floors of Contemporary Window	49,942,717.21
Shenzhen SEG Co., Ltd.	Other houses	1,598,859.14
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Blocks A and B of Baohua Building	32,166,007.03
Shenzhen SEG Industrial Investment Co., Ltd.	Some floors of Contemporary Window	2,608,194.64
Changsha SEG Development Co., Ltd.	Changsha SEG	116,514,817.65
Total		425,169,768.62

Note 13 Original value and accumulated depreciation of fixed assets

1. Details of fixed assets

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
I. Original book value	---	---	---	---	---
1. Opening balance	35,694,847.73	63,181,867.33	5,470,881.82	3,717,659.88	108,065,256.76
2. Increase in the current period	-	5,787,713.18	238,989.74	1,028,668.38	7,055,371.30
Purchase	---	5,461,703.05	238,989.74	1,028,668.38	6,729,361.17
Transfer-in of construction in progress	---	326,010.13	---	---	326,010.13
Increase due to business merger	---	---	---	---	---

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
Capital invested by shareholders	---	---	---	---	---
Financial leasing	---	---	---	---	---
Other transfer-in	---	---	---	---	---
3. Decrease in the current period	-	7,202,272.12	611,858.00	20,900.00	7,835,030.12
Disposal or scrap	---	6,525,192.75	611,858.00	20,900.00	7,157,950.75
Financial leasing	---	---	---	---	---
Other transfer-out	---	677,079.37	---	---	677,079.37
4. Closing balance	35,694,847.73	61,767,308.39	5,098,013.56	4,725,428.26	107,285,597.94
II. Accumulated depreciation	---	---	---	---	---
1. Opening balance	14,788,585.07	49,599,205.42	3,630,627.47	2,522,413.55	70,540,831.51
2. Increase in the current period	779,589.82	2,772,072.27	531,039.70	651,820.55	4,734,522.34
Accrual	779,589.82	2,772,072.27	531,039.70	651,820.55	4,734,522.34
Increase due to business merger	---	---	---	---	---
Other transfer-in	---	---	---	---	---
3. Decrease in the current period	-	6,582,091.71	581,264.71	8,193.31	7,171,549.73
Disposal or scrap	---	6,098,282.86	581,264.71	8,193.31	6,687,740.88
Financial leasing	---	---	---	---	---
Other transfer-out	---	483,808.85	---	---	483,808.85
4. Closing balance	15,568,174.89	45,789,185.98	3,580,402.46	3,166,040.79	68,103,804.12
III. Impairment provision	---	---	---	---	---
1. Opening balance	---	---	---	---	---
2. Increase in the current period	---	---	---	---	---
Accrual	---	---	---	---	---
Increase due to business merger	---	---	---	---	---
Other transfer-in	---	---	---	---	---
3. Decrease in the current period	---	---	---	---	---
Disposal or scrap	---	---	---	---	---
Financial leasing	---	---	---	---	---
Other transfer-out	---	---	---	---	---

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
4. Closing balance	---	---	---	---	---
5. Book value	---	---	---	---	---
6. Closing book value	20,126,672.84	15,978,122.41	1,517,611.10	1,559,387.47	39,181,793.82
7. Opening book value	20,906,262.66	13,582,661.91	1,840,254.35	1,195,246.33	37,524,425.25

2. There are no fixed assets that are temporarily idle at the end of the period.

3. There are no fixed assets acquired through financing lease.

4. There are no fixed assets acquired through financing lease out.

5. Fixed assets with no property right certificate acquired at the end of the period

Item	Book value	Reason for property right certificate not acquired
Houses and buildings	1,201,218.88	Qualification procedures not complete
Total	1,201,218.88	

Note 14 Construction in progress

1. Details of Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
LCD in the lobby of SEG Plaza	---	---	---	140,810.00	---	140,810.00
Total	---	---	---	140,810.00	---	140,810.00

Note 15 Intangible assets

1. Intangible assets

Item	Land use right	Outsourced software	Total
I. Original book value			
1. Opening balance	159,759.24	3,042,853.00	3,202,612.24
2. Increase in the current period	---	460,000.00	460,000.00
Purchase	---	460,000.00	460,000.00
Internal R&D	---	---	---
Consolidation of enterprises not under the same control	---	---	---
Increase for other reasons	---	---	---
3. Decrease in the current period	---	21,000.00	21,000.00
Disposal	---	21,000.00	21,000.00
Disposal of subsidiaries	---	---	---
Decrease for other reasons	---	---	---

Item	Land use right	Outsourced software	Total
4. Closing balance	159,759.24	3,481,853.00	3,641,612.24
II. Accumulated amortization			
1. Opening balance	57,514.55	2,001,335.58	2,058,850.13
2. Increase in the current period	2,759.76	335,360.67	338,120.43
Accrual	2,759.76	335,360.67	338,120.43
Consolidation of enterprises not under the same control	---	---	---
Increase for other reasons	---	---	---
3. Decrease in the current period	---	7,350.00	7,350.00
Disposal	---	7,350.00	7,350.00
Disposal of subsidiaries	---	---	---
Decrease for other reasons	---	---	---
4. Closing balance	60,274.31	2,329,346.25	2,389,620.56
III. Impairment provision			
1. Opening balance	---	---	---
2. Increase in the current period	---	---	---
Accrual	---	---	---
Consolidation of enterprises not under the same control	---	---	---
Increase for other reasons	---	---	---
3. Decrease in the current period	---	---	---
Disposal of subsidiaries	---	---	---
Decrease for other reasons	---	---	---
Other transfer-out	---	---	---
4. Closing balance	---	---	---
IV. Book value			
1. Closing book value	99,484.93	1,152,506.75	1,251,991.68
2. Opening book value	102,244.69	1,041,517.42	1,143,762.11

Note 16 Goodwill

1. Original book value of goodwill

Name of the invested organization or the item contributing to a goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Increase due to business merger	Others	Disposal	Others	
Changsha SEG Development Co., Ltd.	10,328,927.82	-	-	-	-	10,328,927.82
Total	10,328,927.82	-	-	-	-	10,328,927.82

The goodwill impairment testing was conducted at the end of the period and there was no sign of impairment, so no provision was accrued for impairment.

Note 17 Long-term expenses to be amortized

Item	Opening balance	Increase in the current period	Amortization amount of current period	Other decrease	Closing balance
Decoration expenses	44,225,335.11	58,698,115.44	13,604,194.26	---	89,319,256.29
Firefighting renovation	4,318,931.80	225,000.00	844,927.44	---	3,699,004.36
Market supporting fee of Tower B	691,732.95	---	41,712.60	---	650,020.35
Others	---	711,716.98	59,506.30	---	652,210.68
Total	49,235,999.86	59,634,832.42	14,550,340.60	---	94,320,491.68

Note 18 Deferred income tax assets and liabilities

1. Deferred income tax assets not offset

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	32,341,604.22	8,084,514.34	32,235,258.25	8,058,814.57
Unrealized profit from internal transaction	---	---	---	---
Deductible losses	---	---	---	---
Payroll payable	---	---	---	---
Technology development expense	---	---	---	---
Accrued expenses	---	---	---	---
Estimated liabilities	---	---	---	---
Government subsidies included in deferred income	11,183,333.34	2,795,833.33	9,500,000.00	2,375,000.00
Total	43,524,937.56	10,880,347.67	41,735,258.25	10,433,814.57

2. Deferred income tax liabilities not offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset evaluation increment for consolidation of enterprises not under the same control	59,006,530.50	14,751,632.59	63,442,234.08	15,860,558.49
Changes in fair value of the available-for-sale financial assets	592,885.58	148,221.40	654,175.41	163,543.86

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of transactional financial assets	---	---	---	---
Designated financial assets measured by fair value with changes included in current profit and loss	---	---	---	---
Changes in fair value of the investment property	---	---	---	---
Changes in fair value of productive biological assets	---	---	---	---
Total	59,599,416.08	14,899,853.99	64,096,409.49	16,024,102.35

3. Details of deductible temporary difference of deferred income tax assets unrecognized in this period

Item	Closing balance	Opening balance
Asset impairment provision	11,746,363.19	11,322,893.92
Estimated liabilities		---
Deductible losses	37,349,450.30	46,691,048.83
Total	49,095,813.49	58,013,942.75

The deductible temporary differences and deductible losses are not recognized because it is uncertain to make sufficient taxable income in the future.

4. Unrecognized deductible losses of deferred income tax assets will be due in the following years

Item	Closing balance	Opening balance	Remarks
2016	---	12,973,257.02	
2017	3,626,036.94	7,431,196.64	
2018	2,610,263.14	9,295,488.88	
2019	5,961,706.24	6,546,777.27	
2020	10,444,329.02	10,444,329.02	
2021	14,707,114.96	---	
Total	37,349,450.30	46,691,048.83	

Note 19 Other non-current assets

Category and contents	Closing balance	Opening balance
Upfront expense of the new hotel	7,459,000.09	---
Prepayment for engineering in the electronics market	6,345,660.37	5,103,811.14
Total	13,804,660.46	5,103,811.14

Note 20 Short-term borrowing

1. Classification of short-term borrowings

Item	Closing balance	Opening balance
Borrowing on credit	100,000,000.00	10,000,000.00
Pledge loans	-	42,759,630.48
Mortgage loans	255,000,000.00	315,000,000.00
Total	355,000,000.00	367,759,630.48

2. There are no overdue outstanding short-term loans at the end of the period.**Note 21 Accounts payable****1. Details of accounts payable**

Item	Closing balance	Opening balance
Payment for goods	524,596.07	84,158,671.54
Project fund payable	17,090,320.08	4,867,782.23
Others	2,667,694.93	882,328.21
Total	20,282,611.08	89,908,781.98

2. There are no significant accounts payable aged over one year at the end of the period.**Note 22 Advance receipt****1. Details of prepayment**

Item	Closing balance	Opening balance
Advance brand royalty receipt	8,612,776.97	11,452,476.85
Advance rent receipt	83,730,245.80	111,836,641.23
Advance receipt of payment for goods	14,193,465.32	53,693,141.53
Advance receipt of advertising payment	6,325,655.29	8,013,712.80
Others	3,667,617.89	5,434,148.64
Total	116,529,761.27	190,430,121.05

Note 23 Payroll payable**1. List of payroll payable**

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term payroll	21,780,103.03	99,923,381.03	105,113,975.65	16,589,508.41
Welfare after leave – defined contribution plan	69,031.13	6,751,844.89	6,593,127.97	227,748.05
Dismissal welfare	-	100,477.00	100,477.00	-
Other welfare due within one year	---	---	---	---
Total	21,849,134.16	106,775,702.92	111,807,580.62	16,817,256.46

2. List of short-term payroll

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages, bonuses, allowances and subsidies	19,480,254.22	88,212,637.01	93,011,230.25	14,681,660.98
Employee welfare	-	3,052,628.75	3,052,628.75	-
Social insurance premiums	89,152.51	2,879,647.22	2,899,237.53	69,562.20
Including: Medical insurance premiums	88,756.51	2,561,573.88	2,582,722.19	67,608.20
Supplementary medical insurance	396.00	8,506.90	7,536.90	1,366.00
Work injury insurance	-	132,207.18	131,870.18	337.00
Maternity insurance	-	177,359.26	177,108.26	251.00
Housing fund	1,265,986.46	4,345,452.45	4,402,312.46	1,209,126.45
Labor union expenditures	944,709.84	1,415,275.56	1,730,826.62	629,158.78
Accumulative compensated absences in short term	-	-	-	-
Short-term profit (bonus) sharing plan	-	-	-	-
Other short-term payroll	-	17,740.04	17,740.04	-
Total	21,780,103.03	99,923,381.03	105,113,975.65	16,589,508.41

3. List of defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Pension insurance	68,043.51	4,706,726.77	4,698,345.22	76,425.06
Unemployment insurance premium	987.62	172,953.88	172,618.51	1,322.99
Supplementary pension payment	-	1,872,164.24	1,722,164.24	150,000.00
Total	69,031.13	6,751,844.89	6,593,127.97	227,748.05

Note 24 Taxes payable

Taxes and fees	Closing balance	Opening balance
Value-added tax	3,407,493.19	169,594.16
Business tax	-	1,424,420.92
Enterprise income tax	38,886,840.80	28,476,563.20
Individual income tax	845,899.93	805,153.42
Urban maintenance and construction tax	294,456.12	178,371.98
Education surtax	194,225.97	102,484.34
Housing property tax	2,719,066.00	2,939,568.67
Stamp tax and water fund	133,606.17	532,994.96
Others	435,443.89	15,878.42
Total	46,917,032.07	34,645,030.07

Note 25 Interest payable

Item	Closing balance	Opening balance
Interest payable on short-term loans	475,177.74	516,758.34
Total	475,177.74	516,758.34

Note 26 Dividends payable

Item	Closing balance	Opening balance	Reason for not making payment for over one year
Common stock dividends	17,019,185.19	2,218,224.58	---
Total	17,019,185.19	2,218,224.58	---

Note 27 Other payables**1. Other payables listed based on nature**

Nature of receivables	Closing balance	Opening balance
Deposit and security deposit	117,329,234.79	117,687,835.08
Central air conditioner maintenance cost and special maintenance fund	12,882,368.93	12,975,174.61
Receipts under custody	12,453,423.30	16,469,845.49
Funds from related parties	352,077.98	2,753,679.48
Electronics market water and electricity charges and rental payable	47,626,397.25	44,443,351.03
Total	190,643,502.25	194,329,885.69

Note 28 Estimated liabilities

Item	Closing balance	Opening balance	Cause
External guarantee	---	---	
Pending litigation	---	7,000,000.00	
Total	---	7,000,000.00	

Note 29 Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Cause
Asset-related government subsidy	9,588,110.37	1,000,000.00	404,777.03	10,183,333.34	---
Income-related government subsidy	46,004.40	1,000,000.00	46,004.40	1,000,000.00	---
Total	9,634,114.77	2,000,000.00	450,781.43	11,183,333.34	

1. Deferred income related to government subsidy

Liability item	Opening balance	Amount of new subsidies in this period	Amount of non-operating income in the current period	Other changes	Closing balance	Relevant to assets/relevant to income

Subsidies for online SEG projects	88,110.37		53,015.16	35,095.21	-	Relevant to assets
Subsidies for project funds	46,004.40		12,303.06	33,701.34	-	Relevant to income
Support project for construction of Nantong SEG Electronics Market	9,500,000.00		316,666.66		9,183,333.34	Relevant to assets
CPARK Show Promotion Center		1,000,000.00			1,000,000.00	Relevant to assets
		1,000,000.00			1,000,000.00	Relevant to income
Total	9,634,114.77	2,000,000.00	381,984.88	68,796.55	11,183,333.34	

Note 30 Share capital

Item	Opening balance	Increase (+)/decrease (-) in the current period					Closing balance
		New share offering	Bonus share	Capitalization of public reserve	Others	Subtotal	
Unrestricted stock	784,772,321.00	---	---	---	-50,750.00	-50,750.00	784,721,571.00
Restricted stock	26,689.00	---	---	---	50,750.00	50,750.00	77,439.00
Including: restricted equity incentive	---	---	---	---	---	---	---
Restricted executive shares	26,689.00	---	---	---	50,750.00	50,750.00	77,439.00
Sum of shares	784,799,010.00	---	---	---	---	---	784,799,010.00

Note 31 Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (capital share premium)	322,339,973.81	-	1,666,639.52	320,673,334.29
Other capital reserves	184,205,857.30	7,812.30	9,127,126.47	175,086,543.13
Total	506,545,831.11	7,812.30	10,793,765.99	495,759,877.42

Notes to capital reserve:

1. Increase in capital reserve: The Company received RMB 7,812.3 as dividends of odd lots per year returned by China Securities Depository and Clearing Company Limited.

2. Decrease in capital reserve: The Company acquired the equity of Shenzhen SEG Credit Co., Ltd. held by Shenzhen SEG E-Commerce Co., Ltd. RMB 1,666,639.52 is written off from the capital reserve by the difference between the transaction price for acquiring minority interests of the subsidiary and net assets. The Company sold 0.9999% of the equity in Shenzhen Huakong SEG Co., Ltd. through the Shenzhen Stock Exchange quotation trading system, and the part originally included in the capital reserve is transferred into the investment income RMB 9,127,126.47.

Note 32 Other comprehensive incomes

Item	Opening balance	Amount incurred in the current period					Closing balance
		Pretax amount obtained in this period	Less: profit and loss transferred in from other comprehensive income in the current period	Less: Income tax	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholders	
I. Other comprehensive incomes not to be reclassified into profit and loss							
(1) Changes in net liabilities or net assets due to re-measurement in defined benefit plans	---	---	---	---	---	---	---
(2) Shares of the investee of other comprehensive incomes not to be reclassified into profit and loss with the equity method	---	---	---	---	---	---	---
II. Other comprehensive income to be reclassified into profit and loss							
(1) Shares of the investee of other comprehensive incomes to be reclassified into profit and loss with the equity method if the required conditions are met	---	178.21	---	---	178.21	---	178.21
(2) Profit or loss from changes in the fair value of available-for-sale financial assets	326,662.48	-61,289.83	---	-15,322.46	-30,605.07	-15,362.30	296,057.41
(3) Held-to-maturity investments reclassified into profit or loss from the available-for-sale financial assets	---	---	---	---	---	---	---
(4) Effective profit or loss from hedging of cash flows	---	---	---	---	---	---	---
(5) Foreign currency translation differences	---	---	---	---	---	---	---
Total other comprehensive	326,662.48	-61,111.62	---	-15,322.46	-30,426.86	-15,362.30	296,235.62

Item	Opening balance	Amount incurred in the current period					Closing balance
		Pretax amount obtained in this period	Less: profit and loss transferred in from other comprehensive income in the current period	Less: Income tax	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholders	
income							

Note 33 Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	109,922,336.87	11,880,703.37	---	121,803,040.24
Total	109,922,336.87	11,880,703.37	---	121,803,040.24

Note 34 Undistributed profits

Item	Amount	Accrual/Distribution Rate
Before adjustment undistributed profits at the end of the previous period	73,532,388.70	—
After adjustment total undistributed profits (+ for increase, - for decrease) at the beginning of period	---	—
After adjustment undistributed profit at the beginning of period	73,532,388.70	—
Add: Net profits attributable to the parent company owner in the current period	107,560,213.41	—
Less: Accrual of statutory surplus reserve	11,880,703.37	10%
Accrual of free surplus reserve	---	---
Accrual of reserve fund	---	---
Accrual of enterprise development fund	---	---
Accrual of bonus and welfare fund	---	---
Ordinary share dividends payable	23,669,414.47	---
Ordinary share dividends converted to share capital	---	---
Preferred stock dividend	---	---
Other distributions to shareholders	---	---
Profits capitalized on return	---	---
Other profit distribution	---	---
Plus: Surplus reserve compensating losses	---	---
Changes in net liabilities or net assets due to re-measurement in defined benefit plans	---	---
Internal carrying forward of owners' equity	---	---

Item	Amount	Accrual/Distribution Rate
Others	145,542,484.27	---
Undistributed profits at the end of the period		

Note 35 Operating income and operating cost

1. Operating income and operating cost

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	654,300,062.39	574,958,228.78	715,233,992.20	607,958,493.22
Other businesses	18,084,214.08	7,536,451.17	26,299,684.73	10,104,222.97
Total	672,384,276.47	582,494,679.95	741,533,676.93	618,062,716.19

2. Main operating businesses (by industry)

Name of company	Amount incurred in the current period		Amount incurred in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
(1) Industry	---	---	---	---
(2) Trade	299,072,947.49	293,776,511.73	328,466,444.85	317,862,517.36
(3) Real estate	---	---	---	---
(4) Leasing and others	355,227,114.90	277,181,717.05	386,767,547.35	290,095,975.86
Total	654,300,062.39	570,958,228.78	715,233,992.20	607,958,493.22

Note 36 Tax and surcharges

Item	Amount incurred in the current period	Amount incurred in the previous period
Business tax	10,566,608.01	24,424,798.34
Urban maintenance and construction tax	1,713,932.00	1,877,631.66
Education surtax	1,230,833.98	1,349,358.86
Property tax	4,043,243.80	-
Land use right	359,007.01	-
Travel tax	1,920.00	-
Stamp duty	371,734.08	-
Others	230,486.35	152,384.00
Total	18,517,765.23	27,804,172.86

Note 37 Financial cost

Category	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	8,143,754.33	9,028,274.77
Less: Interest income	3,645,683.63	5,060,702.65
Loss on exchange	-311,072.10	-1,048,526.70
Others	440,177.24	645,731.34

Category	Amount incurred in the current period	Amount incurred in the previous period
Total	4,627,175.84	3,564,776.76

Note 38 Loss from asset impairment

Item	Amount incurred in the current period	Amount incurred in the previous period
Loss from bad debt	529,815.24	-106,419.36
Impairment losses on loans and prepayment	-4,006,713.77	5,201,783.45
Loss from inventory depreciation		
Loss from impairment of available-for-sale financial assets		
Total	-3,476,898.53	5,095,364.09

Note 39 Investment income**1. Details of investment income**

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income by the equity method	-387,059.05	1,703,803.48
Long-term equity investment income by the cost method		---
Income from disposal of long-term equity investments	89,688,725.07	---
Income from holding financial assets measured by fair value with changes included in current profit and loss	---	---
Income from disposal of financial assets measured by fair value with changes included in current profit and loss	---	---
Income from holding of held-to-maturity investments	---	---
Income from disposal of held-to-maturity investments	---	---
Investment income during the possession of available-for-sale financial assets	---	755,461.47
Income from disposal of available-for-sale financial assets	---	---
Profit from re-measurement of fair value of the remaining equity after loss of control	---	---
Others (financial products)	9,844,238.42	15,188,228.82
Total	99,145,904.44	17,647,493.77

Note 40 Non-operating income

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
Total gains on disposal of non-current assets	116,977.79	19,382.00	116,977.79
Including: Gain on disposal of fixed assets	116,977.79	19,382.00	116,977.79

Profit from disposal of intangible assets			---
Profit from debt restructuring			---
Profit from transfer of non-monetary assets			---
Income from donations	-		---
Government subsidies	9,828,264.76	980,956.24	9,828,264.76
Liquidated damages	139,343.64	809,234.56	139,343.64
Others	812,937.83	557,973.60	812,937.83
Total	10,897,524.02	2,367,546.40	10,897,524.02

Government subsidies recorded into current profit and loss

Subsidy item	Amount incurred in the current period	Amount incurred in the previous period	Relevant to assets /Relevant to income
Subsidies for online SEG projects	53,015.16	5,549.52	Relevant to assets
Subsidies for project funds	12,303.06	915,406.72	Relevant to income
Support funds for opening and investment promotion of Nantong SEG Times Plaza animation industry base	8,000,000.00	---	Relevant to income
2015 Special funds for development of the service industry of Wujiang District from Finance Bureau of Wujiang District, Suzhou	50,000.00	---	Relevant to income
Special funds for industrial development from Administrative Committee of the Economic Development Zone	40,000.00	---	Relevant to income
2015 Reward for stable and healthy economic development	100,000.00	---	Relevant to income
Headquarter operation reward of special funds for industrial development of Enterprise Development Service Center, Futian District, Shenzhen	1,240,100.00	---	Relevant to income
Support project fund for construction of Nantong SEG Electronics Market	316,666.66	---	Relevant to assets
Others	16,179.88	60,000.00	Relevant to income
Total	9,828,264.76	980,956.24	

Note 41 Non-operating expenses

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
Total loss from disposal of non-current assets	345,909.08	276,651.63	345,909.08
Including: loss from disposal of fixed assets	345,909.08	276,651.63	345,909.08
Loss from disposal of intangible assets			---
Loss from debt restructuring			---

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
Loss from transfer of non-monetary assets		---	
Donation expenses	5,000.00	3,000.00	5,000.00
Compensation for loss	3,712,493.90	10,511,906.63	3,712,493.90
Others	303,029.33	3,896,199.12	303,029.33
Total	4,366,432.31	14,687,757.38	4,366,432.31

Note 42 Income tax

1. Income tax

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax of the current period	46,862,031.11	36,103,014.96
Deferred income tax	-1,555,459.00	-1,003,177.31
Total	45,306,572.11	35,099,837.65

2. Adjustment process of accounting profit and income tax

Item	Amount incurred in the current period
Total profit	187,536,901.73
Income tax calculated according to statutory or applicable tax rate	46,884,225.43
Impact of different tax rates applicable to subsidiaries	-1,525,518.62
Impact of income tax before adjustment	-61,358.56
Impact of non-taxable income	-3,262,414.25
Impact of non-deductible costs, expenses and losses	180,402.73
Impact of deferred income tax assets unrecognized in the early phase of utilization on deductible losses	-146,267.76
Impact of deferred income tax assets unrecognized in the current period on deductible temporary difference or deductible losses	3,237,503.14
Income tax	45,306,572.11

Note 43 Notes on the cash flow statement

1. Other cash received concerning operating activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Acquisition of security deposit for land	-	60,000,000.00
Incomings and outgoings	81,201,195.05	18,596,802.04
Goods payment collected from tenants	201,259,769.35	337,685,284.36
Interest income	3,645,683.63	5,060,702.65
Non-operating income	10,371,238.34	218,141.32
Total	296,477,886.37	421,560,930.37

2. Other cash paid concerning operating activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Incomings and outgoings	81,747,528.91	56,090,169.65
Goods payment paid for tenants	127,243,347.16	284,098,911.45
Cash expenses	71,918,581.22	46,498,830.42
Non-operating expenses	10,928,991.52	3,000.00
Total	291,838,448.81	386,690,911.52

3. Other cash received concerning investing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Asset-related government subsidy	2,000,000.00	---
Total	2,000,000.00	---

4. Other cash received concerning financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash received from dividends of odd lots		
Cash received from disposal of fractional share	7,812.30	---
Deposit returned	1,340,000.00	---
Total	1,347,812.30	---

5. Other cash paid related to financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Interbank financing of related parties	-	57,650,000.00
Payment for cash deposit	3,600,000.00	---
Payment for loan interest of related parties	-	110,222.92
Payment for issuance of short-term financing bonds	890,500.00	1,070,750.00
Total	4,490,500.00	58,830,972.92

Note 44 Supplementary information to the cash flow statement**1. Supplementary information on the cash flow statement**

Item	Amount of the current period	Amount of the previous period
1. Reconciliation of net income to cash flow from operating activities		
Net profit	142,230,329.62	107,968,730.61
Plus: Asset impairment provision	-3,476,898.53	5,095,364.09
Depreciation of fixed assets, oil & gas assets and consumable biological assets	23,416,480.12	23,685,663.67
Amortization of intangible assets	338,120.43	294,325.43

Item	Amount of the current period	Amount of the previous period
Amortization of long-term expenses to be apportioned	14,550,340.60	13,649,643.71
Loss on disposal of fixed assets, intangible assets, and other long-term assets (enter "-" for profit)	-116,977.79	257,269.63
Loss on discard of fixed asset (enter "-" for profit)	345,909.08	---
Loss on change in fair value (enter "-" for profit)	---	---
Financial expenses (enter "-" for profit)	8,143,754.33	9,028,274.77
Income from investment (enter "-" for profit)	-99,145,904.44	-17,647,493.77
Decrease in deferred tax assets (enter "-" for increase)	-446,533.10	105,748.59
Increase in deferred tax liabilities (enter "-" for decrease)	-1,108,925.90	-1,061,441.45
Inventory decrease (enter "-" for increase)	-151,288,804.20	-172,528,348.00
Decrease in accounts receivable related to operating activities (enter "-" for increase)	92,639,116.52	183,111,842.51
Increase in accounts payable related to operating activities (enter "-" for decrease)	-146,110,064.42	-164,413,103.61
Others	---	---
Net cash flow from operating activities	-120,030,057.68	-12,453,523.82
2. Major investing and financing activities that involve no cash payments and receipts	---	---
Conversion of debt into capital	---	---
Convertible bonds due within one year	---	---
Fixed assets acquired by financing lease	---	---
3. Change in cash and cash equivalents:	---	---
Closing balance of cash	179,494,815.84	275,523,429.10
Less: Opening balance of cash	275,523,429.10	382,056,680.70
Add: Closing balance of cash equivalents	---	---
Less: Opening balance of cash equivalents	---	---
Net increase in cash and cash equivalents	-96,028,613.26	-106,533,251.60

2. Net cash received from disposal of subsidiaries in the current period

Item	Amount of the current period
Cash or cash equivalent received from disposal of subsidiaries in the current period	5,349,696.00
Including: Shenzhen SEG E-Commerce Co., Ltd.	5,349,696.00
Subtract: Cash and cash equivalent held by the Company at the time of loss of control	961,078.91
Including: Shenzhen SEG E-Commerce Co., Ltd.	961,078.91
Net cash received from disposal of subsidiaries	4,388,617.09

3. Combination of cash and cash equivalents

Item	Closing balance	Opening balance
1. Cash	179,494,815.84	275,523,429.10
Including: Cash on hand	568,293.43	526,467.72
Bank deposits available for payment at any time	168,548,637.23	274,816,839.04
Other monetary capital available for payment at any time	10,377,885.18	180,122.34
Accounts in the central bank available for payment		
Deposits from interbank		
Loans from interbank		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Closing balance of cash and cash equivalents	179,494,815.84	275,523,429.10
Including: Cash and cash equivalents with the use by the parent company and subsidiaries		

Note 45 Assets with restrictions on ownership or the use right

Item	Balance	Reason for restriction
Monetary funds	3,600,000.00	Deposit for the L/G
Investment properties	97,257,376.24	Collaterals for bank loans
Fixed assets	15,355,470.16	Collaterals for bank loans
Total	116,212,846.40	

Note 46 Foreign currency monetary items**1. Foreign currency monetary items**

Item	Closing balance of foreign currency	Discount exchange rate	Closing balance of converted RMB
Monetary funds			
Including: HK\$	240.00	0.8945	214.68

VIII. Change in consolidation scope**(I) Disposal of subsidiaries****1. Single disposal of investment in subsidiaries and loss of control**

Subsidiary name	Equity disposal price	Equity disposal proportion (%)	Equity disposal method	Time of loss of control	Determination basis for time of loss of control	Difference between the disposal price and shares of the net assets of the subsidiary in the consolidated financial statement corresponding to investment disposal
Shenzhen SEG E-Commerce Co., Ltd.	5,349,696.00	51.00	Equity transfer	December 2016	Transfer of the management right in December 2016	3,486,412.04

Continued:

Subsidiary name	Proportion of the residual equity at the date of loss of control (%)	Book value of the residual equity at the date of loss of control	Fair value of the residual equity at the date of loss of control	Gain or loss from the residual equity remeasured based on the fair value	Determination method and main assumption for the fair value of the residual equity at the date of loss of control	Amount of other comprehensive income related to the equity investment of the original subsidiary transferred into investment profit or loss
Shenzhen SEG E-Commerce Co., Ltd.	---	---	---	---	---	---

(II) Change in the consolidation scope for other reasons

1. Newly-established subsidiary in the current period

Company name	Registered capital (RMB 10,000)	Paid-in capital (RMB 10,000)	Equity proportion
Suzhou SEG Intelligent Technology Co., Ltd.	1,000.00	1,000.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	500.00	---	50.00
Shenzhen SEG Longyan Energy Technology Co., Ltd.	16,500.00	---	50.00

VIII. Equity in other entities**(I) Equity in subsidiaries**

1. Composition of the group

Subsidiary name	Main business address	Place of registration	Business Nature of business	Shareholding proportion (%)		Method of acquisition
				Direct	Indirect	
Xi'an SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Electronics market lease management	65.00	-	Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Shenzhen	Shenzhen	Electronics market lease management	70.00	-	Investment and establishment
Suzhou SEG Electronics Market Co., Ltd.	Su Zhou	Su Zhou	Electronics market lease management	45.00	-	Investment and establishment
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Shenzhen	Shenzhen	Hotel management, consultancy and property management	-	66.58	Investment and establishment
Shenzhen SEG Credit Co., Ltd.	Shenzhen	Shenzhen	Petty loan business (pooling public deposits is prohibited) within the administrative region of Shenzhen.	38.00	16.00	Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Nanjing	Nanjing	Market facilities leasing, property management, sales of electronic products and advertisement	100.00	-	Investment and establishment
Xi'an Hairong SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Property leasing, sales of electronic products and advertisement	51.00	-	Investment and establishment

Subsidiary name	Main business address	Place of registration	Business Nature of business	Shareholding proportion (%)		Method of acquisition
				Direct	Indirect	
Wujiang SEG Electronics Market Co., Ltd.	Wujiang	Wujiang	Electronics market lease management	51.00	-	Investment and establishment
Wuxi SEG Electronics Market Co., Ltd.	Wuxi	Wuxi	Electronics market lease management	51.00	-	Investment and establishment
Shunde SEG Electronics Market Management Co., Ltd.	Foshan	Foshan	Electronics market lease management	100.00	-	Investment and establishment
Nanning SEG Electronics Market Management Co., Ltd.	Nanning	Nanning	Electronics market lease management	100.00	-	Investment and establishment
Nantong SEG Times Plaza Development Co., Ltd.	Nantong	Nantong	real estate development	100.00	-	Investment and establishment
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Shenzhen	Shenzhen	Property lease and management	66.58	-	Merger of enterprises under common control
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen	Shenzhen	Investment in industrial and commercial business	100.00	-	Merger of enterprises under common control
Changsha SEG Development Co., Ltd.	Changsha	Changsha	Property lease	46.00	-	Merger of the enterprises under the control of a same entity
Yantai SEG Times Plaza Development Co., Ltd.	Yantai	Yantai	Real estate development	90.00	-	Investment and establishment
Nantong SEG Commercial Operation Management Co., Ltd.	Nantong	Nantong	Commercial operation management, property management	100.00	-	Investment and establishment
Suzhou SEG Digital Plaza Management Co., Ltd.	Su Zhou	Su Zhou	Property leasing, sales of electronic products	100.00	-	Investment and establishment
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	Xi'an	Xi'an	Real estate development	100.00	-	Investment and establishment
Suzhou SEG Intelligent Technology Co., Ltd.	Su Zhou	Su Zhou	Sales of electronic products	100.00	---	Investment and establishment
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Shenzhen	Shenzhen	R&D and manufacturing of CdTe solar cell modules, photovoltaic projects	50.00	---	Investment and establishment
Shenzhen SEG Investment Management Co., Ltd.	Shenzhen	Shenzhen	Investment in management, investment in industrial projects, fund management	100.00	---	Investment and establishment
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Shenzhen	Shenzhen	Technical development of new energy, R&D and manufacturing of CdTe solar cell modules, photovoltaic projects	50.00	---	Investment and establishment

(1) Cause for difference between the proportion of shareholding and the proportion of voting rights

For Changsha SEG Development Co., Ltd. (originally named Changsha Emerging Development Co., Ltd.), the current capital stock structure is as follows: The company holds 46% of shares and is the largest shareholder. In addition, according to the Memorandum of Cooperation Concerning the Stock Equity Project of Joint Investment and Acquisition of Changsha Emerging Development Co., Ltd. signed by and between the Company and Hong Kong Jinhong Group on October 8, 2008, Hong Kong Jinhong Group agreed to give up the 5% of voting power, which would be exercised by the Company, and the voting power ratio of the company is 51%. Half of the directors, the Chairman of the Board, the General Manager, the Chief Financial Officer and the management team of Changsha SEG Development Co., Ltd are all dispatched by the Company. Therefore, the Company has obtained the control of Changsha SEG Development Co., Ltd.

(2) Basis for control of the invested entity even with half of voting rights or less

Half of the directors, the Chairman of the Board, the General Manager, the Chief Financial Officer and the management team of Suzhou SEG Electronics Market Management Co., Ltd are all dispatched by the Company that actually controls the operation of Suzhou SEG.

Half of the directors, the Chairman of the Board, the General Manager, and the management team of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd. are dispatched by the Company. The Company substantially controlled the operation and management of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd. and thus has control over Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.

Half of the directors, the Chairman of the Board, the General Manager, and the management team of Shenzhen SEG Longyan Energy Technology Co., Ltd. are dispatched by the Company. The Company substantially controlled the operation and management of Shenzhen SEG Longyan Energy Technology Co., Ltd. and thus has control over Shenzhen SEG Longyan Energy Technology Co., Ltd.

2. Important non-wholly-owned subsidiaries

Subsidiary name	Equity proportion of minority shareholders	Current gains of losses of minority shareholders	Current dividends paid to minority shareholders	Minority shareholders' equity at the end of the period	Remarks
Shenzhen SEG Credit Co., Ltd.	46.00	14,779,630.76	14,490,000.00	87,500,099.41	
Changsha SEG Development Co., Ltd.	54.00	3,242,652.26	-	62,949,397.20	
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	33.42	8,983,479.69	6,177,599.99	37,606,877.01	
Total		27,005,762.71	20,667,599.99	188,056,373.62	

3. Main financial information on important non-wholly-owned subsidiaries

Main financial information of these subsidiaries is the amount before offset but adjusted according to the fair value on the consolidation date and unified accounting policies:

Subsidiary name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Shenzhen SEG Credit Co., Ltd.	46,318,409.29	480,810,002.12	527,128,411.41	336,910,803.99	-	336,910,803.99
Changsha SEG Development Co., Ltd.	25,093,857.23	65,239,972.01	90,333,829.24	20,571,397.06	-	20,571,397.06
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	101,240,832.43	59,162,353.63	160,403,186.06	47,726,906.59	148,221.40	47,875,127.99
Total	172,653,098.95	605,212,327.76	777,865,426.71	405,209,107.64	148,221.40	405,357,329.04

Continued:

Subsidiary name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen SEG Credit Co., Ltd.	43,081,968.84	476,007,451.60	519,089,420.44	329,081,482.77	---	329,081,482.77
Changsha SEG Development Co., Ltd.	15,438,729.45	68,199,562.67	83,638,292.12	19,880,771.53	---	19,880,771.53
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	97,334,289.19	52,503,037.02	149,837,326.21	45,495,566.87	163,543.86	45,659,110.73
Total	155,854,987.48	596,710,051.29	752,565,038.77	394,457,821.17	163,543.86	394,621,365.03

Continued:

Subsidiary name	Amount incurred in the current period			Amount incurred in the previous period		
	Operating income	Net profit	Net cash flow from operating activities	Operating income	Net profit	Net cash flow from operating activities
Shenzhen SEG Credit Co., Ltd.	78,351,087.18	31,709,669.74	38,865,913.70	77,554,704.11	35,003,585.70	8,629,785.96
Changsha SEG Development Co., Ltd.	24,597,175.67	6,004,911.59	10,536,670.49	23,221,623.20	5,350,203.30	28,183,561.72
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	80,289,375.74	26,881,089.95	14,373,704.46	83,242,678.25	26,178,616.48	27,322,822.08
Total	183,237,638.59	64,595,671.28	63,776,288.65	184,019,005.56	66,532,405.48	64,136,169.76

(II) Equity in joint venture arrangements or joint ventures**1. Important joint ventures and associates**

Name of joint venture or associate	Main business address	Place of registration	Business Nature of business	Shareholding proportion (%)		Accounting treatment method
				Direct	Indirect	
Shenzhen Huakong SEG Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	19.001	-	Equity method
Shanghai SEG Electronics Market Co., Ltd.	Shanghai	Shanghai	Service industry	35.00	-	Equity method

2. Main financial information on important associates

Item	Closing balance/amount incurred in the current period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center
Current assets	766,903,441.43	17,721,103.96	22,840,830.74
Non-current assets	546,820,626.68	182,099.19	166,109.34
Total assets	1,313,724,068.11	17,903,203.15	23,006,940.08
Current liabilities	509,176,585.61	8,075,870.33	1,188,898.02
Non-current liabilities	3,640,118.77	---	---
Total liabilities	512,816,704.38	8,075,870.33	1,188,898.02
Minority shareholders' equity	176,677,423.85	---	---
Shareholders' equity attributable to the parent company	624,229,939.88	9,827,332.82	21,818,042.06
Net asset shares calculated based on shareholding ratio	118,609,930.88	3,439,566.49	6,545,412.62
Adjustment items	55,942,143.30	-888,008.43	---
Goodwill		---	---
-Unrealized profit from internal transaction		---	---
-Others	55,942,143.30	-888,008.43	---
Book value of equity investment in associates	174,552,073.99	2,551,558.06	6,545,412.62
Fair value of equity investment with public offer	1,591,435,838.72	---	---
Operating income	297,563,205.88	7,333,583.64	4,675,561.08
Net profit	8,723,288.17	491,843.57	-8,181,957.94
Net profit after termination of operation	---	---	---
Other comprehensive income	937.89	---	---
Total comprehensive income	8,724,226.06	491,843.57	-8,181,957.94
Dividends received from associates in the current period	---	1,000,000.00	---

Continued:

Item	Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center
Current assets	395,623,546.83	20,901,493.33	---
Non-current assets	362,254,332.48	210,798.06	---
Total assets	757,877,879.31	21,112,291.39	---
Current liabilities	94,113,723.78	10,747,847.59	---
Non-current liabilities	1,369,185.93	---	---
Total liabilities	95,482,909.71	10,747,847.59	---
Minority shareholders' equity	48,141,144.00	---	---
Shareholders' equity attributable to the parent company	614,253,825.60	10,364,443.80	---
Net asset shares calculated based on shareholding ratio	122,857,318.61	3,627,555.33	---
Adjustment items	---	---	---
Goodwill	---	---	---
-Unrealized profit from internal transaction	---	---	---
-Others	58,885,842.46	-248,142.52	---
Book value of equity investment in associates	181,743,161.07	3,379,412.81	---
Fair value of equity investment with public offer	2,551,041,568.11	---	---
Operating income	170,618,870.76	8,283,156.47	---
Net profit	7,005,520.52	864,641.80	---
Net profit after termination of operation	---	---	---
Other comprehensive income	---	---	---
Total comprehensive income	7,005,520.52	864,641.80	---
Dividends received from associates in the current period	---	500,000.00	---

X. Risk disclosure related to financial instruments

The operating activities of the Company may be exposed to a variety of financial risks: credit risks, liquidity risks, and market risks (mainly currency risks and interest rate risks). The overall risk management plan of the Company is designed to reduce the potential adverse impact of the unpredictability of the financial market on the financial performance of the Company.

(I) Credit risk

Credit risks of the Company mainly arise from monetary funds, notes receivable, accounts receivable, and other

receivables. The management has formulated appropriate credit policies and continuously monitored credit risk exposure.

Monetary funds held by the Company are mainly deposited in state-owned banks and other large and medium-sized commercial banks, as the management believes that these financial institutions with higher reputation and better financial standing are at lower credit risks.

For notes receivable, accounts receivable, and other receivables, the Company has formulated relevant policies to control credit risk exposure. The Company evaluates the credit qualification of customers and sets the corresponding credit period based on the financial standing of customers, possibility of guarantee from the third party, credit record, and other factors such as the present market condition. The Company will regularly monitor customers' credit records. For customers with bad credit records, the Company will send a payment reminder, shorten the credit period, or cancel the credit period to ensure that the overall credit risk of the Company is controllable.

As of December 31, 2016, the accounts receivable of the top five customers of the Company account for 60.91% of the total accounts receivable of the Company.

(II) Liquidity risk

Liquidity risk is the risk that the Company is unable to obtain sufficient funds in a timely manner to meet the business development needs or to pay due debts and other payment obligations.

The Company has continuously monitored its short-term and long-term capital needs to maintain sufficient cash reserves. The Company has also continuously monitored compliance with the terms of the Loan Agreement, and obtained commitments on provision of sufficient reserve funds from major financial institutions to meet short-term and long-term capital needs.

As of December 31, 2016, the undiscounted cash flows of financial liabilities based on the due date are shown in the following table:

Item	Closing balance					
	Net book value	Original book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	355,000,000.00	355,000,000.00	355,000,000.00	---	---	---
Accounts payable	20,282,611.08	20,282,611.08	20,282,611.08	---	---	---
Advance receipts	116,529,761.27	116,529,761.27	116,529,761.27	---	---	---
Other payables	190,643,502.25	190,643,502.25	190,643,502.25	---	---	---
Subtotal of financial liabilities	682,455,874.60	682,455,874.60	682,455,874.60	---	---	---

Continued:

Item	Opening balance					
	Net book value	Original book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	367,759,630.48	367,759,630.48	367,759,630.48	---	---	---
Accounts payable	89,908,781.98	89,908,781.98	89,908,781.98	---	---	---

Item	Opening balance					
	Net book value	Original book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Advance receipts	190,430,121.05	190,430,121.05	190,430,121.05	---	---	---
Other payables	194,329,885.69	194,329,885.69	194,329,885.69	---	---	---
Subtotal of financial liabilities	842,428,419.20	842,428,419.20	842,428,419.20	---	---	---

(III) Market risk

1. Exchange rate risk

Main operation of the Company takes place in China and its main businesses are settled in RMB. As of December 31, 2016, the Company held foreign currency 240.00 HKD (equivalent to RMB 214.68) only and no foreign currency financial liabilities. Therefore, the overall currency risk is controllable.

2. Interest rate risk

The interest rate risk of the Company mainly arises from bank borrowings. Financial liabilities at a floating rate may expose the Company to the cash flow interest rate risk while financial liabilities at a fixed rate may expose the Company to the fair value interest rate risk. The Company determines the relative proportion of fixed rate contracts to floating rate contracts based on the prevailing market environment.

The financial department of the Company has continuously monitored the interest rate of the Company. The increase in the interest rate will result in increase in the cost of new interest-bearing debts and interest expenses on interest-bearing debts not yet paid by the Company at a floating rate and have a material adverse impact on the Company's financial performance. The management will make adjustments in a timely manner based on the latest market condition, which can be interest rate swap arrangements to reduce interest rate risks.

XI. Fair value

(I) Financial instruments measured by fair value

The Company listed the book value of financial asset instruments measured by fair value on December 31, 2016 based on three levels of fair value. The fair value is classified into three levels according to the lowest level that each important input value used in measurement of fair value is attributed to. Definitions of three levels:

Level 1: Unadjusted quotes of same assets or liabilities available on the date of measurement in the active market.

Level 2: Directly or indirectly observable input values of relevant assets or liabilities other than input values at level 1.

Input values at level 2 include: (1) quotes of similar assets or liabilities in the active market; (2) quotes of same or similar assets or liabilities in the non-active market; (3) other observable input values other than quotes, including observable interest rate and yield rate curves, implied volatility and credit spread in the interval of normal quotes; (4) input values proved by the market.

Level 3: Unobservable input values of relevant assets or liabilities.

(II) Measurement of fair value at the end of the period

1. Persistent fair value measurement

Item	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Total available-for-sale financial assets	683,290.58	---	---	683,290.58
Bond instrument investment	---	---	---	---
Equity instrument investment	683,290.58	---	---	683,290.58
Other investment	---	---	---	---

XII. Related parties and associated transactions

(I) Information on subsidiaries of the Company:

Name of parent company	Place of registration	Nature of business	Registered Capital (RMB 10,000)	Shareholding proportion over the Company (%)	Voting right proportion over the Company (%)
Shenzhen SEG Group Co., Ltd.	Shenzhen	Comprehensive business	138,112.16	30.24	30.24

1. The final controlling party of the Company is Shenzhen State-owned Assets Supervision and Administration Commission.

(II) For details of subsidiaries of the Company, see Note 9 (1) equity in subsidiaries

(III) Information on the joint ventures and associates of the Company

For details of important associates or joint ventures of the Company, see Note 9 (2) equity in joint venture arrangement or associates.

(IV) Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
Shenzhen SEG Property Development Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Group Service Co., Ltd	Subsidiary of shareholders
Shenzhen SEG Computers Co., Ltd	Subsidiary of shareholders
Shenzhen SEG Hi-tech Industrial Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Real Estate Investment Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Business Operation Co., Ltd.	Subsidiary of the controlling shareholder
Shenzhen SEG Property Management Co., Ltd.	Grandchild company of the controlling shareholder
Shenzhen SEG E-Commerce Co., Ltd.	Subsidiary disposed of in the report period
Wang Li	Chairman of Board of Directors of the Company
Zhang Guangliu	Director of the Company
Cao Xiang	Director of the Company
Yu Qian	Director of the Company
Liu Zhijun	Director, General Manager and Person in charge of accounting of the Company

Name of other related parties	Relationship between other related parties and the Company
Zheng Dan	Director of the Company, Vice General Manager and Secretary of Board of Directors of the Company
Li Luoli	Independent Director of the Company
Song Pingping	Independent Director of the Company
Fan Zhiqing	Independent Director of the Company
Xu Ning	Chairman of Board of Supervisors of the Company
Tang Chongyin	Supervisor of the Company
Liu Fusong	Supervisor of the Company
Ru Guiqin	Supervisor of the Company
Zhanghaifan	Supervisor of the Company
Bo Honhxi	Vice General Manager
Zhu Longqing	Vice General Manager

(V) Related party transaction

1. The transactions among the subsidiaries that have controlling relationship with the Company and have been included in the consolidation scope as well as the transactions between the subsidiaries and the parent company have been offset.

2. Information on associate entrust

(1) Information on the Company's entrusted management

Name of trustor	Name of trustee	Type of entrusted assets	Starting date	Ending date	Pricing basis for income from entrusted management/contracting	Trust profit recognized in the current report period
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Co., Ltd.	SEG Communications Market	February 1, 2016	January 31, 2017	Trusteeship Agreement	188,679.24
Total						188,679.24

3. Information on leases between the Company and related parties

(1) The Company as the leasee:

Name of lessor	Type of leased assets	Rental recognized in this period	Rental recognized in previous period
Shenzhen SEG Group Co., Ltd.	Warehouse covering 809.26 m ² on 8F of SEG Plaza	653,883.84	638,661.00
Total		653,883.84	638,661.00

(2) A subsidiary of the Company as the leasee:

Name of lessor	Type of leased assets	Rental recognized in this period	Rental recognized in previous period
Shenzhen SEG Business	The 15th floor of SEG Plaza,	24,519.15	465,593.70

Name of lessor	Type of leased assets	Rental recognized in this period	Rental recognized in previous period
Operation Co., Ltd.	with an area of 687.01 square meters		
Shenzhen SEG Real Estate Investment Co., Ltd.	12F (West), Block 4, SEG Science Park with an area of 909.79 m ²	743,157.32	278,684.00
Shenzhen SEG Group Co., Ltd.	Warehouse covering 66.7 m ² on B1 of SEG Plaza	128,635.74	---
Total		896,312.21	744,277.70

4. Asset transfer and debt restructuring of related parties

Transferring party	Associated transaction	Amount incurred in the current period	Amount incurred in the previous period
Shenzhen SEG E-Commerce Co., Ltd.	Transferring 2% of the equity of Shenzhen SEG E-Commerce Co., Ltd. to the Company	5,251,900.00	---
Total		5,251,900.00	---

5. Remuneration of key managers

Item	Amount incurred in the current period (RMB 10,000)	Amount incurred in the previous period (RMB 10,000)
Remuneration of key managers	314.72	337.06

6. Accounts receivable from and payable to related parties

(1) Accounts receivable from related parties

Project name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other accounts receivable					
	Shenzhen SEG Property Development Co., Ltd.	5,347.00	---	10,325.00	---
	Shenzhen SEG Group Co., Ltd.	---	---	227,149.60	---
	Shenzhen SEG Property Management Co., Ltd.	---	---	20,100.00	---
	Shenzhen SEG Real Estate Investment Co., Ltd.	---	---	139,342.00	---

(2) Accounts payable to related parties

Project name	Related party	Closing balance	Opening balance
Dividends payable			

Project name	Related party	Closing balance	Opening balance
	Shenzhen SEG Computers Co., Ltd	662,310.00	662,310.00
	Shenzhen SEG Group Co., Ltd.	12,088,800.00	
	Shenzhen SEG Property Development Co., Ltd.	2,520,000.00	
Other payables			
	Shenzhen SEG Group Co., Ltd.	100,000.00	---

XIII. Commitments and contingency

(I) Major commitments

1. Concluded lease contract being performed or to be performed and minimum rental to be paid the next year

Remaining lease term	Xi'an SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.
Within one year (including one year)	13,375,000.00	5,212,004.12	-	-	-
Above one year but within two years (including two years)	13,625,000.00	5,368,364.28	-	-	-
Above two years but within three years (including three years)	13,875,000.00	5,529,415.17	-	-	-
Over 3 years	21,250,000.00	4,239,675.63	-	-	-
Total	62,125,000.00	20,349,459.20	Note *1	Note *2	Note *3

(Continued)

Remaining lease term	Suzhou SEG Intelligent Technology Co., Ltd.	Shunde SEG Electronics Market Management Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd	Suzhou SEG Digital Plaza Management Co., Ltd.
Within one year (including one year)	4,000,000.00	---	---	12,585,711.40
Above one year but within two years (including two years)	---	---	---	12,585,711.40

Remaining lease term	Suzhou SEG Intelligent Technology Co., Ltd.	Shunde SEG Electronics Market Management Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd	Suzhou SEG Digital Plaza Management Co., Ltd.
Above two years but within three years (including three years)	---	---	---	13,001,905.56
Over 3 years	---	---	---	52,340,577.56
Total	4,000,000.00	Note *4	Note *5	90,513,905.92

Note *1: According to the cooperation agreement signed by and between both parties, Xi'an Hairong SEG Electronics Market Co., Ltd. pays the rental at 70% of profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

Note *2: The rental of Shenzhen SEG Electronics Market Management Co., Ltd. is adjusted according to the CPI. Therefore, the amount of rental in the future is uncertain.

Note *3: According to the cooperation agreement signed by and between both parties, Wujiang SEG Electronics Market Co., Ltd. pays the rental at 70% of pretax profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

Note *4: According to the cooperation agreement signed by and between both parties, the rental payable by Shunde SEG Electronics Market Management Co., Ltd. shall be negotiated per year and implemented according to the supplementary agreement signed in the current year. Therefore, the amount of rental in the future is uncertain.

Note *5: Wuxi SEG Electronics Market Co., Ltd. is exempted from the rental within the three years before opening of the company and pays the rental in the fourth year according to 70% of the pre-tax profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

2. Other major financial commitment

(1) Other important financial commitments

As of the end of the current report period, the Company mortgaged its own property for bank loans. Details of the mortgaged property and at the end of the current report period are as follows:

Owner of property	Name of property	Net value of property at the end of the period	Remarks
Shenzhen SEG Co., Ltd.	4F, SEG Plaza	44,194,534.03	Mortgage for bank loans
Shenzhen SEG Co., Ltd.	Some floors of Contemporary Window	52,410,701.75	Mortgage for bank loans
Shenzhen SEG Co., Ltd.	31F, Qunxing Plaza	9,315,215.47	Mortgage for bank loans
Shenzhen SEG Co., Ltd.	Other properties	6,692,395.15	Mortgage for bank loans
Total		112,612,846.40	

(II) Contingency on the balance sheet date

1. Contingency arising from pending litigation or arbitration and its financial impact

Plaintiff	Defendant	Case	Amount of subject (RMB 10,000)	Basic information about the case	Progress of the case
Nanning Haiqi Real Estate Development Co., Ltd. ("Nanning Haiqi")	Nanning SEG Electronics Market Management Co., Ltd. ("Nanning SEG"), Shenzhen SEG Co., Ltd.	Dispute over the lease contract	11.70	Case number: 2016 G. 0102 M. C. No. 4611 Nanning Haiqi alleged that Nanning SEG occupied its shop front located at No. 6, A Zone, 1F, Property Development Plaza, 158 East Renmin Road, Nanning and petitioned the court to order Nanning SEG to pay the occupancy expense of RMB 37,800, liquidated damages of RMB 71,300, and attorney fee of RMB 8,000, and that the Company should bear the joint liability.	The first instance is in trial and pending.
Nanning Haiqi Real Estate Development Co., Ltd.	Nanning SEG Electronics Market Management Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the lease contract	104.19	Case number: 2016 G. 0102 M. C. No. 4612 Nanning Haiqi alleged that Nanning SEG failed to return the house in accordance with the Civil Judgment (2015) X. M. Y. C. Zi. No. 1393 made by the People's Court of Xingning District, Nanning and the <i>Lease Contract for Nanning SEG Electronics Market</i> and petitioned the court to order Nanning SEG to pay for rental and decoration losses of RMB 996,900 and the attorney fee of RMB 45,000, and that the Company should bear the joint liability.	The first instance is in trial and pending.
Nanning Haiqi Real Estate Development Co., Ltd.	Nanning SEG Electronics Market Management Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the lease contract	1,026.30	Case number: 2016 G. 0102 M. C. No. 3653 Nanning Haiqi, Nanning SEG and the Company entered into the <i>Lease Contract for Nanning SEG Electronics Market</i> , and the rental and decoration fee as RMB 2,000,000 was paid to Nanning Haiqi as agreed in the Contract. As the lease contract was terminated according to the Civil Judgment (2015) X. M. Y. C. Zi. No. 1393 made by the People's Court of Xingning District, Nanning Haiqi petitioned the court to order Nanning SEG to pay for its decoration loss of RMB 2,000,000, liquidated damages of RMB 8,000,000, attorney fee of RMB 263,000, and that the Company should bear the joint liability.	The first instance is in trial and pending.
Nanning Yuanpeng Property Service Co., Ltd. ("Nanning Yuanpeng")	Nanning SEG Electronics Market Management Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the property service contract	246.98	Case number: 2016 G. 0102 M. C. No. 3654 Nanning Yuanpeng, Nanning SEG and the Company entered into the <i>Property Management Service Contract</i> . Nanning Yuanpeng alleged that Nanning SEG delayed payment of the property fee as scheduled, and petitioned the court to order Nanning SEG to pay the property fee of RMB 1,316,200, overdue penalty of RMB 1,070,100, and attorney fee of RMB 83,500.	The first instance is in trial and pending.
Nanning SEG Electronics Market Management Co., Ltd.	China Construction Bank Nanning Taoyuan Sub-branch ("CCB Taoyuan Sub-branch")	Dispute over the lease contract	88.64	Case number: 2016 G. 0102 M. C. No. 672 As CCB Taoyuan Sub-branch breached the <i>Lease Contract for Nanning SEG Electronics Market</i> , refused to pay the rent, and unreasonably occupied the shop front, Nanning SEG petitioned the court to order CCB Taoyuan Sub-branch to vacate and return the shop front and pay the rent and property management fee in arrears and liquidated damages of RMB 886,400.	The case has been registered but not heard.

2. Issued letter of guarantee (L/G) and letter of credit (L/C)

L/G No.	Beneficiary	Bank	L/G amount	Unused amount	Due date
GC1783916000848	Shenzhen Tongchan Group Co., Ltd	Bank of China Shenzhen Branch	3,510,192.00	3,510,192.00	2018.4.22

Except the preceding contingency, the Company has no significant commitments that shall be disclosed but have not been disclosed as of December 31, 2016.

XIV. Events after the balance sheet date

(I) Major non-adjustment items

1. Significant acquisitions or restructuring plan

On February 3, 2016, Shenzhen SEG Co., Ltd. and Shenzhen SEG Group Co., Ltd. entered into the *Framework Agreement on Issue of Shares and Assets Purchase in Cash*. The Company plans to purchase the equity of targeted companies held by SEG Group (including 55% of equity of SEG Kangle, 100% of equity of SEG Property, 100% of equity of SEG SegMaker, and 79.02% of equity of SEG Real Estate) by non-public offering of shares and in cash, and issue private placement to no more than 10 specific investors to raise supporting funds for no more than 2 billion Yuan. The supporting funds are used to pay the cash considerations of such transaction, the subsequent investment to the construction project of Xi'an SEG Plaza, and the subsequent investment to the construction project of Shenzhen SEG International Electronics Industry Center by Shenzhen SEG New Urban Construction Development Co., Ltd. As of the report date, the organization plan is in progress.

On January 17, 2017, the Company received 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) from China Securities Regulatory Commission (hereinafter referred to as the "CSRC"). As of January 19, 2017, the Company has issued 450,857,239.00 shares to pay the consideration for acquisition and completed the business registration formalities for equity changes of SegMaker, SEG Kangle, SEG Property Development, and SEG Real Estate Investment.

2. Major litigation, arbitration, and commitment

Plaintiff	Defendant	Case	Amount of subject (RMB 10,000)	Basic information about the case	Progress of the case
Shenzhen SEG Industrial Investment Co., Ltd. ("SEG Industrial")	Shenzhen Wonder Industry Co., Ltd., Liu Guiyun, Liu Yu	Dispute over the purchase and sales contract	839.41	Case number: (2017) Y. 0304 M. C. No. 5092 As Shenzhen Wonder Industry Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 7,899,800 as of January 2017 and overdue fine of RMB 514,300, and that Liu Guiyun and Liu Yu should bear the joint liability.	The case has been registered but not heard.
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Yixin Zhongtian Technology Co., Ltd., Zhe Shaojun, Zhao Xiaoyan, Xinjiang Jiazhao Hengye Electronic Technology Co., Ltd., Xinjiang Zhongdi Communication Equipment Co., Ltd.	Dispute over the purchase and sales contract	1,480.57	Case number: (2017) Y. 0304 M. C. No. 5088 As Shenzhen Yixin Zhongtian Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 13,241,700 as of January 2017 and overdue fine of RMB 1,564,000.	The case has been registered but not heard.
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Comnet Technology Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., Shenzhen Baiyide Technology Co., Ltd.	Dispute over the purchase and sales contract	515.54	Case number: (2017) Y. 0304 M. C. No. 7976 As Shenzhen Comnet Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 5,144,200 as of the end of February 2017 and overdue fine of RMB 11,200.	The case has been registered but not heard.

Plaintiff	Defendant	Case	Amount of subject (RMB 10,000)	Basic information about the case	Progress of the case
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Runneng Digital Technology Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., Shenzhen Baiyide Technology Co., Ltd.	Dispute over the purchase and sales contract	1,534.50	Case number: (2017) Y. 0304 M. C. No. 7976 As Shenzhen Runneng Digital Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 15,251,100 as of the end of February 2017 and overdue fine of RMB 93,900.	The case has been registered but not heard.
Suzhou SEG Electronics Market Management Co., Ltd. ("Suzhou SEG")	Zongheng International Electronic Expo City (Suzhou) Co., Ltd. ("Zongheng International")	Dispute over the claim for the creditor's right	1,900.08	Case number: (2016) S. 0505 M. C. No. 5176 The Company and Zongheng International entered into <i>Suzhou SEG Electronics Market Project Cooperation Agreement</i> on June 5, 2005. According to the agreement, the parties jointly funded Suzhou SEG and Suzhou SEG rented the trading market in Zongheng International Electronic Expo City Phase I and Phase II for 20 years from the official business date of Suzhou SEG Electronics Market. As agreed by the parties, Suzhou SEG prepaid the rents for 2016 in October 2015. Before the expiration of the lease term, Zongheng International unilaterally terminated <i>Suzhou SEG Electronics Market Project Cooperation Agreement</i> by the <i>Notice of Cancellation of the Cooperation Agreement</i> and withdrew the leased property and related appurtenances. However, Zongheng International did not return the rents prepaid by Suzhou SEG. Suzhou SEG petitioned the court to order Zongheng International to return the prepaid rents and pay for the possession of funds of RMB 19,000,800.	The parties reached a settlement on February 11, 2017. Suzhou SEG withdrew the lawsuit of (2016) S. 505 M. C. No. 5176 of the People's Court of Huqiu District, Suzhou. The parties agreed on settlement of receivables payable, and Zongheng International repaid the arrears of RMB 17,185,600 as of February 8, 2017 to Suzhou SEG.

3. Important external investment

(1) Investment in establishing subsidiaries

On April 6, 2017, the Company held the 18th interim meeting of 7th Board of Directors to examine and approve the *Proposal of Investment in Establishing Shenzhen SEG Zhongtong Technology Co., Ltd. and Participation in Wi-Fi-in-Station and Train Project of China Railway Co., Ltd.* The Company has planned to co-invest with Zhuhai Zhongtong Lexing Network Technology Co., Ltd. (hereinafter referred to as "Zhuhai Zhongtong Company") and Shenzhen Donglinde Investment Co., Ltd. (hereinafter referred to as "Donglinde Company") RMB 20 million in establishing Shenzhen SEG Zhongtong Technology Co., Ltd. (as the tentative name, and the official name is subject to the registration in industrial and commercial administration, hereinafter referred to as "SEG Zhongtong Company"), therein the Company invests RMB 9.8 million to occupy 49% of share holding, and Zhuhai Zhongtong RMB 8.2 million and 41%, and Donglinde RMB 2 million and 10% respectively.

The capital of each shareholder of SEG Zhongtong Company will be invested by stages according to the actual operation of the joint venture. The down payment of SEG Zhongtong will not exceed RMB 5 million. If SEG Zhongtong fails to obtain as scheduled the qualification of equipment supplier and system integrator of the said Wi-Fi Project of China Railway, the withdrawal mechanism will be launched automatically to avoid any further losses.

(2) The holding subsidiary acquired the right of land use through bidding.

On March 13, 2017, the Company held the 16th interim meeting of 7th Board of Directors to examine and approve the *Proposal of Approving Shenzhen Longyan Energy Technology Co., Ltd. to Participate in Acquiring Land Through Bidding*. Shenzhen SEG Longyan Energy Technology Co., Ltd., the subsidiary of the Company, participated in acquiring through bidding the use right of the state-owned land for construction locating at Ebu Town in Shenzhen-Shantou Special Cooperative Zone (the registration number of the plot is E2016-0025), and finally acquired the use right of the plot through bidding at the cost of RMB 28.01 million and signed with Shenzhen Land & Real Estate Exchange Center the *Confirmation of Transaction* (S.S.D.J. [2016] No. 1). This plot is designed to be used as the base in the project of CdTe film photovoltaic industry of the Company.

XV. Notes to other important matters

(I) Purchase of financial products with idle funds

At the 2nd general meeting on July 21, 2014, the Company approved the *Proposal on Purchase of Financial Products Using Idle Funds of the Company*, which allows the company and its subsidiaries to invest and manage wealth by using idle funds of not more than RMB 1 billion Yuan and the capital can be rolled over within the forgoing limit. The shareholder's meeting passed a resolution that general manager of the Company shall make decisions for specific projects and the management shall carry out such decisions. The investment period is from the date of resolution to June 30, 2016 (subject to the time of purchasing financial products).

At the 2nd extraordinary general meeting (2016) on September 3, 2016, the Company approved the *Proposal on Purchase of Financial Products Using Idle Funds of the Company*, and extended the investment term to June 30, 2019 (calculated from the time when financial products are purchased).

As of December 31, 2016, the balance of financial products purchased by the Company and its subsidiaries is as follows:

Unit: RMB 10,000

Company name	Shenzhen SEG Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.	Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.
Amount	13,300.00	1,800.00	7,900.00	100.00	1,950.00

Continued:

Company name	Xi'an SEG Electronics Market Co., Ltd.	Nantong SEG Times Plaza Development Co., Ltd.	Shenzhen SEG Credit Co., Ltd.	Total
Amount	500.00	800.00	300.00	26,650.00

XVI. Notes to main items in the financial statements of the parent company

Note 1 Accounts receivable

1. Accounts receivable disclosed by type

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with single significant amount and single bad debt provision	7,163,876.44	77.07	7,163,876.44	100.00	---
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	426,069.15	4.58	-	---	426,069.15
Accounts receivable with no single significant amount but with single provision for bad debts	1,705,306.44	18.35	1,705,306.44	100.00	-
Total	9,295,252.03	100.00	8,869,182.88	95.42	426,069.15

Continued:

Type	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with single significant amount and single bad debt provision	7,163,876.44	---	7,163,876.44	100.00	---
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	---	---	---	---	---
Accounts receivable with no single significant amount but with single provision for bad debts	1,705,306.44	100.00	1,705,306.44	100.00	---
Total	8,869,182.88	100.00	8,869,182.88	100.00	---

Notes to types of accounts receivable:

(1) Accounts receivable with single significant amount and single bad debt provision

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Liyuanshun Industrial Co., Ltd.	1,906,865.35	1,906,865.35	100.00	Unable to be recovered for aging of over 5 years
Shanghai Tianci Industrial Co., Ltd.	899,000.00	899,000.00	100.00	Unable to be recovered for

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
				aging of over 5 years
Zhejiang Financial Information	786,000.00	786,000.00	100.00	Unable to be recovered for aging of over 5 years
Sichuan Huiyuan Electronics Co., Ltd.	480,000.00	480,000.00	100.00	Unable to be recovered for aging of over 5 years
Total	7,163,876.44	7,163,876.44	100.00	

(2) Accounts receivable with no single significant amount but single bad debt provision

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Shenzhen Wal-Mart Zhujiang Department Store	198,348.57	198,348.57	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Properties Department Store Co., Ltd.	162,985.00	162,985.00	100.00	Unable to be recovered for aging of over 5 years
Jiang Weibin	126,925.35	126,925.35	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Jinhua Sheng Electronics Co., Ltd.	85,000.00	85,000.00	100.00	Unable to be recovered for aging of over 5 years
Other 43 companies	1,132,047.52	1,132,047.52	100.00	Unable to be recovered for aging of over 5 years
Total	1,705,306.44	1,705,306.44	100.00	

(3) Accounts receivable in Combination 1, for which bad debt provision is accrued by the aging analysis method:

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Proportion of provision (%)
Less than one year	318,069.15	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	318,069.15	-	-

(4) Accounts receivable in Combination 2 is accounts receivable from subsidiaries in the consolidation scope

2. Accrual, recovery and writing back of current bad debt provision

The amount of the current bad debt provision accrued is RMB 0.00.

The amount of the current bad debt provision recovered or reversed is RMB 0.00.

3. No other accounts receivable are written off in the current period.**4. Accounts receivable with top 5 closing balance collected based on debtors.**

Name of company	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Jiangsu Unicom	3,092,011.09	33.26	3,092,011.09
Shenzhen LiYuanshun Industrial Co., Ltd.	1,906,865.35	20.51	1,906,865.35
Shanghai Tianci Industrial Co., Ltd.	899,000.00	9.67	899,000.00
Zhejiang Financial Information Co., Ltd	786,000.00	8.46	786,000.00
Sichuan Huiyuan Electronics Co., Ltd.	480,000.00	5.16	480,000.00
Total	7,163,876.44	77.06	7,163,876.44

5. There are no receivable accounts derecognized due to transfer of financial assets in the report period.

6. There are no assets or liabilities arising from transfer of and continuous involvement in accounts receivable in the report period.

Note 2 Other accounts receivable

1. Other receivables disclosed by type

Type	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other accounts receivable with single significant amount and single bad debt provision	14,227,563.86	1.90	14,227,563.86	100.00	-
Other accounts receivable with bad debt provision accrued based on credit risk feature combinations	724,666,448.71	96.58	7,478.53	-	724,658,970.18
Other accounts receivable with no single significant amount but with single provision for bad debts	11,373,065.58	1.52	11,373,065.58	100.00	-
Total	750,267,078.15	100.00	25,608,107.97	3.41	724,658,970.18

Continued:

Type	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other accounts receivable with single significant amount and single bad debt provision	8,530,276.35	1.43	8,530,276.35	100	---
Other accounts receivable with bad	570,672,790.85	95.71	1,173.47	0	570,671,617.38

Type	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
debt provision accrued based on credit risk feature combinations					
Other accounts receivable with no single significant amount but with single provision for bad debts	17,070,353.09	2.86	17,070,353.09	100	---
Total	596,273,420.29	100	25,601,802.91	4.29	570,671,617.38

Notes to types of other accounts receivable:

(1) Other accounts receivable with single significant amount and single bad debt provision

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Yangjiang Yuntong Grease Co., Ltd.	8,530,276.35	8,530,276.35	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Lianjing Trade Co., Ltd.	5,697,287.51	5,697,287.51	100.00	Unable to be recovered for aging of over 5 years
Total	14,227,563.86	14,227,563.86	100.00	

(2) Other accounts receivable with no single significant amount but single bad debt provision

Name of company	Closing balance			Reason for provision
	Other accounts receivable	Bad debt provision	Proportion of provision (%)	
Shenzhen Tuopu Industrial Co., Ltd.	3,281,387.96	3,281,387.96	100.00	Unable to be recovered for aging of over 5 years
Yunsen Trade Co., Ltd.	1,668,343.74	1,668,343.74	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Shoujia Industrial Development Co., Ltd.	1,611,184.04	1,611,184.04	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Jimeng Industrial Development Co., Ltd.	1,358,912.37	1,358,912.37	100.00	Unable to be recovered for aging of over 5 years
Other 18 companies	3,453,237.47	3,453,237.47	100.00	Unable to be recovered for aging of over 5 years
Total	11,373,065.58	11,373,065.58	100.00	

(3) Other accounts receivable in Combination 1, for which bad debt provision is accrued by the aging analysis method:

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Proportion of provision (%)

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Proportion of provision (%)
Less than one year	2,600,591.90	---	---
1-2 years	131,806.58	6,590.33	5
2-3 years	8,882.00	888.20	10
Total	2,741,280.48	7,478.53	0.27

(4) Other accounts receivable in Combination 2 include deposit, security deposit, account with related parties.

2. Accrual, recovery and writing back of current bad debt provision

The amount of the current bad debt provision accrued is RMB 6,305.06.

3. No other accounts receivable are written off in the current period.

4. Classification of other receivables by nature

Item	Closing balance	Opening balance
Receivables of related parties	720,586,858.45	568,166,228.80
Creditor's right transfer cost	25,600,629.44	23,583,862.58
Imprest	929,258.20	579,868.64
Deposit and security deposit	1,338,309.78	1,446,667.78
Others	1,812,022.28	2,496,792.49
Total	750,267,078.15	596,273,420.29

5. Other receivables with top 5 closing balance collected based on arrears party

Name of company	Nature of receivables	Closing balance	Aging	Percentage in the total amount of other accounts receivable	Bad debt provision Closing balance
Nantong SEG Times Plaza Development Co., Ltd.	Loans and interests	662,301,827.64	Within 4 years	88.28	-
Shenzhen SEG Industrial Investment Co., Ltd.	Loans and interests	47,088,490.03	Over 5 years	6.28	-
Suzhou SEG Digital Plaza Management Co., Ltd.	Incomings and outgoings	10,000,000.00	1-2 years	1.33	-
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	1.14	8,530,276.35
Shenzhen Lianjing Trade Co., Ltd.	Incomings and outgoings for creditor's right	5,697,287.51	Over 5 years	0.76	5,697,287.51
Total		733,617,881.53		97.79	14,227,563.86

6. There are no accounts receivable related to government subsidies in the current period.

7. There are no other receivables derecognized due to transfer of financial assets in the current period.

8. There are no assets or liabilities arising from transfer of and continuous involvement in other receivables in the current period.

Note 3 Long-term equity investment

Nature of receivables	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment in subsidiaries	269,935,426.24	---	269,935,426.24	269,983,526.24	---	269,983,526.24
Investment in associates and joint ventures	183,649,044.67	---	183,649,044.67	185,122,573.88	---	185,122,573.88
Total	453,584,470.91	---	453,584,470.91	455,106,100.12	---	455,106,100.12

1. Investment in subsidiaries

Invested organization	Initial investment cost Cost	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision in the current period	Closing balance of impairment provision
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	20,512,499.04	20,512,499.04			20,512,499.04	---	---
Shenzhen SEG Industrial Investment Co., Ltd.	29,181,027.20	29,181,027.20			29,181,027.20	---	---
Changsha SEG Development Co., Ltd.	69,000,000.00	69,000,000.00			69,000,000.00	---	---
Shenzhen SEG Electronics Market Management Co., Ltd.	2,100,000.00	2,100,000.00			2,100,000.00	---	---
Suzhou SEG Electronics Market Co., Ltd.	1,350,000.00	1,350,000.00			1,350,000.00	---	---
Xi'an SEG	1,950,000.00	1,950,000.00			1,950,000.00	---	---

Invested organization	Initial investment cost Cost	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision in the current period	Closing balance of impairment provision
Electronics Market Co., Ltd.							
Shenzhen SEG Credit Co., Ltd.	54,000,000.00	54,000,000.00	5,251,900.00		59,251,900.00	---	---
Shenzhen SEG E-Commerce Co., Ltd.	15,300,000.00	15,300,000.00		15,300,000.00	-	---	---
Shenzhen SEG Electronics Market Management Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00	---	---
Xi'an Hairong SEG Electronics Market Co., Ltd.	1,530,000.00	1,530,000.00			1,530,000.00	---	---
Wujiang SEG Electronics Market Co., Ltd.	1,530,000.00	1,530,000.00			1,530,000.00	---	---
Wuxi SEG Electronics Market Co., Ltd.	1,530,000.00	1,530,000.00			1,530,000.00	---	---
Shunde SEG Electronics Market Management Co., Ltd.	6,000,000.00	6,000,000.00			6,000,000.00	---	---
Nanning SEG Electronics Market	8,000,000.00	8,000,000.00			8,000,000.00	---	---

Invested organization	Initial investment cost Cost	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision in the current period	Closing balance of impairment provision
Management Co., Ltd.							
Nantong SEG Times Plaza Development Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00	---	---
Suzhou SEG Digital Plaza Management Co., Ltd.	8,000,000.00	8,000,000.00			8,000,000.00	---	---
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	30,000,000.00	-			-	---	---
Suzhou SEG Intelligent Technology Co., Ltd.	10,000,000.00	-	10,000,000.00		10,000,000.00	---	---
Total	309,983,526.24	269,983,526.24	15,251,900.00	15,300,000.00	269,935,426.24	---	---

2. Investment in associates and joint ventures

Invested organization	Opening balance	Increase/Decrease of the year			
		Additional investment	Negative investment	Investment profit and loss confirmed under the equity method	Adjustment of other comprehensive income
Shanghai SEG Electronics Market Co., Ltd.	3,379,412.81	---	---	172,145.25	---
Shenzhen Huakong SEG Co., Ltd.	181,743,161.07	---	-9,086,648.37	1,895,383.08	178.21
Shenzhen International Consumer Electronics Exhibition/Exchange Center	---	9,000,000.00	---	-2,454,587.38	---
Total	185,122,573.88	9,000,000.00	-9,086,648.37	-387,059.05	178.21

Continued:

Invested organization	Increase/Decrease of the year				Closing balance	Closing balance of impairment provision
	Other changes in equity	Declared cash dividends or profits distribution	Accrued impairment provision	Others		
Shanghai SEG Electronics Market Co., Ltd.	---	-1,000,000.00	---	---	2,551,558.06	---
Shenzhen Huakong SEG Co., Ltd.	---	---	---	---	174,552,073.99	---
Shenzhen International Consumer Electronics Exhibition/Exchange Center	---	---	---	---	6,545,412.62	---
Total	---	-1,000,000.00	---	---	183,649,044.67	---

Note 4 Operating revenue and operating cost

1. Operating income and operating cost

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	100,960,545.53	74,670,318.50	123,368,604.11	76,436,384.08
Other businesses	-	-	556,849.32	---
Total	100,960,545.53	74,670,318.50	123,925,453.43	76,436,384.08

Note 5 Investment income

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income by the cost method	33,647,355.51	32,436,680.00
Long-term equity investment income by the equity method	-387,059.05	1,703,803.48
Income from disposal of long-term equity investments	76,252,009.03	---
Income from holding financial assets measured by fair value with changes included in current profit and loss	---	---
Income from disposal of financial assets measured by fair value with changes included in current profit and loss	---	---
Income from holding of held-to-maturity investments	---	---
Investment income during the possession of available-for-sale financial assets	---	750,000.00
Income from disposal of held-to-maturity investments	---	---
Income from disposal of available-for-sale financial assets	---	---
Profit from re-measurement of fair value of the remaining equity after loss of control	---	---
Others	31,725,185.43	35,514,983.86
Total	141,237,490.92	70,405,467.34

XVII. Supplementary material**(I) Details of non-recurring profit and loss**

Item	Amount	Notes
profit and loss from disposal of non-current assets	89,459,793.78	
Tax refund, reduction or exemption upon approval exceeding authorized limits or without formal documents		
Government subsidies included in current gains and losses (except those closely related with corporate business and enjoyed according to national standards or certain quota)	9,828,264.76	
Fund appropriation charges for non-financial entities included in current profit and loss	3,097,500.00	
Gains from the margin between the investment cost of the Company for acquisition of subsidiaries, joint ventures and joint operation enterprises and the recognizable fair value of net assets of invested units at the time of acquisition		
Loss from transfer of non-monetary assets		
profit and loss from entrusting investment or managing assets		
Provision for assets impairment withheld for Force Majeure		
profit and loss from debt restructuring		
Expenditures for corporate restructuring, such as expenses for relocation of employees and for integration	-1,439,958.00	
profit and loss from unfairly priced transactions in which the transaction value exceeds the fair value		
Net current profit and loss of a subsidiary due to the merger of enterprises under common control from the beginning of period to the date of merger		
profit and loss from contingency items irrelevant with regular operation of the Company		
Profit and loss from fair value changes by holding of transaction financial assets and liabilities, except effective hedging business related to regular operation of the Company, and investment income from disposal of transaction financial assets and liabilities as well as available-for-sale financial assets		
Transferred-back impairment provision for accounts receivable, for which separate impairment tests are carried out		
Profit and loss for external entrusted loans		
profit and loss from fair value changes of investment properties, whose subsequent measurement is carried out based on the fair value mode		
Influence on current profit and loss by one-off adjustment according to tax and accounting laws and regulations		
Trustee fee from entrusted operation	188,679.24	
Other non-operating income and expenses except the above-mentioned items	-3,068,241.76	

Item	Amount	Notes
Other profit and loss fitting the definition of non-recurring profit and loss		
Influenced amount of income tax	-19,072,980.69	
Amount of influence of minority shareholders' equity (after tax)	-1,138,203.55	
Total	77,854,853.78	

(II) ROE and EPS

Profit in current report period	Weighted average return on equity (ROE) (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	7.11	0.1371	0.1371
Net profit attributable to common shareholders of the Company after deduction of non-recurring losses and gains	1.96	0.0379	0.0379

(III) Abnormalities in items of main financial statements and reasons

Item	Closing balance (/amount of the current period)	Opening balance (/amount of the previous period)	Change ratio	Reason for change
Monetary fund	183,094,815.84	276,863,429.10	-33.87%	In the report period, the Company's funds were mainly used to invest in Nantong SEG Times Plaza, resulting in decrease of this item.
Accounts receivable	50,870,545.72	98,212,422.87	-48.20%	The Company sold the equity of its subsidiary SEG E-Commerce in the report period, and the balance sheet statement of SEG E-Commerce was not consolidated at the end of the period, resulting in decrease of this item.
Prepayment	47,387,004.02	129,044,887.26	-63.28%	The Company sold the equity of its subsidiary SEG E-Commerce in the report period, and the balance sheet statement of SEG E-Commerce was not consolidated at the end of the period, resulting in decrease of this item.
Other receivables	63,183,612.96	27,352,784.33	131.00%	In the report period, Suzhou SEG terminated cooperation with Zongheng International, and the prepaid rent was transferred in, resulting in increase of this item.
Inventory	602,098,738.92	450,809,934.72	33.56%	In the report period, project construction expenditure was incurred by Nantong SEG Times Plaza, resulting in increase of this item.
Long-term deferred expense	94,320,491.68	49,235,999.86	91.57%	In the report period, the decoration expenditure of Nantong SEG Times Plaza was incurred, resulting in increase of this item.
Other non-current assets	13,804,660.46	5,103,811.14	170.48%	In the report period, the upfront expense of the new hotel was incurred.

Item	Closing balance (/amount of the current period)	Opening balance (/amount of the previous period)	Change ratio	Reason for change
Accounts payable	20,282,611.08	89,908,781.98	-77.44%	The Company sold the equity of its subsidiary SEG E-Commerce in the report period, and the balance sheet statement of SEG E-Commerce was not consolidated at the end of the period, resulting in decrease of this item.
Advance receipt	116,529,761.27	190,430,121.05	-38.81%	The Company sold the equity of its subsidiary SEG E-Commerce in the report period, the balance sheet statement of SEG E-Commerce was not consolidated at the end of the period, and the advance rent receipt decreased.
Tax payable	46,917,032.07	34,645,030.07	35.42%	In the report period, the total profit increased and the corporate income tax increased.
Dividend payable	17,019,185.19	2,218,224.58	667.24%	In the report period, the dividend payable by subsidiaries was not paid, resulting in increase of this item.
Estimated liabilities	-	7,000,000.00	-100.00%	The lawsuit related to estimated liabilities accrued in the previous period is settled, resulting in decrease of this item.
Tax and surtax	18,517,765.23	27,804,172.86	-33.40%	In the report period, due to the program of replacing business tax with value-added tax, the business tax of the current period decreased, resulting in decrease of this item.
Sales expense	13,846,141.59	4,585,434.23	201.96%	In the report period, Nantong Times Plaza began trial operation and the newly-established Suzhou SEG Intelligent Technology Co., Ltd. incurred sales expenses, resulting in the increase of this item.
Management cost	60,042,027.31	44,222,779.09	35.77%	In the report period, intermediary service fees were paid for major asset restructuring, resulting in the increase of this item.
Investment income	99,145,904.44	17,647,493.77	461.81%	In the report period, equities of Huakong SEG and the subsidiary SEG E-Commerce were disposed of.
Non-operating income	10,897,524.02	2,367,546.40	360.29%	In the report period, Nantong Times Plaza received government subsidies, resulting in increase of this item.
Non-operating expense	4,366,432.31	14,687,757.38	-70.27%	Large sum of estimated liabilities were accrued in the previous year.
Income tax expenses	45,306,572.11	35,099,837.65	29.08%	In the report period, the total profit of the Company increased year-on-year, resulting in increase of this item.

Shenzhen SEG Co., Ltd.

(Official seal)

April 18, 2017