

Shenzhen SEG Co., Ltd

2012 Annual Report

March 30, 2013

Chapter 1 Important Notice, Contents, and Definitions

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of Shenzhen SEG Co., Ltd. hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibilities, individually and jointly, for the trueness, accuracy and completeness of the contents of this report.

Chairman of the Board Wang Li, the Chief Financial Officer Li Lifu 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 this annual report.

Shenzhen SEG Co., Ltd. plans not to distribute cash dividends and bonus shares or convert accumulated funds into share capital.

The forward-looking future plans and development strategies involved in the annual report do not constitute the essential promise of the company to the investors. The investors should be aware of investment risk.

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Definitions

Definition	Refers to	Description
This Company, the Company	Refers to	Shenzhen SEG Co., Ltd.
Shenzhen SEG Group Co., Ltd	Refers to	Shenzhen SEG Group Co., Ltd.
ST Huakong SEG	Refers to	Shenzhen Huakong SEG Co., Ltd. (formerly known as Shenzhen SEG Samsung Glass 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	Nanjing SEG Electronics Market Management Co., Ltd.
Shanghai SEG	Refers to	Shanghai SEG Electronics Market Operation Management Co., Ltd.
Changsha SEG	Refers to	Changsha SEG Development Co., Ltd.
Chengguo Hotel	Refers to	Shenzhen Chengguo 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 Small Loan	Refers to	Shenzhen SEG Small Loan Co., Ltd.
SEG Navigations	Refers to	Shenzhen SEG GPS Scientific Navigations Co., Ltd
Shunde SEG	Refers to	Foshan Shunde SEG Electronics Market Management Co., Ltd.
Wuxi SEG	Refers to	Wuxi SEG Electronics Market Co., Ltd.
SEG Hi-tech	Refers to	Shenzhen SEG Hi-tech Investment Co., Ltd.
SEG Logistics	Refers to	Shenzhen SEG Logistics Co., Ltd.
Buy-it Store	Refers to	Shenzhen SEG Industrial Investment Co., Ltd., 91.79% shares of which are held by the Company, opened the Buy-it Store on the third floor of Shenzhen SEG Electronics Market Phase II on October 1, 2009. Its main business include the wholesale and retail of computer products and accessories, mobile communication devices, digital products, the wholesale and retail of office products and the repair services of computer products. Its business model was transformed from proprietary trading to joint operation in March 2010.
SEG Universal	Refers to	An integrated information platform for market management with the functions of access control management, micro-payment, query system and information distribution.
Friendship Group	Refers to	Xinjiang Youhao (Group) Co., Ltd.
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>The Articles of Association</i>	Refers to	<i>The Articles of Association of Shenzhen SEG Co., Ltd.</i>
Unless otherwise specified, the amount referred to in this report	Refers to	Amount in RMB

Chapter 2 Company Profile

I. Basic Information

Stock abbreviation	SHEN SEG, SHEN SEG B	Stock code	000058, 200058
Listed on	Shenzhen Stock Exchange		
Company name in Chinese	深圳赛格股份有限公司		
Company abbreviation	深圳赛格股份有限公司		
Company name in English (if any)	SHENZHEN SEG CO., LTD.		
Legal representative	Wang Li		
Registered address	31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen		
Post code	518028		
Office address	31/F, Tower A, the 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	Fan Chonglan
Contact address	31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen	31/F, Tower A, the 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

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

IV. Changes of Registration Information

	Registration date	Registered address	Registered number of the corporation legal person's business license	Tax registration No.	Organization code
First registration	July 16, 1996	16/F, Baohua Technology Building, Huaqiang Road (N), Futian District, Shenzhen	27925377-6	440301279253776	27925377-6
Registration at the end of reporting period	November 28, 2011	31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen	440301103573251	440300279253776	27925377-6
Changes of main business since the Company's listing (if any)	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, estate agency and operation of SEG special electronics markets (licenses for special markets shall be specially applied for).				
All previous changes of dominant stockholders (if any)	No change.				

V. Other Relevant Information

The accounting firm employed by the Company:

Name of the accounting firm	BDO Da Hua Certified Public Accountants Co., Ltd. (special general partnership)
Address of the accounting firm	Room 1101, 11/F, Tower 7, No. 16 Xisihuan Road (M), Haidian District, Beijing
Name of the certified public accountant for signature	Yang Xi and Zhang Chaocheng

The sponsor institution employed by the Company for fulfilling the duties of continuous supervision in this reporting period:

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Chapter 3 Summary of Accounting Data and Financial Indexes

I. Major Accounting Data and Financial Indexes

Are retrospective adjustments made to previous financial statements due to accounting policy changes or accounting errors and so on?

☐ Yes ☒ No

	2012	2011	Increase/decrease on a year-on-year basis (%)	2010
Operating revenue (<i>Yuan</i>)	463,807,500.77	436,844,244.35	6.17%	392,385,908.88
Net profit belonging to shareholders of the listed company (<i>Yuan</i>)	45,587,138.06	68,995,713.25	-33.93%	59,217,701.05
Net profit belonging to shareholders of the listed company after deduction of non-recurring profit and loss (<i>Yuan</i>)	45,369,864.10	18,275,903.08	148.25%	56,512,019.29
Net cash flow arising from operating activities (<i>Yuan</i>)	-45,987,512.97	69,547,675.25	-166.12%	109,494,347.76
Basic earnings per share (<i>Yuan/Share</i>)	0.0581	0.0879	-33.9%	0.0755
Diluted earnings per share (<i>Yuan/Share</i>)	0.0581	0.0879	-33.9%	0.0755
Return on equity (ROE) (%)	3.88%	6.17%	-2.29%	4.97%
	End of 2012	End of 2011	Increase/decrease of the end of current year compared with that of the previous year (%)	End of 2010
Total assets (<i>Yuan</i>)	1,740,697,285.20	1,673,584,777.35	4.01%	1,466,272,625.92
Net assets belonging to shareholders of the listed company (Owner's equity belonging to shareholders of the listed company) (<i>Yuan</i>)	1,195,672,946.25	1,152,695,930.59	3.73%	1,083,983,092.76

II. Differences of Accounting Data under Chinese and Overseas Accounting Standards

1. The differences of net profit and net assets in this financial report calculated based on international and Chinese accounting standards

Unit: RMB *Yuan*

	Net profit belonging to shareholders of the listed company		Net assets belonging to shareholders of the listed company	
	Amount of the current period	Amount of the previous period	Period-end amount	Period-beginning amount
Based on Chinese accounting standards	45,587,138.06	68,995,713.25	1,195,672,946.25	1,152,695,930.59
Adjusted items and amounts based on international accounting standards:				

Based on international accounting standards	45,587,138.06	68,995,713.25	1,195,672,946.25	1,152,695,930.59
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2. The differences of net profit and net assets in this financial report calculated based on overseas and Chinese accounting standards

Unit: RMB Yuan

	Net profit belonging to shareholders of the listed company		Net assets belonging to shareholders of the listed company	
	Amount of the current period	Amount of the previous period	Period-end amount	Period-beginning amount
Based on Chinese accounting standards	45,587,138.06	68,995,713.25	1,195,672,946.25	1,152,695,930.59
Adjusted items and amounts based on overseas accounting standards:				
Based on overseas accounting standard	45,587,138.06	68,995,713.25	1,195,672,946.25	1,152,695,930.59

3. Explanations of the differences of accounting data under Chinese and overseas accounting standards: ☐ Applicable ☒ Not applicable

(III) Items of non-recurring profit and loss and related amounts:

Unit: RMB Yuan

Item	Amount of 2012	Amount of 2011	Amount of 2010	Remarks
Profit and loss from disposal of non-current assets (including the write-off of assets depreciation reserves)	-3,492.79	80,550,966.39	772,094.29	Loss from disposal of fixed assets
Government subsidiaries included in current profit and loss (except those closely related with the Company, which are enjoyed by rating or quotas according to uniform standards of the State)	870,280.00	250,000.00	0.00	Special funds for development of the biological, Internet and new energy industries gained from Shenzhen Municipal People's Government and supporting funds gained from the Commerce Department of Hunan Province.
Fund appropriation charges for non-financial entities included in current profit and loss	581,000.00	581,000.00	500,000.00	
Expenditures for corporate restructuring, such as expenses for relocation of employees and for integration	0.00	-17,716,467.00	0.00	
Profit and loss from contingency items irrelevant with normal business of the Company profit and loss from fair value changes by holding of transaction financial assets and liabilities, except effective hedging business related to normal business of the Company, and investment income from disposal of transaction financial assets and liabilities as well as financial assets available for sale	0.00	0.00	2,947,815.81	
Trustee fee income from entrusted operation	200,000.00	200,000.00	0.00	

Other non-operating revenue and expenses except the above-mentioned items	-1,392,736.58	3,514,360.03	-923,964.91	Compensation for commercial tenants in default
Influenced amount of income tax	-397,102.02	-15,423,840.84	-579,696.35	
Amount of influence of minority shareholders' equity (after tax)	359,325.35	-1,236,208.41	-10,567.08	
Total	217,273.96	50,719,810.17	2,705,681.76	--

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 ones.

☐ Applicable ☒ Not applicable

Chapter 4 Report of the Board of Directors

(I) Overview

2012 is the second year of implementation of the Company's 12th five-year plan. In the context of keen market competition, the Company exerts its full strength in propelling the implementation of every strategic service in accordance with the operation guideline of "Make progress while maintaining stability, and seek development through innovation". The Company strengthens strategic governance, constantly improves basic management and standards development, optimizes the internal management structure by various means, such as, internal control system building, implementation, and self-assessment, and enhances risk prevention capabilities. Moreover, the Company is devoted to independent innovation and business development including electronics market, e-commerce, small loan, and channel retail terminal business, and fortified the core competence and profitability of its main business by continuously improving the operation and management level of entity-based electronics markets. The electronics market business witnesses the record-breaking growth of operating revenue and total profit, and new projects develop smoothly. To cater for business development needs, the Company repositions and adjusts the e-commerce service. The channel retail terminal service steps into a favorable development stage. The small loan service embarks on a period of steady development after one year of operation. Through coordinated development of strategic business, such as electronics market, e-commerce, small loan and channel retail terminal business, the Company enhances its competitive edges and the core competence and brand influence of its main business—SEG Electronics Market.

In this reporting period, the Company achieved gross revenue of RMB 477.04 million *Yuan* from main business, with an increase of 9.20% compared with the same period of last year. The revenue increase is mainly due to: (1) Record-breaking growth of the operating revenue from inventory electronics market business. (2) Sharp increase of the operating revenue from SEG Baohua and SEG Industry. (3) Going into business of three new companies in this reporting period: SEG Small Loan, Xi'an Hairong SEG, and Nanjing SEG, thus increasing the Company's gross revenue.

In this reporting period, the Company achieved a total profit of RMB 73.5 million *Yuan*, with a decrease of 26.89% compared with the same period of last year. The profit decrease is mainly due to deduction of the return on investment (ROI) from transfer of 100% equity of SEG Logistics.

II. Analysis of Main Business

1. Overview

Main business of the Company includes development and operation of specialized electronics market and auxiliary projects, property lease service, IT product channel retail terminal service, and small loan service.

(1) Main business—Electronics markets:

In 2012, electronics markets were confronted with cut-throat competition from industry rivals and other marketing channels, such as 3C marts and e-commerce. To challenge such ruthless competition, the Company upped the ante for investment and research on electronics markets, took full advantages of the resource synergy of its national chain market, exploited existing market potential, cultivated new markets, and identified new profit growth points while maintaining steady operation of existing electronics markets.

In this reporting period, the number of the Company's new projects expanded rapidly. Shajing SEG Electronics Market and Shunde SEG went into business. The Company started operation of Xi'an Hairong SEG on April 27, 2012 and trial operation of Shajing SEG Electronics Market on January 19, 2012. Letters of intent for cooperation/management of East Gate SEG Electronics Market Project (entrusted management), Wujiang SEG Electronics Market Project (51% equity held by the Company), Ningbo SEG Digital Square and Ningbo SEG Electronics Market Project, Wuxi SEG Electronics Market Project, Suqian SEG Electronics Market (entrusted management), and Huainan SEG Electronics Market (entrusted management) have been signed. The relevant contracted projects are under prophase preparation.

In 2012, the Company was awarded "Top 10 Flagship Markets of China's Specialized Electronics Markets of 2011" and "Operational Innovation Award of China's Specialized Electronics Markets of 2011" through authentication organized by the Special Committee of Electronics Market affiliated with China Electronics Chamber of Commerce (CECC) and "China's Pioneer Enterprise for Building the Market of Good Faith" by Market Supervision Administration of Shenzhen Municipality.

In this reporting period, all electronics markets of the Company have earned profits, except the newly opened Nanjing SEG suffering budgetary loss. Business indexes soared to new heights in electronics market subsidiaries and inventory markets including Suzhou SEG, Xi'an SEG, Longgang SEG and Xi'an Hairong SEG.

In this reporting period, the Company achieved operating revenue of RMB 235.1 million *Yuan* from the business of electronics markets with an increase of 17.13% compared with the same period of last year, and a total profit of RMB 60.44 million *Yuan* with an increase of 25.13% compared with the same period of last year.

(2) Property lease

In this reporting period, SEG Baohua, 66.58% equity of which is held by the Company, operated well in property lease business with an occupancy rate higher than 98% of its office buildings. Affected by general economic decline and enclosed construction of Shenzhen Metro Line 7 in Phase III, the property lease business in SEG headquarters declined in both lease price and occupancy rate. In this reporting period, the Company achieved operating revenue of RMB 72.45 million *Yuan*, with an increase of 0.36% compared with the same period of last year, and a total profit of RMB 20.01 million *Yuan*, with a decrease of 8.28% over the same period of last year.

The decrease of total profit is mainly due to:

- ① The headquarters that falls under the property lease accounting scope expanded its business scope and enrolled more employees in this reporting period, leading to increase in salary payment.
- ② The profit from property lease business of SEG headquarters declined on a year-on-year basis due to occupancy rate fluctuation and lease price decrease.

(3) Channel retail terminal business of IT products

SEG Industry, a wholly-owned subsidiary of the Company, is mainly engaged in the channel retail terminal business of IT products. In this reporting period, the Company achieved operating revenue of RMB 21.71 million *Yuan* from the channel service.

(4). Small loan business

Since its inception at the end of 2011, SEG Small Loan with 53.02% equity held by the Company has always centered on commercial tenants and offered them convenient and efficient auxiliary financial

services which effectively satisfied their short-term petty loan needs. After one year of development, its small loan business has stepped into a steady stage. In this reporting period, the Company achieved operating revenue of RMB 16.92 million *Yuan* from small loan business. The loan business developed steadily with a loan balance of RMB 135.56 million *Yuan* by the end of this period.

The Company looks back over and summarizes the implementation condition of early disclosed development strategies and business plans in this reporting period.

In accordance with the 12th five-year plan, the Company disclosed its 2012 business plan in the 2011 Annual Report. According to the investment and objective conditions of specific projects, the Company made changes to its business plan for the second half of 2012 in the 2012 Semi-annual Report. The following table lists the implementation progress of the updated 2012 business plan disclosed in the 2012 Semi-annual Report.

No.	Project name	Investment plan (RMB ten thousand <i>Yuan</i>)	Progress	Actual amount
1	Build new electronics markets	22,400	(1) Invest RMB 1.53 million <i>Yuan</i> in Wujiang SEG. This matter was approved in the 21st interim meeting of the fifth Board of Directors on May 10, 2012, and disclosed through the specified media on May 12, 2012 (Company Announcements 2012-015 and 2012-016). (2) Invest RMB 1.53 million <i>Yuan</i> in Wuxi SEG. This matter was approved in the 9th meeting of the fifth Board of Directors on July 23, 2012, and disclosed through the specified media on July 24, 2012 (Company Announcements 2012-017 and 2012-018). (3) Invest RMB 6 million <i>Yuan</i> in Shunde SEG. This matter was approved in the 24th interim meeting of the fifth Board of Directors on October 9, 2012, and disclosed through the specified media on October 10, 2012 (Company Announcements 2012-034 and 2012-035). (4) Invest RMB 2.55 million <i>Yuan</i> in Ningbo SEG Digital Market Management Co., Ltd. This matter was approved in the 9th meeting of the fifth Board of Directors on July 23, 2012, and disclosed through the specified media on July 24, 2012 (Company Announcements 2012-017 and 2012-018).	The Company has invested a total of RMB11.61 million <i>Yuan</i> by the end of December 31, 2012
2	Buy equity from the partners of one or two holding subsidiaries with growth potential	10,746	Buy 8.2058% equity of SEG Industry. This matter was approved in the 9th meeting of the fifth Board of Directors on July 23, 2012, and disclosed through the specified media on July 24, 2012 (Company Announcement 2012-017).	The Company has bought 8.2058% equity of SEG Industry at a cost of RMB 5.3872 million <i>Yuan</i> for equity transfer.
3	Extend the term of land use right of SEG Baohua Block B	2,000	This investment is not executed.	0
4	Increase capital for SEG Small Loan	1,717	This investment is not executed.	0
5	Shenzhen City project in Kashgar, Xinjiang	2,000	This matter was approved in the 9th meeting of the fifth Board of Directors on July 23, 2012, and disclosed through the specified media on July 24, 2012 (Company Announcement 2012-019).	This investment incurred on March 7, 2013.

Reasons for the actual operating revenue being 20% more or less the disclosed annual profit forecast.

☐ Applicable ☒ Not applicable

2. Revenue

Note:

In this reporting period, the Company achieved total operating revenue of RMB 477.04 million *Yuan*, with an increase of 9.20% compared with the same period of last year. The revenue increase is mainly due to: (1) Record-breaking growth of the business income from inventory electronics markets. (2) Sharp increase of the operating revenue from SEG Baohua and SEG Industry. (3) Going into business of three new companies in this reporting period: SEG Small Loan, Xi'an Hairong SEG, and Nanjing SEG, thus increasing the Company's gross revenue.

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

☐ Yes ☒ No

Information about major orders on hand

☐ Applicable ☒ Not applicable

Information about significant changes or adjustments of any product or service in this reporting period

☐ Applicable ☒ Not applicable

Information about the Company's major customers

Sales amount of top 5 customers (<i>Yuan</i>)	123,378,593.92
Ratio of the total sales amount of top 5 customers to the annual sales (%)	25.86%

Information about top 5 customers

☒ Applicable ☐ Not applicable

No.	Name of customer	Sales amount (<i>Yuan</i>)	Ratio to the annual sales (%)
1	Shenzhen Runneng Digital Co., Ltd.	75,431,835.77	15.81%
2	Brace Universe Technology & Electronics (Shenzhen) Co., Ltd.	14,941,534.20	3.13%
3	Shenzhen Wodewo Trading Co., Ltd.	13,517,802.48	2.83%
4	Shenzhen Hongxuda Communications Technology Co., Ltd	10,842,062.66	2.27%
5	China Resources Vanguard Co., Ltd.	8,645,358.81	1.81%
Total	—	123,378,593.92	25.86%

3. Cost

Industry classification

Unit: RMB *Yuan*

Industry classification	2012		2011		Increase/decrease on a year-on-year basis (%)
	Amount	Ratio to operating cost (%)	Amount	Ratio to operating cost (%)	
Electronics market operation	201,600,767.52	56.65%	183,602,105.0	53.97%	2.68%

and property leasing			3		
Trade	133,483,917.60	37.51%	83,419,807.25	24.52%	12.99%
Hotel	13,249,191.76	3.72%	10,651,702.14	3.13%	0.59%
(3). E-commerce	6,290,670.80	1.77%	4,069,210.17	1.2%	0.57%
Financial industry	1,224,406.86	0.34%	0.00	0%	0.34%
Foreign transportation and bonded warehousing	0.00	0%	58,450,903.18	17.18%	0%
Total	355,848,954.58	100%	340,193,727.77	100%	0%

Information about major suppliers

Total purchase amount of top 5 suppliers (Yuan)	142,105,208.82
Ratio of the total purchase amount of top 5 suppliers to the annual purchase (%)	59.91%

Information about top 5 suppliers

√ Applicable □ Not applicable

No.	Name of supplier	Purchase amount (Yuan)	Ratio to the annual purchase (%)
1	Shenzhen Runneng Digital Co., Ltd.	50,955,397.58	21.48%
2	Shenzhen Shuojie Industrial Co., Ltd.	45,759,359.00	19.29%
3	Yunde Investment Development Co., Ltd.	18,000,000.00	7.59%
4	Tonmac International Electronics (Suzhou) Co., Ltd.	15,920,169.92	6.71%
5	Xi'an Gaoke (Group) New West China Industrial Development Co., Ltd.	11,470,282.32	4.84%
Total	—	142,105,208.82	59.91%

4. Expense

No.	Item	Year 2012	Year 2011	Increase/decrease (%)	Reasons for change
1	Sales expense	1,700,265.15	5,015,836.03	-66.10%	The sales expense of SEG Logistics declines compared with the same period of last year. In this reporting period, the Company changes the business mode of SEG E-Commerce by reducing marketing activities, which diminishes operating cost.
2	Income tax expense	18,232,618.45	31,730,533.69	-42.54%	In the same period of last year, the Company and its subsidiaries transferred 100% equity of SEG Logistics and the transfer income added RMB 15.41 million Yuan to the enterprise income tax payable. Similar items are not incurred in this reporting period.

5. Research and Development (R&D) Expenditure

Amounts of R&D Expenditure and Ratios to Operating Revenue in recently three years:

	Year 2012	Year 2011	Year 2010
Amount of R&D Expenditure (Yuan)	3,596,604.31	1,664,275.45	956,249.00
Ratio to Operating Revenue (%)	0.01%	0%	0%

In this reporting period, the Company spent R&D expenditures primarily in construction of SEG Network and SEG Universal in order to further improve their competition capability and forge an e-commerce platform that best suits SEG and provides excellent user experience based on specialized electronics markets. At the end of the reporting period, the Company finished the R&D of SEG Network V3.0 and SEG Universal V2.0 and put them into service in SEG electronics markets in Shenzhen, Suzhou, Xi'an, and Changsha and etc. R&D and construction of SEG Network and SEG Universal can help enhance the Company's operation capability and core competence.

6. Cash Flow

Unit: RMB Yuan

Item	2012	2011	Increase/decrease on a year-on-year basis (%)
Subtotal of cash inflow from operating activities	1,079,410,347.36	1,095,474,016.81	-1.47%
Subtotal of cash outflow for operating activities	1,125,397,860.33	1,025,926,341.56	9.7%
Net cash flow arising from operating activities	-45,987,512.97	69,547,675.25	-166.12%
Subtotal of cash inflow from investment activities	2,707,105,564.46	229,375,203.81	1,080.21%
Subtotal of cash outflow for investment activities	2,846,268,285.34	308,522,232.55	822.55%
Net cash flow arising from investment activities	-139,162,720.88	-79,147,028.74	75.83%
Subtotal of cash inflow from financing activities	5,390,000.00	85,170,000.00	-93.67%
Subtotal of cash outflow for financing activities	11,546,806.45	3,958,917.70	191.67%
Net cash flow arising from financing activities	-6,156,806.45	81,211,082.30	-107.58%
Net increase in cash and cash equivalents	-191,306,731.60	71,621,020.03	-367.11%

Reasons for over 30% year-on-year increase/decrease of related data

√ Applicable □ Not applicable

1. Net cash flow arising from operating activities decreased by 166.12% in this reporting period compared with the same period of last year because SEG Small Loan in this reporting period provided an additional loan of RMB 130.48 million Yuan compared with the same period of last year.

2. Subtotal of cash inflow from investment activities increased by 1080.21% in this reporting period compared with the same period of last year. In this reporting period, the Company invested idle funds in bank financing. Retraction of principal and income at the maturity date resulted in increase of this item.
3. Subtotal of cash outflow for investment activities increased by 822.55% in this reporting period compared with the same period of last year because the Company invested idle funds in bank financing.
4. Net cash flow arising from investment activities increased by 75.83% in this reporting period compared with the same period of last year because the financial product investment amount surpassed the retracted principal and income at the maturity date.
5. Subtotal of cash inflow from financing activities decreased by 93.67% in this reporting period compared with the same period of last year because some subsidiaries newly found in the same period of last year, for example, SEG Small Loan, received a large amount of investment as their registered capital from minority shareholders. The number of similar items decreased in this reporting period.
6. Subtotal of cash outflow for financing activities increased by 191.67% in this reporting period compared with the same period of last year because in this reporting period, subsidiaries paid more cash dividends for minority shareholders and purchased equity from SEG Industry, which results in increase of this item.
7. Net cash flow arising from financing activities decreased by 107.58% in this reporting period compared with the same period of last year because items 5 and 6 resulted in the decrease of this item.
8. Net increase in cash and cash equivalents decreased by 367.11% in this reporting period compared with the same period of last year because items 1, 4 and 7 resulted in decrease of this item.

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

√ Applicable □ Not applicable

Because SEG Small Loan increased a loan of RMB 130.48 million Yuan, it resulted in increase of cash outflow for operating activities and dramatic decrease in cash flow for operating activities. Hence, there is a big difference between cash flow for operating activities and annual net profit.

(III) Constitutes of Main Business

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue on a year-on-year basis (%)	Increase/decrease of operating cost on a year-on-year basis (%)	Increase/decrease of gross profit rate on a year-on-year basis (%)
Classified by industry						
Electronics market operation and property leasing	307,546,604.39	201,600,767.52	34.45%	12.7%	9.8%	1.73%
Trade	136,675,271.80	133,483,917.60	2.33%	58.37%	60.01%	-1%

Hotel	18,400,272.80	13,249,191.76	27.99%	52.69%	24.39%	16.38%
(3). E-commerce	1,185,351.83	6,290,670.80	-430.70%	-30.71%	54.59%	-292.84%
Financial industry	13,230,451.55	1,224,406.86	90.75%			
Classified by product						
Not applicable						
Region						
Shenzhen	342,077,373.76	237,410,367.65	30.6%	5.68%	3.72%	1.31%
Xi'an	44,427,469.50	33,604,257.02	24.36%	56.48%	41.46%	8.03%
Su Zhou	37,023,005.77	29,769,927.37	19.59%	7.79%	2.09%	4.49%
Changsha	25,970,952.67	23,544,368.95	9.34%	71.62%	33.46%	25.92%
Nanjing	27,539,150.62	29,808,610.60	-8.24%	167.74%	61.16%	71.59%
Foshan	0.00	688,740.95	0%	0%	0%	0%
Ningbo	0.00	1,022,682.04	0%	0%	0%	0%

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

☐ Applicable ☒ Not applicable

IV. Analysis of Assets and Liabilities

1. Important Changes of Assets

Unit: RMB Yuan

	The End of 2012		The End of 2011		Increase/decrease (%)
	Amount	Percentage of total assets (%)	Amount	Percentage of total assets (%)	
Monetary capital	453,132,467.18	26.03%	644,439,198.78	38.51%	-12.48%
Accounts receivable	10,742,406.91	0.62%	10,372,667.62	0.62%	0%
Inventory	2,715,123.54	0.16%	633,555.08	0.04%	0.12%
Investment real estate	500,164,867.01	28.73%	518,939,370.27	31.01%	-2.28%
Long-term equity investment	133,105,415.67	7.65%	132,408,004.59	7.91%	-0.26%
Fixed assets:	43,166,491.52	2.48%	45,927,045.74	2.74%	-0.26%
Construction in progress	185,086.00	0.01%	42,750.00	0%	0.01%

(IV) Analysis of Core Competence

At present, the Company's main business includes specialized electronics markets and value-added services (VASs). By the end of December 31, 2012, the Company has set up 21 entity-based SEG electronics markets (SEG Digital Squares) with over 500,000 m² of floor area, which forms a nationwide chain specialized electronics market system covering Pearl River Delta and Yangtze River delta.

Through 25 years of effort, SEG Electronics Market stands out as the largest specialized electronics markets in Asia delivering electronic components, IT products, and communications products and has great brand influence at home and abroad.

In recent years, the Company focused on its core strategic business—electronics market operation and management, and extended its value chain in timely response to market changes. To strengthen the core competence of main business, the Company established SEG E-Commerce and SEG Small Loan. Centering on real-world markets, the Company combined online with offline business, market services with financial VASs, specialized markets with fancy stores, supermarkets, and channel distribution, and lease and entrusted management with self-development of IT complex, so as to achieve coordinated business development and build up core competence characteristic of SEG.

VI. Analysis of Investment

1. Equity Investment

(1). Investment of the Company

Investment of the Company		
Investment amount in 2012 (Yuan)	Investment amount in 2011 (Yuan)	Increase/decrease (%)
16,997,200.00	124,750,000.00	-86.37%
Information about the invested companies		
Company name	Main business	Equity ratio of listed company in invested company (%)
Wujiang SEG Electronics Market Co., Ltd.	Electronics market operation	51%
Wuxi SEG Electronics Market Co., Ltd.	Electronics market operation	51%
Shunde SEG Electronics Market Co., Ltd.	Electronics market operation	100%
Shenzhen SEG Industrial Investment Co., Ltd.	Channel retail terminal business of electronic products and property operation and management	100%
Ningbo SEG Digital Market Co., Ltd.	Electronics market operation	51%
Ningbo SEG Electronics Market Co., Ltd.	The formalities for registration with the Administrator for Industry and Commerce had not been finished yet in this reporting period.	

(2) Stock investment

Stock type	Stock code	Short name of stock	Original investment cost (Yuan)	Beginning share quantity (shares)	Beginning share percentage (%)	Final share quantity (shares)	Final share percentage (%)	Final book value (Yuan)	Profit and loss in the report period (Yuan)	Accounting subject	Share source
Share	600778	Youhao Group	90,405.00	60,683	0.04%	60,683	0.04%	651,735.42	0.00	Salable financial assets	Original share
Share	000068	Shenzhen Seg Samsung Glass Co., Ltd. (SSG)	279,307,046.38	201,345,033	22.45%	201,345,033	22.45%	110,527,526.82	710,778.47	Long-term equity investment	Original share

Total	279,397,451.38	201,405,716	--	201,405,716	--	111,179,262.24	710,778.47	--	--
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2. Entrusted Financing, Derivative Investment, and Entrusted Loan

(1) Derivative Investment, and Entrusted Loan: Not applicable

(2). Entrusted Financing

Unit: RMB ten thousand Yuan

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
Bank of China	6,018	Jan 4, 2012	Feb 6, 2013	Float income	6,018	29.38	29.38	Yes	No	None
Bank of China	5,000	Jan 13, 2012	Feb 6, 2012	Float income	5,000	17.75	17.75	Yes	No	None
Bank of China	1,600	Jan 13, 2012	Feb 13, 2012	Float income	1,600	7.07	7.07	Yes	No	None
Bank of China	1,200	Jan 13, 2012	Feb 6, 2013	Float income	1,200	0.71	0.71	Yes	No	None
Bank of China	12,278	Feb 7, 2012	Mar 19, 2012	Float income	12,278	60.65	60.65	Yes	No	None
Bank of China	4,000	Feb 16, 2012	Mar 22, 2012	Float income	4,000	16.88	16.88	Yes	No	None
Bank of China	12,400	Mar 20, 2012	Jun 29, 2013	Float income	12,400	174.99	174.99	Yes	No	None
Bank of China	4,500	Mar 22, 2012	Mar 31, 2012	Float income	4,500	3.72	3.72	Yes	No	None
Bank of China	4,500	Apr 1, 2012	Jun 29, 2012	Float income	4,500	60.35	60.35	Yes	No	None
Bank of China	4,500	Jun 29, 2012	Jul 31, 2012	Float income	4,500	17.36	17.36	Yes	No	None
Bank of China	6,690	Jul 3, 2012	Jul 6, 2012	Float income	6,690	1.65	1.65	Yes	No	None
Bank of China	669	Jul 6, 2012	Jan 4, 2013	Float income	0	0	15.01	Yes	No	None
Bank of China	6,021	Jul 9, 2012	Jan 4, 2013	Float income	0	0	132.87	Yes	No	None
Bank of China	4,500	Aug 1, 2012	Aug 6, 2012	Float income	4,500	1.66	1.66	Yes	No	None
Bank of China	3,500	Aug 13, 2012	Feb 8, 2013	Float income	0	0	75.52	Yes	No	None
Bank of China	1,000	Aug 14, 2012	Nov 15, 2012	Float income	1,000	10.19	10.19	Yes	No	None
Bank of China	1,800	Sep 28, 2012	Oct 31, 2012	Float income	1,800	6.51	6.51	Yes	No	None
Bank of China	1,500	Sep 29, 2012	Oct 17, 2012	Float income	1,500	1.7	1.7	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
Bank of China	500	Oct 17, 2012	Mar 13, 2013	Float income	0	0	4.63	Yes	No	None
Bank of China	300	Oct 17, 2012	Nov 2, 2012	Float income	300	0.3	0.3	Yes	No	None
Bank of China	1,800	Nov 9, 2012	Jan 31, 2013	Float income	0	0	17.19	Yes	No	None
Bank of China	900	Nov 21, 2012	Nov 29, 2012	Float income	900	0.45	0.45	Yes	No	None
Industrial and Commercial Bank of China	900	Oct 12, 2012	Jan 10, 2013	Float income	0	0	8.65	Yes	No	None
Industrial and Commercial Bank of China	2,000	Oct 26, 2012	Jan 24, 2013	Float income	0	0	19.73	Yes	No	None
Bank of China	1,848.04	Oct 29, 2012	Apr 25, 2013	Float income	0	0	43.26	Yes	No	None
Industrial and Commercial Bank of China	1,000	Nov 2, 2012	Feb 5, 2013	Float income	0	0	10.41	Yes	No	None
Industrial and Commercial Bank of China	2,000	Jan 6, 2012	Jul 3, 2013	Float income	2,000	52.96	52.96	Yes	No	None
Industrial and Commercial Bank of China	3,000	Jan 19, 2013	Jul 30, 2012	Float income	3,000	84.1	84.1	Yes	No	None
Industrial and Commercial Bank of China	800	Apr 25, 2012	Jul 23, 2012	Float income	800	8.97	8.97	Yes	No	None
Industrial and Commercial Bank of China	600	May 17, 2012	Aug 14, 2012	Float income	600	6.73	6.73	Yes	No	None
Industrial and Commercial Bank of China	5,000	Jul 5, 2012	Jan 5, 2013	Float income	0	0	113.42	Yes	No	None
Industrial and Commercial Bank of China	3,000	Jul 12, 2012	Jan 7, 2013	Float income	0	0	66.21	Yes	No	None
Industrial and Commercial Bank of China	3,000	Jul 24, 2012	Oct 23, 2012	Float income	3,000	31.41	31.41	Yes	No	None
Industrial and Commercial Bank of China	3,000	Oct 26, 2012	Jan 24, 2013	Float income	0	0	29.59	Yes	No	None
Industrial and Commercial Bank of China	1,000	Nov 16, 2011	Jan 31, 2012	Float income	1,000	10.47	10.47	Yes	No	None
Bank of China	1,000	Feb 1, 2011	Jun 29, 2012	Float income	1,000	80.27	80.27	Yes	No	None
Bank of China	1,500	Feb 22, 2012	Feb 27, 2013	Float	0	0	91.48	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
				income						
Industrial and Commercial Bank of China	500	Mar 13, 2012	Sep 10, 2012	Float income	500	13.14	13.14	Yes	No	None
Industrial and Commercial Bank of China	300	Apr 16, 2012	Jun 11, 2012	Float income	300	2.03	2.03	Yes	No	None
Industrial and Commercial Bank of China	1,500	Jul 5, 2013	Jan 5, 2013	Float income	0	0	34.03	Yes	No	None
Industrial and Commercial Bank of China	800	Aug 10, 2012	Oct 30, 2012	Float income	800	7.28	7.28	Yes	No	None
Industrial and Commercial Bank of China	300	Aug 17, 2012	Nov 29, 2012	Float income	300	3.5	3.5	Yes	No	None
Bank of China	500	Sep 17, 2012	Sep 13, 2012	Float income	0	0	22.01	Yes	No	None
Bank of China	300	Sep 28, 2012	Sep 27, 2013	Float income	0	0	13.76	Yes	No	None
Bank of China	1,000	Oct 31, 2012	Oct 31, 2013	Float income	0	0	46	Yes	No	None
Industrial and Commercial Bank of China	200	Dec 12, 2012	Jul 9, 2013	Float income	0	0	5.04	Yes	No	None
Industrial and Commercial Bank of China	1,000	Feb 7, 2012	Apr 5, 2012	Float income	1,000	8.1	8.1	Yes	No	None
Industrial and Commercial Bank of China	1,000	Apr 10, 2012	Jun 28, 2012	Float income	1,000	10.61	10.61	Yes	No	None
Industrial and Commercial Bank of China	300	Jul 5, 2012	Aug 8, 2012	Float income	300	1.2	1.2	Yes	No	None
Industrial and Commercial Bank of China	900	Jul 5, 2012	Oct 8, 2012	Float income	900	10.07	10.07	Yes	No	None
Industrial and Commercial Bank of China	200	Aug 14, 2012	Sep 25, 2012	Float income	200	0.9	0.9	Yes	No	None
Industrial and Commercial Bank of China	800	Oct 19, 2012	Dec 28, 2012	Float income	800	5.68	5.68	Yes	No	None
Industrial and Commercial Bank of China	200	Nov 6, 2011	Dec 13, 2011	Float income	200	0.71	0.71	Yes	No	None
Industrial and Commercial Bank of China	1,000	Feb 8, 2012	Mar 21, 2012	Float income	1,000	5.52	5.52	Yes	No	None
Industrial and	200	Feb 3, 2012	Mar 26, 2012	Float	200	1.37	1.37	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
Commercial Bank of China				income						
Industrial and Commercial Bank of China	900	Apr 11, 2012	May 21, 2012	Float income	900	4.44	4.44	Yes	No	None
Industrial and Commercial Bank of China	500	Jun 7, 2012	Aug 6, 2012	Float income	500	3.37	3.37	Yes	No	None
Bank of China	12,000	Jan 9, 2012	Feb 9, 2012	Float income	12,000	58.09	58.09	Yes	No	None
Bank of China	1,000	Jan 9, 2012	Jan 16, 2012	Float income	1,000	0.79	0.79	Yes	No	None
Bank of China	1,000	Jan 16, 2012	Feb 1, 2012	Float income	1,000	2.28	2.28	Yes	No	None
Industrial and Commercial Bank of China	550	Jan 21, 2012	Jan 31, 2012	Float income	550	0.36	0.36	Yes	No	None
Bank of China	1,000	Feb 1, 2012	Feb 13, 2012	Float income	1,000	1.38	1.38	Yes	No	None
Bank of China	10,000	Feb 9, 2012	Mar 9, 2012	Float income	10,000	45.29	45.29	Yes	No	None
Industrial and Commercial Bank of China	1,000	Feb 10, 2012	Mar 14, 2012	Float income	1,000	4.34	4.34	Yes	No	None
Bank of China	1,080	Feb 10, 2012	Feb 13, 2012	Float income	1,080	0.19	0.19	Yes	No	None
Bank of China	1,083	Feb 14, 2012	Feb 29, 2012	Float income	1,083	1.6	1.6	Yes	No	None
Bank of China	1,085	Mar 1, 2012	Mar 29, 2012	Float income	1,085	1.75	1.75	Yes	No	None
Bank of China	4,500	Mar 9, 2012	Apr 9, 2012	Float income	4,500	20.64	20.64	Yes	No	None
Bank of China	4,500	Mar 9, 2012	Apr 9, 2012	Float income	4,500	20.64	20.64	Yes	No	None
Industrial and Commercial Bank of China	1,000	Mar 12, 2012	Mar 20, 2012	Float income	1,000	0.55	0.55	Yes	No	None
Bank of China	2,000	Apr 9, 2012	Apr 11, 2012	Float income	2,000	0.36	0.36	Yes	No	None
Bank of China	6,000	Apr 9, 2012	Apr 17, 2012	Float income	6,000	4.6	4.6	Yes	No	None
Bank of China	2,000	Apr 11, 2012	Apr 13, 2012	Float income	2,000	0.36	0.36	Yes	No	None
Bank of China	2,000	Apr 13, 2012	Apr 17, 2012	Float income	2,000	0.72	0.72	Yes	No	None
Bank of China	4,000	Apr 17, 2012	Apr 26, 2012	Float income	4,000	3.16	3.16	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
Bank of China	4,000	Apr 17, 2012	Apr 26, 2012	Float income	4,000	3.16	3.16	Yes	No	None
Bank of China	4,000	Apr 26, 2012	Apr 28, 2012	Float income	4,000	0.7	0.7	Yes	No	None
Bank of China	4,000	Apr 26, 2012	Apr 28, 2012	Float income	4,000	0.7	0.7	Yes	No	None
Bank of China	4,000	Apr 28, 2012	May 3, 2012	Float income	4,000	1.73	1.73	Yes	No	None
Bank of China	4,000	Apr 28, 2012	May 3, 2012	Float income	4,000	1.73	1.73	Yes	No	None
Bank of China	3,000	May 3, 2012	May 11, 2012	Float income	3,000	2.17	2.17	Yes	No	None
Bank of China	2,000	May 3, 2012	May 7, 2012	Float income	2,000	0.7	0.7	Yes	No	None
Industrial and Commercial Bank of China	4,000	May 4, 2012	Jun 8, 2012	Float income	4,000	16.88	16.88	Yes	No	None
Bank of China	2,000	May 7 2012	May 15, 2012	Float income	2,000	1.36	1.36	Yes	No	None
Bank of China	1,000	May 4, 2012	May 8, 2012	Float income	1,000	0.36	0.36	Yes	No	None
Bank of China	1,000	May 8, 2012	May 16, 2012	Float income	1,000	0.75	0.75	Yes	No	None
Bank of China	3,000	May 11, 2012	May 15, 2012	Float income	3,000	0.89	0.89	Yes	No	None
Bank of China	1,000	May 15, 2012	May 22, 2012	Float income	1,000	0.47	0.47	Yes	No	None
Industrial and Commercial Bank of China	3,000	May 16, 2012	Jul 10, 2012	Float income	3,000	20.34	20.34	Yes	No	None
Bank of China	1,000	May 22, 2012	May 24, 2012	Float income	1,000	0.11	0.11	Yes	No	None
Bank of China	1,000	May 24, 2012	May 25, 2012	Float income	1,000	0.06	0.06	Yes	No	None
Bank of China	1,000	May 25, 2012	May 29, 2012	Float income	1,000	0.25	0.25	Yes	No	None
Bank of China	1,000	May 29, 2012	May 30, 2012	Float income	1,000	0.06	0.06	Yes	No	None
Bank of China	1,000	May 30, 2012	Jun 6, 2012	Float income	1,000	0.48	0.48	Yes	No	None
Bank of China	1,010	Jun 4, 2012	Jun 18, 2012	Float income	1,010	1.05	1.05	Yes	No	None
Bank of China	1,000	Jun 6, 2012	Jun 8, 2012	Float income	1,000	0.11	0.11	Yes	No	None
Bank of China	1,000	Jun 8, 2012	Jun 18, 2012	Float income	1,000	0.63	0.63	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
Industrial and Commercial Bank of China	3,000	Jun 12, 2012	Jul 23, 2012	Float income	3,000	15.16	15.16	Yes	No	None
Bank of China	2,010	Jun 18, 2012	Jun 26, 2012	Float income	2,010	1.1	1.1	Yes	No	None
Bank of China	2,014	Jun 26, 2012	Jun 28, 2012	Float income	2,014	0.34	0.34	Yes	No	None
Bank of China	1,014	Jun 28, 2012	Jun 29, 2012	Float income	1,014	0.06	0.06	Yes	No	None
Industrial and Commercial Bank of China	1,000	Jun 29, 2012	Aug 14, 2012	Float income	1,000	5.42	5.42	Yes	No	None
Bank of China	1,014	Jun 29, 2012	Jul 3, 2012	Float income	1,014	0.26	0.26	Yes	No	None
Bank of China	1,014	Jul 3, 2012	Jul 11, 2012	Float income	1,014	0.77	0.77	Yes	No	None
Bank of China	1,468	Jul 11, 2012	Jul 16, 2012	Float income	1,468	0.51	0.51	Yes	No	None
Industrial and Commercial Bank of China	3,000	Jul 12, 2012	Aug 15, 2012	Float income	3,000	11.74	11.74	Yes	No	None
Bank of China	1,469	Jul 16, 2012	Jul 18, 2012	Float income	1,469	0.21	0.21	Yes	No	None
Bank of China	1,469	Jul 19, 2012	Jul 23, 2012	Float income	1,469	0.47	0.47	Yes	No	None
Bank of China	1,000	Jul 23, 2012	Jul 31, 2012	Float income	1,000	0.73	0.73	Yes	No	None
Bank of China	469	Jul 23, 2012	Jul 25, 2012	Float income	469	0.08	0.08	Yes	No	None
Bank of China	470	Jul 25, 2012	Jul 27, 2012	Float income	470	0.07	0.07	Yes	No	None
Industrial and Commercial Bank of China	2,055	Jul 25, 2012	Aug 30, 2012	Float income	2,055	8.31	8.31	Yes	No	None
Bank of China	970	Jul 27, 2012	Jul 31, 2012	Float income	970	0.29	0.29	Yes	No	None
Bank of China	1,970	Jul 31, 2012	Aug 2, 2012	Float income	1,970	0.3	0.3	Yes	No	None
Bank of China	2,371	Aug 2, 2012	Aug 6, 2012	Float income	2,371	0.74	0.74	Yes	No	None
Bank of China	1,000	Aug 6, 2012	Aug 8, 2012	Float income	1,000	0.15	0.15	Yes	No	None
Bank of China	1,371	Aug 6, 2012	Aug 9, 2012	Float income	1,371	0.32	0.32	Yes	No	None
Bank of China	1,000	Aug 8, 2012	Aug 10, 2012	Float income	1,000	0.15	0.15	Yes	No	None
Bank of China	1,371	Aug 9, 2012	Aug 13, 2012	Float	1,371	0.41	0.41	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
				income						
Bank of China	1,000	Aug 10, 2012	Aug 14, 2012	Float income	1,000	0.3	0.3	Yes	No	None
Industrial and Commercial Bank of China	1,500	Aug 14, 2012	Sep 25, 2012	Float income	1,500	6.9	6.9	Yes	No	None
Industrial and Commercial Bank of China	2,000	Aug 15, 2012	Oct 25, 2012	Float income	2,000	15.95	15.95	Yes	No	None
Bank of China	1,071	Aug 15, 2012	Aug 23, 2012	Float income	1,071	0.67	0.67	Yes	No	None
Industrial and Commercial Bank of China	1,500	Aug 17, 2012	Nov 29, 2012	Float income	1,500	17.95	17.95	Yes	No	None
Bank of China	500	Aug 23, 2012	Aug 27, 2012	Float income	500	0.14	0.14	Yes	No	None
Bank of China	574	Aug 23, 2012	Aug 31, 2012	Float income	574	0.43	0.43	Yes	No	None
Bank of China	500	Aug 27, 2012	Sep 4, 2012	Float income	500	0.33	0.33	Yes	No	None
Bank of China	1,574	Aug 31, 2012	Sep 10, 2012	Float income	1,574	1.16	1.16	Yes	No	None
Industrial and Commercial Bank of China	1,300	Sep 3, 2012	Oct 11, 2012	Float income	1,300	5.28	5.28	Yes	No	None
Bank of China	500	Sep 4, 2012	Sep 6, 2012	Float income	500	0.06	0.06	Yes	No	None
Bank of China	200	Sep 6, 2012	Sep 17, 2012	Float income	200	0.14	0.14	Yes	No	None
Bank of China	1,576	Sep 10, 2012	Sep 17, 2012	Float income	1,576	0.7	0.7	Yes	No	None
Bank of China	900	Sep 17, 2012	Sep 19, 2012	Float income	900	0.11	0.11	Yes	No	None
Industrial and Commercial Bank of China	1,500	Sep 18, 2012	Oct 25, 2012	Float income	1,500	5.78	5.78	Yes	No	None
Bank of China	500	Sep 19, 2012	Sep 24, 2012	Float income	500	0.16	0.16	Yes	No	None
Bank of China	1,000	Sep 26, 2012	Oct 25, 2012	Float income	1,000	3.18	3.18	Yes	No	None
Bank of China	680	Sep 28, 2012	Oct 8, 2012	Float income	680	0.43	0.43	Yes	No	None
Bank of China	580	Oct 8, 2012	Oct 10, 2012	Float income	580	0.07	0.07	Yes	No	None
Bank of China	430	Oct 10, 2012	Oct 29, 2012	Float income	430	0.51	0.51	Yes	No	None
Bank of China	2,000	Oct 26, 2012	Oct 29, 2012	Float	2,000	0.38	0.38	Yes	No	None

Name of trustee	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Payment mode	Amount of actually retracted principal	Actual current income	Actual income	Follow legal procedures (Yes/No)	Connected transaction (Yes/No)	Association relationship
				income						
Bank of China	152	Oct 29, 2012	Nov 8, 2012	Float income	152	0.1	0.1	Yes	No	None
Bank of China	882	Nov 8, 2012	Nov 16, 2012	Float income	882	0.46	0.46	Yes	No	None
Bank of China	882	Nov 19, 2012	Dec 18, 2012	Float income	882	1.61	1.61	Yes	No	None
Bank of China	382	Dec 18, 2012	Jan 31, 2013	Float income	0	0	1.06	Yes	No	None
Bank of China	2,400	Nov 11, 2011	Feb 13, 2012	Float income	2,400	29.05	29.05	Yes	No	None
Bank of China	1,200	Nov 24, 2011	Jan 31, 2012	Float income	1,200	12.3	12.3	Yes	No	None
Industrial and Commercial Bank of China	1,000	Nov 25, 2011	Jan 31, 2012	Float income	1,000	9.18	9.18	Yes	No	None
Industrial and Commercial Bank of China	1,500	Dec 31, 2011	Feb 1, 2012	Float income	1,500	6.51	6.51	Yes	No	None
Industrial and Commercial Bank of China	1,000	Nov 16, 2011	Jan 31, 2012	Float income	1,000	10.62	10.62	Yes	No	None
Bank of China	4,300	Dec 29, 2011	Jan 9, 2012	Float income	4,300	6.87	6.87	Yes	No	None
Bank of China	4,300	Dec 29, 2011	Jan 9, 2012	Float income	4,300	6.87	6.87	Yes	No	None
Bank of China	4,400	Dec 29, 2011	Jan 9, 2012	Float income	4,400	7.03	7.03	Yes	No	None
Total	307,334.04	--	--	--	266,696	1,155.38	1,905.25	-	--	--
Total amount of capital and profits not taken back over the due time				0.00						
Lawsuit involved (if applicable)				Not applicable						
Explanation to the trust management				the capital owned by the Company						

Note:

1. The capital comes from self-owned idle funds. The principal and interests of all financial products have been retracted at the maturity date. The above-mentioned financial products are not involved in any lawsuit and do not affect normal operation of the Company.
2. According to the resolution of the 26th interim meeting of the fifth Board of Directors on December 17, 2012, the Company was transferred a bank's financial product of RMB 57.48 million Yuan from SEG Small Loan with 53.02% equity held by the Company, and all income arising from this

financial product belong to the Company as of the date of transfer. This matter was disclosed through the specified media on December 19, 2012 (Company Announcement 2012-041).

The following table introduces the balance of bank's financial products purchased by the Company and its subsidiaries by the end of December 31, 2012.

Unit: RMB ten thousand *Yuan*

Company name	Shenzhen SEG Co., Ltd.	Shenzhen SEG Small Loan Co., Ltd.	Shenzhen SEG Enterprise Development Co., Ltd.	Baohua	Total
Amount	29,238.00	382.04		5,000.00	34,620.04

3. Analysis of major subsidiaries and share-holding companies

List of major subsidiaries and share-holding companies

Company name	Type	Industry	Major products or services	Registered capital	Total assets (RMB ten thousand <i>Yuan</i>)	Total assets (RMB ten thousand <i>Yuan</i>)	Operating revenue (RMB ten thousand <i>Yuan</i>)	Operating profit (RMB ten thousand <i>Yuan</i>)	Net profit (RMB ten thousand <i>Yuan</i>)
Wujiang SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	2,201.91	285.60	0.00	-14.40	-14.40
Wuxi SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	300.00	300.00	0.00	0.00	0.00
Ningbo SEG Digital Market Management Co., Ltd.	Subsidiary	Electronics market	Operation and management of professional electronics market	500	748.20	161.57	0.00	-102.27	-338.43
Shunde SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	600	585.21	531.13	0.00	-68.87	-68.87
SEG E-Commerce	Subsidiary	E-commerce	E-commerce	4,800	1,619.82	1,322.11	616.58	-496.02	-417.91
SEG Small Loan	Subsidiary	Finance	Small loan	15,000	15,706.55	15,221.12	1,692.05	488.85	384.90
SEG Baohua	Subsidiary	Property management	Property operation and management and hotel business	3080.88	11,951.75	8,058.23	7,476.89	2,270.31	1,784.22
SEG Industry	Subsidiary	Electronic product channel	Channel retail terminal of electronic	2,550	5,093.00	2,567.91	13,785.86	15.77	11.83

Company name	Type	Industry	Major products or services	Registered capital	Total assets (RMB ten thousand Yuan)	Total assets (RMB ten thousand Yuan)	Operating revenue (RMB ten thousand Yuan)	Operating profit (RMB ten thousand Yuan)	Net profit (RMB ten thousand Yuan)
		service	products and property operation and management						
Xi'an SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	3,908.39	1,045.68	3,307.22	845.57	636.78
Longgang SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	2,255.61	767.09	1,132.18	387.05	416.17
Suzhou SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	4,315.20	873.21	3,702.30	645.52	480.40
Changsha SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,500	8,413.54	5,035.97	1,842.23	198.37	206.72
Xi'an Hairong SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	300	1,832.60	113.33	1,193.62	33.04	47.46
Nanjing SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	2,000	4,000.80	771.77	2,753.92	-364.55	-362.60
ST Huakong SEG	Share-holding company	Manufacturing of electronic components	Manufacturing and operation of color picture tube (CPT), CPT materials, and glass apparatus	89,667	42,626.00	23,301.00	10,495.00	-3,643.00	317.00
Shanghai SEG	Share-holding company	Electronics market	Operation and management of professional electronics market	500	5,958.00	2,317.00	4,427.00	1,076.00	808.00
SEG Navigations	Share-holding company	Information industry	SEG GPS products manufacturing and operation network service	6,000	39,494.00	19,588.00	31,432.00	4,388.00	3,767.00

Operation and achievement of major subsidiaries and share-holding companies:

1. SEG Small Loan, 53.02% equity of which was held by the Company, was founded in December, 2011 and operated for a short term in previous years. In this reporting period, the Company exerted great effort in developing petty loan business for the whole year. The year-on-year increase of operation period and business expansion resulted in operating revenue increase. The increase of operating revenue and deduction of registration fee caused significant growth of the operating profit and net profit.
2. Implementation of SEG Universal and service development in this reporting period resulted in operating revenue increase of SEG E-Commerce, 51% equity of which was held by the Company. The increase of operating revenue and deduction of registration fee caused significant growth of the operating profit and net profit.
3. Assets growth in this reporting period of Longgang SEG, 70% equity of which was held by the Company, was caused by increase in net profit and custodial collection. The net assets growth was attributed to the net profit increase in this reporting period.
4. SEG Industry, 100% equity of which was held by the Company, had increased operating revenue as a result of the development of affiliated business and channel services. Its operating profit and net profit decreased by RMB 4.73 million Yuan, the equity return from disposal of SEG Logistics, compared with the same period of last year.
5. Suzhou SEG and Xi'an SEG, 45% equity of which was held by the Company, witnessed increase in operating revenue, operating profits and net profits as a result of the rise in rental and occupancy rate. The net asset increase was attributed to the profit increase in this reporting period.
6. Xi'an Hairong SEG, 51% equity of which is held by the Company, was set up in December 2011, and had a short operation period in 2011. In this reporting period, Xi'an Hairong SEG operated 12 months. The year-on-year increase of operation period resulted in the increase in the operating revenue. The operating profit and net profit dramatically increased as a result of the increase in the operating revenue and decrease in establishment charges compared with the same period of last year. The increase in net assets was caused primarily by the net profit increase in this reporting period.
7. Changsha SET, 46% equity of which was held by the Company, witnessed a rise in rental and occupancy rate in this reporting period after the metro enclosures were dismantled, thus resulting in dramatic increase in operating profits and net profits compared with the same period of last year.
8. Nanjing SEG, 100% equity of which is held by the Company, was set up in December 2011, and had a short operation period in 2011. In this reporting period, Nanjing SEG operated 12 months. The year-on-year increase of operation period resulted in the increase in the operating revenue. Losses decreased as a result of the increase in operating revenue and the decrease in establishment charges compared with the same period of last year. The decrease of net assets was attributed to losses in this reporting period.
9. The following subsidiaries established in 2012 did not generate profits in this reporting period as they were not officially opened:
 - Wujiang SEG, 51% equity of which is held by the Company.
 - Wuxi SEG, 51% equity of which is held by the Company.
 - Shunde SEG, 100% equity of which is held by the Company.
 - Ningbo SEG Digital Market Management Co., Ltd., 51% equity of which is held by the Company.
10. ST Huakong SEG, share-holding company of the Company, 22.45% equity of which is held by the Company, has phased out its production line since August 2009, and closed all production lines in August 2010. In 2011 and 2012, ST Huakong SEG was mainly engaged in disposal of production

equipment and the lease of factory premises. To achieve continuous operation and ease financial pressure, the said company set up a trade division in October 2012 to engage in trade business.

Information about the acquisition and disposal of subsidiaries in this reporting period

√ Applicable □ Not applicable

Company Name	Purpose of acquisition and disposal of subsidiaries in this reporting period	Mode of acquisition and disposal of subsidiaries in this reporting period	Impact on the overall production and performance
Wujiang SEG Electronics Market Co., Ltd.	Focus on major business according to strategies of the Company	Invested and newly established	Reduced the net profit by RMB 0.144 million <i>Yuan</i> in this reporting period.
Ningbo SEG Digital Market Management Co., Ltd	Focus on major business according to strategies of the Company	Invested and newly established	Reduced the net profit by RMB 3.3843 million <i>Yuan</i> in this reporting period.
Wuxi SEG Electronics Market Co., Ltd.	Focus on major business according to strategies of the Company	Invested and newly established	Wuxi SEG Electronics Market Co., Ltd. is being set up and therefore has no impact on the overall performance in this reporting period.
Fushan Shunde SEG Electronics Market Management Co., Ltd	Focus on major business according to strategies of the Company	Invested and newly established	Reduced the net profit by RMB 0.6887 million <i>Yuan</i> in this reporting period.

VII. Main body with special aim controlled by the Company

Not applicable

VIII. Outlook of future development of the Company

(I) Competition situation and development trend

1. Analysis of external business environment of the Company

(1) Analysis of the impact of macro economy and industrial policies

The change of global economic situation in recent years, especially the impact of e-commerce on global market, has steadily whittled away the advantages of traditional physical electronics market in channel resource display and transaction. The steady rise in labor cost and rent also presents a growing pressure to physical electronics markets where electronic components are the major product.

(2) Analysis of segmented market

① At present the physical electronics market in the first-tier and second-tier cities in China has bordered on saturation, and is characterized by cut-throat competition and limited growth potential.

② Physical electronics market is confronted with growing difficulties as follows: Retail brands have witnessed a growing extent of concentration and channel strategies are changing, which cripples the support for electronics market distributors. The fierce competition among PC vendors has further whittled down their profits. The e-commerce's pinch on brick-and-mortar stores and its price transparency have brought marked impact on electronics market distributors. The conflict between rising costs and falling profits has aggravated.

③ The continuous operation of electronics market that focuses primarily on electronic components must be underpinned by small- and medium-sized enterprises in a specific area, and the electronics market and these enterprises are expected to interact in a push-pull fashion. The changes in global economic situation and industrial structure, however, have steadily crippled this push-pull effect.

④ E-commerce and small loan business have also witnessed cut-throat competition. E-commerce cannot prosper without continuous large investments and incubation period. In the marketplace where the strong will be forever strong, SEG e-commerce can only seek opportunities in the vertical segmented market related to competitive resources.

2. Analysis of internal business environment

- (1) Although the external market situation and rivals have posed a growing pressure on the main business of the Company, yet the Company has constantly improved its internal operation capability and vigorously developed the strategic alliance service on the basis of its competitive edges in the traditional physical markets. The self-developed market information system of the Company, SEG Universal (An integrated information platform for market management), has won the second prize in Guangdong Enterprise Independent Innovation Achievement Award. The Company has made some progress in the development and collaboration of e-commerce, small loan business, channel service, fancy shop, and supermarket. The "punch combination" thrown by the synergy effects will further enhance the core competence of the Company and allow it to retain its leading position in the industry.
- (2) The Company sees a continual boost in brand reputation and boasts rich experience in market operation and management and strong anti-risk capability. Electronics markets all increase their operating revenue by tapping market potential, reducing consumption, increasing the number of stalls and improving occupancy rate. Furthermore, the interaction and coordination between these markets that spread out across large cities has been working out really well. They have fully tapped market potential and well associated market resources with business development.
- (3) The Company boasts rich commercial tenant resources. Till now, SEG electronic markets that are dispersed in medium- and large-sized cities such as Shenzhen, Shanghai, Suzhou, Xi'an, and Nanjing have more than 10,000 commercial tenants and have forged favorable cooperation relationships with competitive and influential vendors both in and outside of China. The well-deserved reputation has earned SEG electronic markets a steadily large loyal customer group.
- (4) The Company has expanded its business in diversified ways, and opened electronics markets on self-constructed properties. The Company will launch an IT complex project with SEG Electronics Market at the core by resorting to its proper asset structure and strong financing capability, to make SEG Electronics Market a base to showcase Shenzhen manufacturing and a wonderland for youngsters to grow and create businesses. Furthermore, the Company strives to create an operation mode that best suits SEG, enhance operational stability and continuity, and seek out new profit growth points.

(II) Future development strategies of the Company

In the upcoming three years, the Company will quicken the steps to develop SEG Electronics Market; attach importance to self-constructed physical stores and SEG IT complex; vigorously promote the collaborated growth of such businesses as SEG e-commerce, SEG small loan, channel distribution, SEG

fancy stores, and supermarkets; strengthen core competence, retain industry-leading position and strive to become an enterprise that boasts high brand reputation, conduces to industry growth, helps young people create businesses, makes contribution to the society and enjoys strong capabilities in continuing operation and profit generating.

(III) Operation plan in 2013

In 2013, the Company will lay emphasis on the following three aspects, i.e. securing foothold, focusing on key points and shift business expansion direction:

1. Securing foothold. Make progress while ensuring stability, and continue to strengthen talent fostering, innovation management, benchmarking management and the establishment of motivation mechanism.
2. Focusing on key points. Concentrate on the positioning research, design, approval, construction and investment attracting of the Nantong SEG Time Square project, and make good early-stage marketing and operation planning; focus on researching and promoting concerted business development; make land reserve for self-constructed property; pool resources and ensure successful implementation of Buji Sanlian Commercial Property Project of Shenzhen Buji Sanlian Industrial Development Co., Ltd. (now renamed as Shenzhen SEG New Urban Construction and Development Co., Ltd.), 20% equity of which is held by the Company, ensure that the project development is supported by strong capital adequacy, and issue short-term commercial paper.
3. Shift business expansion direction. Shift the expansion direction of physical markets from first- and second-tier to third- and fourth-tier cities; seek e-commerce breakthrough in the vertical market related to competitive resources; while exploring medium- and large-sized markets, roll out SEG fancy stores and supermarket stores.

(IV) Investment plan in 2013

According to the 12th five-year plan of the Company, the investment plan focuses on the existing main business in 2013 with a projected amount of RMB 790.436 million *Yuan*. The project is financed through the capital owned by the Company and by issuing short-term commercial paper or mid-term notes.

SN	Project name	Investment plan (RMB ten thousand <i>Yuan</i>)	Remarks
1	Build new electronics markets in leasing mode	3,500	
2	Open electronics markets in self-constructed mode	53,266	(1) RMB 282.66 million <i>Yuan</i> for Nantong SEG Electronics Market and auxiliary project. According to the resolution reviewed and approved in the 28 th Interim Meeting of the Fifth Board of Directors held on January 8, 2012, the Company planned to invest RMB 30 million <i>Yuan</i> to set up Nantong SEG Times Square Development Co., Ltd. This matter was disclosed through the media specified by the Company on January 10, 2013. The Company invested and set up Nantong SEG Times Square Development Co., Ltd. responsible for the development, construction, investment attracting and operation of Nantong SEG Times Square (tentative name). (2) RMB 250 million <i>Yuan</i> for other electronics markets opened in self-constructed mode.
3	Acquire owned property in building	20,000	

	commissioning mode and open SEG electronics markets		
4	Shenzhen city project of Kashgar Xinjiang	2,000	This matter has been approved in the 9th meeting of the fifth Board of Directors, and disclosed through the media specified by the Company on July 24, 2012. The Company already paid RMB 20 million <i>Yuan</i> on March 8, 2013.
5	Acquire 20% equity of Shenzhen Buji Sanlian industrial Development Co., Ltd. (Now renamed as Shenzhen SEG New Urban Construction & Development Co., Ltd.)	277.60	This issue has been approved on the 29 th interim meeting of the 5 th Board of Directors held on January 28, 2013 and was disclosed through the specified media on January 31, 2013.
6	Total	79,043.60	

(V) Possible risks confronting the Company and countermeasures

1. Main risks faced by the Company

- (1) The electronics markets in the first- and second-tier cities in China have bordered on saturation. Sales channels include 3C markets have nibbled away at the market share of physical electronics markets. The market entry of foreign-funded enterprises, the growing impact of e-commerce on physical markets and the ever cut-throat competition in the electronics market have all brought twists and turns for the Company to expand electronics markets across China.
- (2) The nascent SEG E-commerce and SEG Small Loan are confronted with competition risks, business mode risks and technical risks.
- (3) The continuing operation capability and the positioning of future main business of ST Huakong SEG, 22.45% equity of which is held by the Company, are still uncertain. Therefore, the future growth of ST Huakong SEG will have a great impact on the Company.

2. Main countermeasures:

- (1) Basic management and standardization: The Company will continue to take actions to enhance the management level. a. Further the establishment and implementation of internal control system and build an all-around and prudent internal risk control system; b. Continue with the HR system optimization, initiate the Talent Fostering program and build a scientific, standardized and effective HR system; c. Set up and improve the market expansion system to offer guidance and criteria for market expanding; d. Bring into full play the function of market operation management, strengthen management of developed electronics markets, and ensure steady growth of electronics markets; speed up the promotion of new services; e. Further benchmarking management, and constantly select new benchmark enterprises and benchmarking indicators to achieve continual improvement and enhance overall management level.
- (2) Collaborative service development: Uncover the internal relationships between strategic services including electronics market, e-commerce, channel service and small loan service, integrate various types of resources, and bring them into fully play to ensure that strategic objectives are achieved.
- (3) Brand strategy: Strengthen the brand management in a comprehensive way in four aspects, brand planning, upgrading, promotion and maintenance, promote the connotation of SEG brand, and take effective measures to protect the Company's brand image and legal interests
- (4) Capital adequacy: The Company boasts strong capital adequacy and moreover, the Company can raise more capital for strategic services through collateral loan and capital market.

IX. Information on changes in the scope of consolidation compared with the financial report of 2012

1. Subsidiaries, special-purpose entities and operating entities whose share-controlling right is formed through trustee operation or lessee, which are newly included in the consolidation scope in the current period.

Name	Reason for change	Year-end net assets	Net profits of this period
Wujiang SEG Electronics Market Co., Ltd.	Newly established share-controlled subsidiary	285.60	-14.40
Wuxi SEG Electronics Market Co., Ltd	Newly established share-controlled subsidiary	300.00	0
Ningbo SEG Digital Market Management Co., Ltd	Newly established share-controlled subsidiary	161.57	-338.43
Fushan Shunde SEG Electronics Market Management Co., Ltd	Newly established share-controlled subsidiary	531.13	-68.87

2. Subsidiaries, special-purpose entities and operating entities whose share-controlling right is formed through trusted operation or lease taking, which are no longer included from the consolidation scope in the current year

X. Information about the profit and dividend distribution of the Company

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

According to the *Notice on Further Implementing Issues Concerning Distribution of Cash Dividends of Listed Companies* released by China Securities Regulatory Commission and the *Notice on Implementing Requirements of "Notice on Further Implementing Issues Concerning Distribution Cash Dividends of Listed Companies"* (Shenzhen Ju Gong Si Zi [2012] No.43) issued by Shenzhen Securities Regulatory Bureau, the 9th meeting of the 5th session of the Board of Directors was held to review and approve the *Resolution for Amendment of Articles of Association*, amend the regulations regarding distribution of cash dividends in the *Articles of Association* and establish the *Shareholder Return Plan in the Years from 2012 to 2014* (hereunder referred to as the "*Return Plan*") to better protect the interests of investors. The preceding agenda has been reviewed and approved in the first Extraordinary General Meeting of Shareholders held in 2012. The Company carried out the distribution of cash dividends in accordance with the amended *Articles of Association* and the *Return Plan*, and paid special attention to the reasonable return on investment of shareholders while focusing on the development of the Company. The profit distribution proposal and the proposal for transfer of capital reserve into share capital of 2012 complied with related regulations in the *Articles of Association* and *Return Plan*, and the deliberation procedure accorded with related regulations. There were no circumstances that could damage the interests of the Company and shareholders. The independent director expressed independent opinion.

(II) Information about the profit distribution proposal and the proposal for transfer of capital reserve into share capital in the years of 2010, 2011 and 2012 (including the reporting period):

In accordance with the *Accounting Standard for Business Enterprises 2006*, the investment on subsidiaries by the Company was calculated by the cost method and there was significant difference between the profit of the parent company and the 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 2010, 2011, and 2012 was implemented depending on the distributable profit of the parent company.

1. Profit distribution proposal and the proposal for transfer of capital reserve into share capital in 2012: The auditing by Beijing Shu Lun Pan Certified Public Accountants Co., Ltd found that the net profit belonging to the listed company realized by the parent company in 2012 amounted to RMB 39,043,691.65 Yuan; the profit distributable to shareholders this time, which was calculated by adding the undistributed profit at the beginning of the previous year, RMB -145,156,733.44 Yuan to the former, was RMB -106,113,041.79 Yuan. No profit distribution would be made for the current year. The Company decided not to transfer capital reserve into share capital.
2. Profit distribution proposal and the proposal for transfer of capital reserve into share capital in 2011: The auditing by Beijing Shu Lun Pan Certified Public Accountants Co., Ltd found that the net profit belonging to the listed company realized by the parent company in 2011 amounted to RMB 92,832,785.58 Yuan; the profit distributable to shareholders this time, which was calculated by adding the undistributed profit at the beginning of the previous year, RMB -237,989,519.02 Yuan to the former, was RMB -145,156,733.44 Yuan. No profit distribution would be made for the current year. The Company decided not to transfer capital reserve into share capital.
3. Profit distribution proposal and the proposal for transfer of capital reserve into share capital in 2010: The auditing by Beijing Shu Lun Pan Certified Public Accountants Co., Ltd found that the net profit belonging to the listed company realized by the parent company in 2010 amounted to RMB 66,745,585.09 Yuan; the profit distributable to shareholders this time, which was calculated by adding the undistributed profit at the beginning of the previous year, RMB -304,735,104.11 Yuan to the former, was RMB -237,989,519.02 Yuan. No profit distribution would be made for the current year. The Company decided not to transfer capital reserve into share capital.

Table of distribution of cash dividends by the Company in the last three years

Unit: RMB Yuan

Year	Amount of cash dividends (before tax)	Net profit belonging to shareholders of the listed company in the consolidated statements of the year	Ratio of net profit belonging to shareholders of the listed company in the consolidated statements (%)
2012	0.00	45,587,138.06	0%
2011	0.00	68,995,713.25	0%
2010	0.00	59,217,701.05	0%

The net profit of the Company was positive and the undistributed profit of the parent company was also positive, but the proposal for distribution of cash dividends was not put forward.

☐ Applicable ☒ Not applicable

XI. Registration form for investigations, communication and interviews in this reporting period

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
January 8, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
January 9, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
January 10, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 1, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 2, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 3, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 7, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 8, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 9, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 13, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 16, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 17, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 19, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 21, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 22, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 23, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the <i>Public Notice on Suspension</i> .
February 24, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
					Public Notice on Suspension.
February 27, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
February 28, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
February 29, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 1, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 2, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 3, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 6, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 7, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 8, 2012	At the Company	Inquired in written form	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 9, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 12, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 13, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 14, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 15, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 19, 2012	At the Company	Inquired in written form	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 20, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 21, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 22, 2012	At the	Phone call	Individual	Investor	The investor inquired about the reason for suspension and

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
	Company				the resumption time, and the Company provided the Public Notice on Suspension.
March 26, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 27, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 28, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 29, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
March 30, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 9, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 10, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 12, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 16, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 17, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 18, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 20, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 24, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
April 26, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 7, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 8, 2012	At the Company	Inquired in written form	Individual	Investor	The investor urged the Company to resume trading as soon as possible and requested the Company to pass on the resumption request to the majority shareholder. The Company passed the resumption request to the majority shareholder.
May 10, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
					Public Notice on Suspension.
May 11, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 14, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 15, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 17, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 18, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 22, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 23, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 25, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 28, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 29, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
May 31, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 5, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 8, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 11, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 12, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 14, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 18, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 19, 2012	At the	Phone call	Individual	Investor	The investor inquired about the reason for suspension and

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
	Company				the resumption time, and the Company provided the Public Notice on Suspension.
June 20, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 27, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 28, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
June 29, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 2, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 3, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 4, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 5, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 6, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 16, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 17, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 18, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 30, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
July 31, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 1, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 2, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 3, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
August 6, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 7, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 8, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 9, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for suspension and the resumption time, and the Company provided the Public Notice on Suspension.
August 10, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 13, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 14, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 15, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 20, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 21, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 24, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 29, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 30, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
August 31, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the reason for resumption and the Company operation, and the Company provided the Public Notice on Resumption.
September 1, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the Company operation, and the Company provided the <i>Semi-Annual Report</i> .
September 3, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the Company operation, and the Company provided the <i>Semi-Annual Report</i> .
September 5, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the Company operation, and the Company provided the <i>Semi-Annual Report</i> .
September 10, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the Company operation, and the Company provided the <i>Semi-Annual Report</i> .
September 19, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the Company operation, and the Company provided the <i>Semi-Annual Report</i> .

Time	Place	Means	Type	Object	Main content of discussion and the materials provided
October 30, 2012	At the Company	Onsite communication	Institution	Securities Research Department of Standard Chartered Bank (Hongkong) Limited	① The present operation and business status of the Company; ② The financial status of the Company; ③ The future development strategy and trend of the Company. The Company provided related contents disclosed by the appointed media.
November 16, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about the stock price trend of the Company. The Company offered regular reports disclosed through the specified media.
November 27, 2012	At the Company	Phone call	Individual	Investor	The investor inquired about ① The matters regarding stake reduction by the second largest shareholder; ② Whether the largest shareholder has the intent to reduce its stake; ③ The progress of the electronics markets opened in 2013; The Company provided related contents disclosed by the appointed media.

Chapter 5 Important Matters

(I) Major lawsuits and arbitrations

√ Applicable □ Not applicable

Basic information about lawsuits and arbitrations	Amount (RMB: ten thousand Yuan)	Whether estimated liabilities occurred	Progress	Judgment (arbitration) result and impact	Judgment (arbitration) execution	Disclosure date	Disclosure index
Guangzhou Jiajie Technology Co., Ltd. (hereinafter referred to as Guangzhou Jiajie) signed a Purchase Contract with the SEG Industry, a subsidiary of the Company on June 25, 2010. Guangzhou Jiajie purchased the SYBASE software from SEG Industry and then sold the software. Due to the difference of the representation of the payment terms in the Purchase Contract separately held by SEG Industry and Guangzhou Jiajie, the two parties had a dispute on the issue of payment. The second instance has finished and SEG Industry was waiting for the civil judgment of the court.	305.26	Yes	The second instance has finished and SEG Industry was waiting for the civil judgment of the court.	The court judgment has not come yet.	Not applicable	August 16, 2011, March 27, 2012, and August 27, 2012	<i>Semi-annual Report of 2011, Annual Report of 2011, and Semi-Annual Report of 2012</i> disclosed on Cninfo website

Matters questioned by media

□ Applicable √ Not applicable

The Company did not have any matter that is questioned by media.

(II). Transaction in assets**Information on asset acquisition**

Counterparty to transaction or final controlling party	Acquired or exchange-in asset	Transaction price (Unit: RMB ten thousand <i>Yuan</i>)	Progress	Net profit (Unit: RMB ten thousand <i>Yuan</i>) contributed for listed company from the date of acquisition to the end of reporting period (applicable to the business combination under common control)	Net profit (Unit: RMB ten thousand <i>Yuan</i>) contributed for listed company from the beginning to the end of reporting period (applicable to the business combination under common control)	Ratio of net profit contributed for listed company to the total profit (%)	Connected transaction or not	Relationship with counterparty to transaction (applicable to connected transaction)	Disclosure date	Disclosure index
Shenzhen SEG Group Co., Ltd.	8.2058% equity of SEG Industrial Investment Co., Ltd.	538.72	Paid up the equity transfer price and finished the formalities of equity transfer	0	-1.88	0.21	Yes	Controlling shareholder	September 14, 2012	<i>Public Notice on the Assignment of 8.2058% Equity from SEG Industrial Investment Co., Ltd. to Shenzhen SEG Group Co., Ltd. disclosed on the China Securities Journal, the Securities Times, the Securities Daily, the Hong Kong Commercial Daily, and the Cninfo Website.</i>

(III) Important contracts and their execution**Other important contracts**

Lender	Borrower	Pricing principle	Transaction price (Unit: RMB then thousand Yuan)	Connected transaction or not	Association relationship	Execution by the end of the reporting period
Shenzhen SEG Co., Ltd	Changsha SEG Development Co., Ltd	Fair price	2,800	No	Not applicable	The 14th interim meeting of the fifth Board of Directors of the Company deliberated and approved the <i>Proposal for Offering a Renewal Loan of RMB 28,000,000 Yuan to Changsha SEG Development Co., Ltd.</i> and agreed to offer a renewal loan of RMB 28,000,000 Yuan to Changsha SEG, with the term being one year (from September 25, 2011 to September 24, 2012) and the interest rate being 6.56% (bank loan interest rate over the same period), for which Changsha Xinxing Grand Hotel owned by Changsha SEG was again used as collateral to the Company. In this reporting period, Changsha SEG has repaid the principal of RMB 10,000,000 Yuan to the Company. The Board of Directors of Changsha SEG agreed to a renewal loan of RMB 18,000,000 in the form of loan from shareholders, the term being one year.
Shenzhen SEG Co., Ltd	Shenzhen SEG Industrial Investment Co., Ltd	Fair price	2,200	No	Not applicable	The <i>Proposal of the Company on Offering a Renewal Loan of RMB 22,000,000 Yuan to Shenzhen SEG Industrial Investment Co., Ltd.</i> was deliberated and approved on the seventh meeting of the fifth Board of Directors of the Company on August 12, 2011. According to the demands of the 12 th five-year strategic development plan for energetically developing innovative businesses and the needs of SEG Industry for rigorously developing IT channels and IT retail terminal businesses, the Company, who holds 91.79% of the shares of SEG Industry, agreed to, as per the ownership proportion, lend RMB 22,000,000 Yuan to SEG Industry that currently needed RMB 24,000,000 Yuan as working capital, with the interest rate being 6.56% (bank loan interest rate over the same period) and the term being one year (from August 30, 2011 to August 29, 2012). The repayment has not yet been received in this reporting period. Considering that the Company purchased 8.2058% equity of Shenzhen SEG Industrial Investment Co., Ltd. held by Shenzhen SEG Co., Ltd. by way of open bidding, and the Company held 100% equity of Shenzhen SEG Industrial Investment Co., Ltd. upon completion of this equity transaction, the Company was considering lending this loan to Shenzhen SEG Industrial Investment Co., Ltd.
Shenzhen SEG Co., Ltd	Changsha SEG Development Co., Ltd	Fair price	1,800	No	Not applicable	The 25 th interim meeting of the fifth Board of Directors held on October 25, 2012 reviewed and approved the <i>Proposal on A Renewal Loan of RMB 18,000,000 Yuan to Changsha SEG Development Co., Ltd.</i> The Board of Directors of the Company agreed to offer a renewal loan of RMB 18,000,000 Yuan to Changsha SEG, with the term being a year (from September 25, 2012 to September 24, 2013) and the interest rate being 6.00% (bank loan interest rate over the same period), for which Changsha Xinxing Grand Hotel owned by Changsha SEG was again used as collateral to the Company. By the end of the reporting period, <i>Changsha SEG</i> has repaid the principal of RMB 3,000,000 Yuan to the Company.

(IV) Fulfillment of commitments**1. Commitments made by the Company or the shareholders holding more than 5% shares, which were made in or lasted into the reporting period**

Commitment	Promisor	Content	Commitment date	Commitment term	Fulfillment
Commitment for share reform	Not applicable				
Commitments in the Acquisition Report and the Report of Changes on Equity	Not applicable				
Commitments made at the time of restructuring of major assets	Not applicable				
Commitment made at the time of initial public offerings or refinancing	Shenzhen SEG Group Co., Ltd.	According to 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 could use the eight trademarks registered by SEG Group at the National Trademark Bureau; SEG Group agreed that the Company could use the aforesaid trademarks or similar signs as the Company's logo and use the trademarks and signs during its operation; the Company needn't pay any fee to SEG Group for using the aforesaid trademarks or signs.	July 1, 1996	Not applicable	Commitments were fulfilled in this reporting period.
Other commitments made to the medium and small shareholders of the Company	Not applicable				
Whether commitments were fulfilled on time	Yes				
Reason for un-fulfillment and next-step plan	Not applicable				
Whether commitments were made regarding the horizontal competition and connected transaction.	Yes				
Commitment to settlement deadline	Not applicable				

Solution	Shenzhen Securities Regulatory Bureau pointed out that “There is an issue of horizontal competition in the business of electronics markets between the Company and SEG Group” during the spot inspection in 2007; the Company received the Letter of Commitment in writing from SEG Group on September 14, 2007, which said that “SEG Group and Shenzhen SEG Co., Ltd. have similar business in electronics markets in Shenzhen (Shenzhen SEG) due to historic reasons and the objective background of market development; the Group hereby promises that it will not individually operate a market in the same city whose business is similar with that of Shenzhen SEG”. The aforesaid matter was disclosed on <i>the Securities Times</i> , <i>the China Securities Journal</i> and <i>the Hong Kong Wen Wei Po</i> and the Cninfo Website on September 18, 2007.
Commitment fulfillment	In order to solve the issue of horizontal competition between the Company and its controlling shareholder, SEG Group, due to historical reasons, the 6 th interim meeting of the 5 th Board of Directors held on January 26, 2011 reviewed and approved the <i>Proposal of Solving the Horizontal Competition between the Company and Its Controlling Shareholder</i> . 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 Communication Market and assumes all creditor's rights and liabilities incurred 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 fair value: the total income of SEG Communications Market in 2010, RMB 20,000,000 <i>Yuan</i> , shall be regarded as the base number; the Company shall collect a management fee of RMB 200,000 <i>Yuan</i> should the total income of the market in the current year is equal to or less than RMB 20,000,000 <i>Yuan</i> ; the Company shall take 20% from the part beyond the base number apart from the management fee that is RMB 200,000 <i>Yuan</i> should the total income in the current year exceed RMB 20,000,000 <i>Yuan</i> . The detailed information about the above-mentioned matter may be referred to in the <i>Public Notice on Shenzhen SEG Co., Ltd on the Related Transaction for the Purpose of Solving the Issue of Horizontal Competition between the Company and the Controlling Shareholder</i> that was disclosed on <i>the China Securities Journal</i> , <i>the Securities Times</i> , <i>the Hong Kong Commercial Daily</i> and the Cninfo Website on January 28, 2011. The Company has received the market management fee of RMB 200,000 <i>Yuan</i> paid by SEG Group on schedule in 2011 and 2012. Therefore, there is no longer the issue of horizontal competition between the Company and SEG Group.

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

Not applicable

V. Engagement and dismissal of the accounting firm

Engaged accounting firm

Name of accounting firm engaged from China	BDO Dahua CPA Co., Ltd. (special general partnership)
Remuneration for the accounting firm engaged from China (RMB ten thousand <i>Yuan</i>)	45.00
Years of the accounting firm serving for the Company	11
Name of certified public accounts from the accounting firm engaged from China	Yang Xi, and Zhang Chaocheng

Name of accounting firm engaged from outside of China (if any)	Not applicable
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Whether to engage another accounting firm in current period

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

The Company engaged BDO Dahua CPA Co., Ltd. (special general partnership) as the internal control auditor for 2012 and paid an audit fee of RMB 300,000 *Yuan*. The Company was not responsible for the travel and accommodation expenses that had accrued during the auditing period. The Company paid an internal control audit fee of RMB 150,000 *Yuan* in this reporting period.

(VI) Notes on other important matters

- (1) The 27th interim meeting of the 5th Board of Directors held on December 31, 2012 reviewed and approved the *Proposal on Signing of the "Supplementary Agreement of the Framework Agreement" by the Company, SEG Group, Samsung Corning and Samsung Malaysia*.

After being reviewed and approved in the 31st interim meeting of the fourth Board of Directors of the Company held on November 13, 2009, the Company, SEG Group, Samsung Corning, and Samsung Corning (Malaysia) Sdn/Bhd as the major shareholders of ST Huakong SEG signed a *Framework Agreement* regarding equity transfer of ST Huakong SEG, major asset disposal and major asset restructuring (The *Framework Agreement* was disclosed on the *China Securities Journal*, the *Securities Times*, the *Securities Daily*, the *Hong Kong Commercial Daily* and the Cninfo Website on November 16, 2009).

After that, the preceding four shareholders signed the *"Supplementary Agreement of the Framework Agreement"* respectively on December 20, 2010 and December 12, 2011, and extended the term on completing potential transactions to December 31, 2011 and December 31, 2012 in succession. These events can be referred to in the *Public Notice on the Resolutions of the fourth Interim Meeting of the fifth Board of Directors of Shenzhen SEG Co., Ltd.* and the *Public Notice on the Resolutions of the 19th Interim Meeting of the fifth Board of Directors of Shenzhen SEG Co., Ltd.* disclosed on the *China Securities Journal*, the *Securities Times*, the *Securities Daily*, the *Hong Kong Commercial Daily* and the Cninfo Website on December 23, 2010 and December 13, 2011 respectively.

The potential transactions as agreed in the above-mentioned *Framework Agreement* and the *"Supplementary Agreement of the Framework Agreement"* were not completed prior to December 31, 2012. The four parties, after friendly consultation, decided to extend the term on completing potential transactions to June 30, 2013 and signed the *Supplementary Agreement about the Framework Agreement*. This event can be referred to in the *Public Notice on the Resolutions of the 27th Interim Meeting of the fifth Board of Directors of Shenzhen SEG Co., Ltd.* disclosed on the *China Securities Journal*, the *Securities Times*, the *Securities Daily*, the *Hong Kong Commercial Daily* and the Cninfo Website on January 8, 2013.

- (2) The 11th Meeting of the Fifth Board of Directors was held on September 6, 2012 to deliberate on and approve *The Company's Proposal on Applying for Issue of Short-term Commercial Paper or Mid-term Notes from National Association of Financial Market Institutional Investors* and the *Proposal on Applying for Short-term Line of Credit of RMB 0.5 Billion Yuan From Banks*. This

matter was reviewed and approved in the second interim meeting of shareholders held on September 24, 2012. These events can be referred to in the *Public Notice on the Resolutions of the 11th Meeting of the fifth Board of Directors of Shenzhen SEG Co., Ltd.*, and the *Public Notice on the Company's Proposal on Applying for Issue of Short-term Commercial Paper or Mid-term Notes from National Association of Financial Market Institutional Investors* disclosed on September 2012, and the *Public Notice on the Resolutions of the Second Interim Meeting of Shareholders of Shenzhen SEG Co., Ltd.* disclosed on September 25, 2012 on the *China Securities Journal*, the *Securities Times*, the *Securities Daily*, the *Hong Kong Commercial Daily* and the Cninfo Website.

- (3) The Company was notified on February 28, 2011 by the majority shareholder that the latter was planning important events, so the shares of the Company were suspended from March 1, 2011 and will resume after related public notices are disclosed in order to prevent abnormal price changes and protect the interests of investors. The Company was notified at 4:00 pm on August 9, 2012 by the majority shareholder that the majority shareholder and related parties were actively working towards reaching an agreement regarding important matters. However, related parties, after due consideration, decided to terminate the above-mentioned matter as they were difficult to reach an agreement regarding some matters. The Company resumed its shares on August 10, 2012. The *Public Notice on Terminating Planning of Important Matters and Resuming Trading of Shares of Shenzhen SEG Co., Ltd* was published on the *China Securities Journal*, the *Securities Times*, the *Hong Kong Commercial Daily* and the Cninfo Website on August 10, 2012.

Chapter 6 Changes in Share Capital and Information on Shareholders

(I) Information on changes in share capital

	Before the change		Increase/decrease by (+/-) this time					After the change this time	
	Quantity	Percentage (%)	New share offering	Bonus share	Capitalization of public reserve	Others	Sub-total	Quantity	Percentage (%)
I. Restricted shares	35,464	0%	0	0	0	0	0	35,464	0%
1. State-owned shares	0	0%	0	0	0	0	0	0	0%
2. State-owned legal person's shares	0	0%	0	0	0	0	0	0	0%
3. Other domestic shares	0	0%	0	0	0	0	0	0	0%
Including: Shares held by overseas legal persons	0	0%	0	0	0	0	0	0	0%
Shares held by domestic natural persons	0	0%	0	0	0	0	0	0	0%
4. Shares held by foreign investors	0	0%	0	0	0	0	0	0	0%
Including: Shares held by overseas legal persons	0	0%	0	0	0	0	0	0	0%
Shares held by foreign natural persons	0	0%	0	0	0	0	0	0	0%
5. Senior executives' shares	35,464	0%	0	0	0	0	0	35,464	0%
II. Unrestricted shares	784,763,546	100%	0	0	0	0	0	784,763,546	100%
1. RMB ordinary shares	538,302,228	68.59%	0	0	0	0	0	538,302,228	68.59%
2. Domestically listed foreign shares	246,461,318	31.4%	0	0	0	0	0	246,461,318	31.4%
3. Overseas listed foreign shares	0	0%	0	0	0	0	0	0	0%
4. Others	0	0%	0	0	0	0	0	0	0%
III. Total shares	784,799,010	100%	0	0	0	0	0	784,799,010	100%

Reasons for change

Not applicable

Approval of changes in share capital

☐ Applicable ☒ Not applicable

Share transfer

Not applicable

Impact of changes in share capital on such financial indicators as basic earnings per share, diluted earnings per share, and net asset per share belonging to common shareholders of the Company in the last year and last reporting period

□ Applicable √ Not applicable

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

Not applicable

(II) Information on Shareholders and Actual Controllers

1. Information on the number of shareholders and their shareholding status

Unit: Share

Total number of shareholders in this reporting period	63,503	Number of shareholders by the end of the fifth transaction date prior to this annual report disclosure date					64,533	
Shareholders who hold more than 5% shares of the Company								
Name of shareholder	Nature of shareholder	Share-holding proportion (%)	Shares held by the end of reporting period	Share increase or decrease in this reporting 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	0	0	237,359,666	Pledged	20,179,833
							Pledged	63,500,000
Ping An Trust Co., Ltd.-Ruifu No.2	Domestic non-state-owned legal person	2.41%	18,880,300	+18,880,300	0	18,880,300		
Taifook Securities Company Limited-Account Client	Overseas legal person	1.01%	7,965,084	+15,700	0	7,965,084		
Gong Qianhua	Overseas natural person	0.68%	5,311,520	0	0	5,311,520		
Zeng Ying	Domestic natural person	0.66%	5,160,887	+3,160,887	0	5,160,887		
Tang Lizhu	Domestic natural person	0.48%	3,796,200	0	0	3,796,200		
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Overseas legal person	0.47%	3,679,121	-9,920	0	3,679,121		
Dalian Huaxin Trust Co., Ltd – Beta 1 Structured Securities Investment Portfolio	Domestic non-state-owned legal person	0.38%	3,000,000	0	0	3,000,000		
Cao Xianhua	Domestic natural person	0.34%	2,702,000	0	0	2,702,000		
Wen Ruqiang	Domestic natural person	0.3%	2,340,000	0	0	2,340,000		

Strategic investors or general legal entities who became one of the top ten shareholders by participating in rights issue (If any)	Not applicable		
Explanations on the association relationship or concerted action among the above-mentioned shareholders	Shenzhen SEG Group Co., Ltd has no associated relationship with other shareholders, nor 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 associated relationship or are concerted action units.		
Information on top ten shareholders of unrestricted shares			
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
Ping An Trust Co., Ltd.-Ruifu No.2	18,880,300	RMB ordinary shares	18,880,300
Taifook Securities Company Limited-Account Client	7,965,084	Domestically listed foreign shares	7,965,084
Gong Qianhua	5,311,520	Domestically listed foreign shares	5,311,520
Zeng Ying	5,160,887	Domestically listed foreign shares	5,160,887
Tang Lizhu	3,796,200	RMB ordinary shares	3,796,200
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	3,679,121	Domestically listed foreign shares	3,679,121
Dalian Huaxin Trust Co., Ltd – Beta 1 Structured Securities Investment Portfolio	3,000,000	RMB ordinary shares	3,000,000
Cao Xianhua	2,702,000	RMB ordinary shares	2,702,000
Wen Ruqiang	2,340,000	RMB ordinary shares	2,340,000
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 associated relationship with other shareholders, nor 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 a associated relationship or are concerted action units.		
Shareholders involved in securities financing (If any)	Not applicable		

2. Information about controlling shareholders of the Company

Legal person

Name of controlling shareholder	Legal representative/ Company manager	Date of incorporation	Organization code	Registered capital	Main business
Shenzhen SEG Group Co., Ltd.	Sun Shengdian	August 23, 1984	19218093-0	RMB 1355.42 million <i>Yuan</i>	Business scope: Production and research of electronic products, household appliances, toys, electronic and telecom equipments, instruments and meters, motor equipments, computers and accessories, OA equipments and articles and electronic chemical projects (the license of the production site should be specially applied for); acceptance of various electronic system projects; operation of specialized electronic and communications markets; talent training; real estate development (it is made on the land plots for which the land use right has been legally obtained); real estate agency; shipping agency; logistics & warehousing; high-rise sightseeing at SEG Plaza and supporting catering, shopping and exhibition services; technical development and maintenance of network and information projects; import and export.
Business result, financial status, cash flow and future development strategy	<p>The consolidated operating revenue (not audited) of SEG Group in 2012 was RMB 3023.01 million <i>Yuan</i>, the total profit was RMB 279.19 million <i>Yuan</i>, and the net profit was RMB 228.07 million <i>Yuan</i>; the total assets of SEG Group was RMB 5351.67 million <i>Yuan</i>, the owner's equity was RMB 2943.57 million <i>Yuan</i>, the asset liability ratio was 45%, and the return on equity was 9.18%; net cash flow from operating activities was RMB 185.33 million <i>Yuan</i>, net cash flow from investment activities was RMB -303.99 million <i>Yuan</i>, and net cash flow from financing activities was RMB -1.94 million <i>Yuan</i>.</p> <p>Development strategy of SEG Group: Uphold the development strategy that focuses on two core businesses, that is, energy-saving semiconductor manufacturing and professional electronics markets, explore the realms of high and new technologies and new products, and promote both physical electronics markets that focus primarily on self-owned property and e-commerce (i.e. Shenzhen SEG Co., Ltd.) to build comprehensive and competitive strengths of SEG Group.</p>				

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

No.	Company's name	Abbreviations of held stock and securities code	Number of shares held (Unit: Share)	Share-holding proportion (%)
1	Shenzhen SEG Group Co., Ltd	SHEN SEG 000058	237,359,666	30.24
2	Shenzhen SEG Group Co., Ltd	ST Huakong SEG 000068	68,392,697	7.63
3	Shenzhen SEG Group Co., Ltd	Huatai Securities 601688	3,298,813	0.05
4	Shenzhen SEG Group Co., Ltd	Air Power 600893	746,278	0.068

No.	Company's name	Abbreviations of held stock and securities code	Number of shares held (Unit: Share)	Share-holding proportion (%)
5	SEG (HONGKONG) Company Limited	Shen Huafa B 200020	16,569,560	5.58
6	GOOD HOPE ORNER INVESTMENTS LTD	Shen Huafa 200020	13,900,000	4.91
7	SEG (HONGKONG) Company Limited	NewOcean Energy 0342	1,000,000	0.00076

Changes in controlling shareholders in this reporting period

☐ Applicable ☒ Not applicable

3. Actual controller of the Company

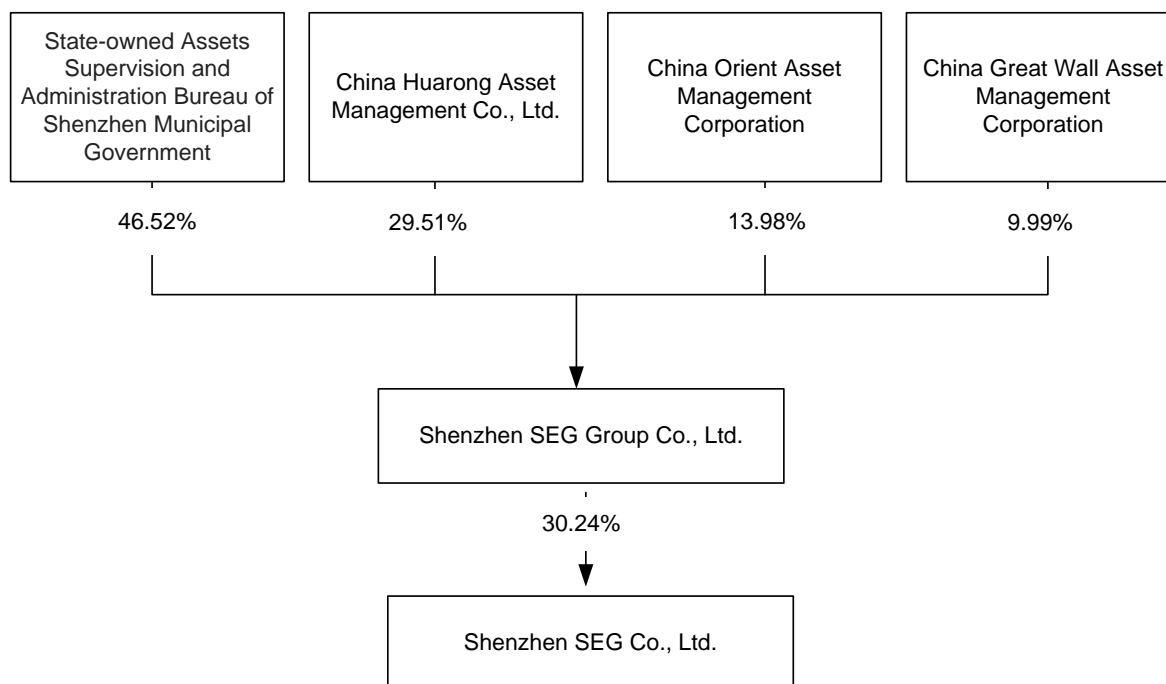
Legal person

Name of actual controller	Legal representative/ Company manager	Date of incorporation	Organization code	Registered capital	Main business
Shenzhen State-owned Assets Supervision and Administration Commission	Zhang Xiaoli	Not applicable	Not applicable	Not applicable	Not applicable

Changes in actual controller in this reporting period

☐ Applicable ☒ Not applicable

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

Chapter 7 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	Increase of shares held in the current period	Decrease of shares held in the current period	Shares held at period end
Wang Li	Chairman	Incumbent	Male	51	Nov 21, 2011	May 20, 2013	0	0	0	0
Zhang Guangliu	Director	Incumbent	Male	48	May 21, 2010	May 20, 2013	0	0	0	0
Ye Jun	Director	Incumbent	Male	52	May 21, 2010	May 20, 2013	0	0	0	0
Liu Zhijun	Director/ General Manager	Incumbent	Male	44	May 21, 2010	May 20, 2013	0	0	0	0
Zheng Dan	Director/Vice General Manager/ Secretary of the Board of Directors	Incumbent	Female	47	May 21, 2010	May 20, 2013	35,586	0	0	35,586
Zhu Longqing	Director/ General Manager	Incumbent	Male	51	May 21, 2010	May 20, 2013	0	0	0	0
Jiang Yigang	Independent Director	Incumbent	Male	53	May 21, 2010	May 20, 2013	11,700	0	0	11,700
Yang Rusheng	Independent Director	Incumbent	Male	44	May 21, 2010	May 20, 2013	0	0	0	0
Zhou Hanjun	Independent Director	Incumbent	Male	43	May 21, 2010	May 20, 2013	0	0	0	0
Zhao Xingxue	Supervisor	Incumbent	Male	58	May 21, 2010	May 20, 2013	0	0	0	0
Tang Chongyin	Supervisor	Incumbent	Male	52	May 21, 2010	May 20, 2013	0	0	0	0
Xu Haisong	Supervisor	Incumbent	Male	48	May 21, 2010	May 20, 2013	0	0	0	0
Tian Jiliang	Supervisor	Incumbent	Male	46	May 21, 2010	May 20, 2013	0	0	0	0
Ying Huadong	Supervisor	Incumbent	Male	43	May 21, 2010	May 20, 2013	0	0	0	0
Li Lifu	Vice General Manager	Incumbent	Male	57	May 21, 2010	May 20, 2013	0	0	0	0
Total	--	--	--	--	--	--	47,286	0	0	47,286

(II) Information on Directors, Supervisors and Senior Executives Serving in Shareholders' Units or Other Units

Work experience of incumbent directors, supervisors, and senior executives in the last five years

(I) Members of the Board of Directors

1. Wang Li, male and born in 1961, is a Bachelor of Science from Southwest Jiaotong University and an MBA from University at Buffalo, the State University of New York. He now serves as the President of the Company, the General Manager of SEG Group and concurrently as the President of SEG Small Loan. He had served as the Financial Manager of Kenya, Domestic Manager of the Central Africa Department of SEG Group, Deputy Manager of the Financial Department of SEG Group, Manager of the Fund Department of SEG Group, Deputy Chief Account of SEG Group, President of SHIC, Chairman of the Board of Supervisors of the Company, and SEG Vice General Manager of SEG Group.
2. Zhang Guangliu, male and born in 1964, is a Master. He now serves as Director of the Company and Vice General Manager of SEG Group. He had served as Vice Manager of the Industrial Product Trade Center of Jiangxi Pingxiang Department Store, Vice Manager of Zhenhua Store of Shenzhen Rainbow Department Store and Chief Financial Officer of Shenzhen Huasheng Industrial Co., Ltd, Shenzhen Medicines Corporation and Shenzhen Building Materials Group Company Limited.
3. Ye Jun, male and born in 1960, is a Bachelor of Economics and a Senior Accountant. He now serves as Director of the Company and Manager of the Financial Management Department of SEG Group. He had served as Manager Assistant and Vice Manager of the Financial Department and Vice Manager of the Fund Department of SEG Group.
4. Liu Zhijun, male and born in 1968, is a Master of Engineering. He now serves as Director and General Manager of the Company and Secretary of the Party Committee, and concurrently as the President of the Company, SEG E-commerce, and Shanghai SEG, and the Director of SEG Small Loan. He had served as an Office Director, General Manager Assistant, Board Secretary and Vice General Manager of SEG Baohua, Manager at SEG Baohua (Xinjiang), Manager of the Business Department of SEG Group, and Deputy Secretary of the Party Committee.
5. Ms. Zheng Dan, female and born in 1965, a Senior Economist and a Master of Science. She now serves as the Director, the Vice Secretary of Party Committee, the Secretary of the Discipline Inspection Commission of the Company, Vice General Manager and Secretary of the Board of the Company, and concurrently as the President of Suzhou SEG, the Chairman of the Board of Supervisors of SEG Baohua, Changsha SEG and SEG Logistics, and the Director of SEG E-commerce and SEG Small Loan. She had served as the Director Assistant of the Preparation Office of the Company, Deputy Manager of the Share Reform Office of Shenzhen Zhongkang Glass Co., Ltd, Director of Shenzhen SEG Xinlide Intelligent System Engineering Co., Ltd, Deputy Manager and Manager of the General Office of the Company, Securities Affairs Representative of the Board of Directors of the Company, Chairman of the Board of Supervisors of SEG GPS, Independent Director of Shenzhen Hongkai (Group) Co., Ltd and Director of ST Huakong SEG.
6. Zhu Longqing, male and born in 1961 is an MBA and an Accountant. He now serves as Director and Vice General Manager of the Company and concurrently as Director and General Manager of SEG E-commerce, President of Changsha SEG and Nanjing SEG, Director of SEG Baohua and SEG Industry. He had served as the Chairman of the Board of Supervisors of SEG Logistics, President of Shenzhen SEG Communication Co., Ltd (SEG Communication), General Manager of

Shenzhen SEG CLP Color Display Devices Co., Ltd., and SEG Industry, President of SEG Logistics, Director of SEG Navigations, Supervisor of ST Huakong SEG, Supervisor (Worker Supervisor) of the Company, Manager of the Financial Department, Planning Department, and Property Operation Department, and Property Right Operation Director of the Company.

7. Jiang Yigang, male and born in 1959, graduated from South China Normal University with a Master's Degree and now serves as an Independent Director of the Company. He was a lawyer and a senior partner of Shenzhen Branch of Shanghai Allbright Law Offices. He had worked as an arbitrator in Guangzhou Arbitration Committee and Shenzhen Arbitration Committee, and a part-time research member in the Institute of Law, Chinese Academy of Social Sciences. He has taught in the Faculty of Law of Shenzhen University and had been engaged in the practice of law for more than 20 years.
8. Yang Rusheng, male and born in 1968, is a Master, a CPA, a Certified Tax Agent, and a Judicial Identifier. He now serves as an Independent Director of the Company and Ping An Bank Co., Ltd, Vice President of Crowe Horwath Certified Public Accountants Co., Ltd and Director of Shenzhen Branch of Crowe Horwath Certified Public Accountants Co., Ltd, General Manager of Shenzhen Branch of Zhongjingfa Engineering Cost Consultant Co., Ltd, General Manager of Shenzhen Crowe Horwath Tax Agents Co., Ltd, Independent Director of Ping An Bank Co., Ltd., Director of Guangdong Certified Public Accountants Association, Standing Director of Shenzhen Certified Tax Agents Association, and Director of China Certified Tax Agents Association. He had worked in Shenzhen Construction Materials Industrial (Group) Co., Ltd, Shenzhen Yongming Certified Public Accountants Co., Ltd, Shenzhen Guangshen Certified Public Accountants Co., Ltd, Shenzhen Youxin Certified Public Accountants Co., Ltd and Wanlong Asia Certified Public Accountants Co., Ltd and had been a member of the Ethics Commission of Shenzhen Institute of Certified Public Accountants, a member of the Responsibility Identification Committee of Certified Public Accountants of Shenzhen Finance Bureau, and Deputy Chairman of Shenzhen Certified Public Accountants Association.
9. Zhou Hanjun, male and born in 1969, is a CPA and a CTA. He now serves as an Independent Director of the Company, partner of Shenzhen Asia-Pacific (Group) Certified Public Accountants Co., Ltd., and Independent Director of Shenzhen Special Economic Zone Real Estate (Group) Co., Ltd. He had served as an accountant and Vice Director of the Financial Division of Sichuan Neijiang No. 2 People's Hospital, Accountant in Charge of Chongqing Subway Group Co., Ltd., Auditor of Shenzhen Donghai Certified Public Accountants Co., Ltd., and Chief Accountant of Guangxin Certified Public Accountants.

(II) Members of the Board of Supervisors

1. Zhao Xingxue, male and born in 1954, graduated from college and is an economist. He now serves as the Chairman of the Board of Supervisors of the Company, and Chairman of SEG Group Labor Union. He had served as Vice Director of the General Manager's Office of China Electronic Industrial Corporation, Director of the General Manager's Office of China Electronics Corporation, Manager of the Property Operation Department, Chairman of the Labor Union and Secretary of the Discipline Inspection Commission of the Company, and Vice Secretary of the Party Committee and Secretary of the Discipline Inspection Commission of SEG Group.
2. Tang Chongyin, male and born in 1960, is a Doctor. He now serves as Supervisor of the Company and Manager of the Department of Property Right Operation and Management of SEG Group. He

had served as Chief Legal Adviser of SEG Group, Assistant Manager of the Department of Asset Management, Director of the Legal Affairs Office, and Manager of the Audit Department and the Asset Department.

3. Xu Haisong, male and born in 1964, is a Bachelor of Engineering, an Engineer and an Economist. He now serves as Supervisor of the Company and Vice Manager of the Department of Enterprise Planning and Management of SEG Group. He had served as one of the management of the Planning Department and Assistant Manager of the Comprehensive Planning Department of Shenzhen Zhongkang Glass Co., Ltd, Chief of the Production Management Section of ST Huakong SEG and a Business Assistant in the Assets Department and the Planning Department of SEG Group.
4. Tian Jiliang, male and born in 1966, is a Bachelor and an engineer. He now serves as Supervisor (Worker Supervisor) of the Company, Chief Human Resources Officer and concurrently as Director of SEG Baohua, Chairman of the Board of Supervisors of Xi'an SEG, and Chairman of the Board of Supervisors of Management Company. He had served as the management of Rainbow Group, Office Director of Rainbow Group, Marketing Department Manager, Chief Marketing Officer of the Company, and Director of SEG Logistics.
5. Ying Huadong, male and born in 1969, is a Bachelor. He now serves as the member of the Discipline Inspection Commission of the Company, Supervisor (Worker Supervisor) of the Board of Supervisors, Manager of the Financial Department, and concurrently as Director of Changsha SEG, Director of SEG Navigations, Supervisor of SEG GPS, and Supervisor of SEG Nanjing. He had served as the Assistant Manager and Deputy Manager of the Financial Department of the Company, Manager of the Audit Department of the Company, and Director of SEG Logistics.

(III) Other senior executives

1. Liu Zhijun is General Manager and relevant information may be referred to in the above introduction on Directors.
2. Zheng Dan is Vice General Manager and Secretary of the Board of Directors and relevant information may be referred to in the above introduction to directors.
3. Zhu Longqing is Vice General Manager and relevant information may be referred to in the above introduction to directors.
4. Li Lifu, male and born in 1955, is a Master and a Senior Accountant. He now serves as Vice General Manager of the Company, and concurrently Chairman of the Board of SEG Baohua, Chairman of the Board of SEG Industry, Chairman of the Board of Xi'an SEG, Chairman of the Board of Xi'an Hairong SEG, Director of SEG Small Loan, Chairman of the Board of Supervisors of SEG E-Commerce, and Supervisor of ST Huakong SEG. He had served as the accountant of the Food Division in Songlin District of Daxing'anling, accountant of Daxing'anling Finance Bureau, Director of the Finance Division of Daxing'anling Forestry Administration Bureau, executive of Shenzhen Investment Limited, CFO and Director of SEG Group, and CFO and Director of the Company.

The President and General Manager of the Company did not stay overseas for more than three months in 2012.

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	Shenzhen SEG Group Co., Ltd.	Director/ General Manager	January 4, 2011	October 30, 2015	Yes
Zhang Guangliu	Shenzhen SEG Group Co., Ltd.	Vice General Manager	March 10, 2003	October 30, 2015	Yes
Ye Jun	Shenzhen SEG Group Co., Ltd.	Manager of Finance Management Department	April 17, 2003	October 30, 2015	Yes
Zhao Xingxue	Shenzhen SEG Group Co., Ltd.	Chairman of Labor Union	November 13, 2006	October 30, 2015	Yes
Tang Chongyin	Shenzhen SEG Group Co., Ltd.	Head of Asset and Property Operation Dept.	April 17, 2003	October 30, 2015	Yes
Xu Haisong	Shenzhen SEG Group Co., Ltd.	Deputy Head of Strategy Mgmt Dept.	June 03, 2008	October 30, 2015	Yes

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
Jiang Yigang	Guangdong Golden Glass Technologies Co., Ltd.	Independent Director	May 10, 2011	May 9, 2014	Yes
Jiang Yigang	Shanghai ALLBRIGHT LAW OFFICES (Shenzhen)	Lawyer & Senior Partner	June 1, 2005		Yes
Yang Rusheng	Shenzhen TONGE GROUP Co., Ltd.	Independent Director	May 23, 2008	December 22, 2012	Yes
Yang Rusheng	Crowe Horwath China CPAs	Vice President & Director of Shenzhen Branch	August 1, 2007		Yes
Yang Rusheng	ZHONGJINGFA Engineering Cost Consultant Co., Ltd.	General Manager of Shenzhen Branch	March 1, 2008		Yes
Yang Rusheng	Crowe Horwath China CPAs, Shenzhen	General Manager	August 1, 2007		Yes
Yang Rusheng	PingAn Bank Co., Ltd.	Independent Director	July 12, 2008	June 30, 2012	Yes
Zhou Hanjun	ASIA (Group) Accounting Firm	Partner	March 1, 2012		Yes
Zhou Hanjun	Shenzhen S.E.Z. Real Estate (Group) Co., Ltd.	Independent Director	March 1, 2012	March 31, 2014	Yes

III. 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), year-end 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. Eight directors (including independent directors) and supervisors of the Company received a total amount of remuneration of RMB 2.9579 million Yuan (pre-tax) in this reporting period. For the period from January to April 2012, according to the resolution of the 14th general meeting of shareholders (2008), independent directors of the Company will receive monthly allowances for independent directors totaling RMB 60,000 each year (pre-tax). For the period from May to December 2012, according to the resolution of the 17th General Meeting of Shareholders (2011), independent directors of the Company will receive monthly allowances for independent directors totaling RMB 100,000 each year (pre-tax). 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 are reimbursed by the Company according to the actual expenses.

Remuneration for directors, supervisors and senior executives in this reporting period

Name	Title	Gender	Age	Employment status	Total remuneration from the Company	Total remuneration from the shareholder's company	Actual remuneration obtained at the end of reporting period
Wang Li	Chairman	Male	51	Incumbent	0.00	81.95	81.95
Zhang Guangliu	Director	Male	48	Incumbent	0.00	73.95	73.95
Ye Jun	Director	Male	52	Incumbent	0.00	12.96	12.96
Liu Zhijun	Director/General Manager	Male	44	Incumbent	68.74	0.00	68.74
Zheng Dan	Director/Vice General Manager/Secretary of the Board of Directors	Female	47	Incumbent	56.81	0.00	56.81
Zhu Longqing	Director/ General Manager	Male	51	Incumbent	56.81	0.00	56.81
Jiang Yigang	Independent Director	Male	53	Incumbent	8.67	0.00	8.67
Yang Rusheng	Independent Director	Male	44	Incumbent	8.67	0.00	8.67
Zhou Hanjun	Independent Director	Male	43	Incumbent	8.67	0.00	8.67
Zhao Xingxue	Supervisor	Male	58	Incumbent	0.00	73.95	73.95

Name	Title	Gender	Age	Employment status	Total remuneration from the Company	Total remuneration from the shareholder's company	Actual remuneration obtained at the end of reporting period
Tang Chongyin	Supervisor	Male	52	Incumbent	0.00	42.72	42.72
Xu Haisong	Supervisor	Male	48	Incumbent	0.00	31.76	31.76
Tian Jiliang	Supervisor	Male	46	Incumbent	45.91	0.00	45.91
Ying Huadong	Supervisor	Male	43	Incumbent	41.72	0.00	41.72
Li Lifu	Vice General Manager	Male	57	Incumbent	56.42	0.00	56.42

Information on equity incentives bestowed to directors, supervisors and senior executives during the reporting period

☐ Applicable ☒ Not applicable

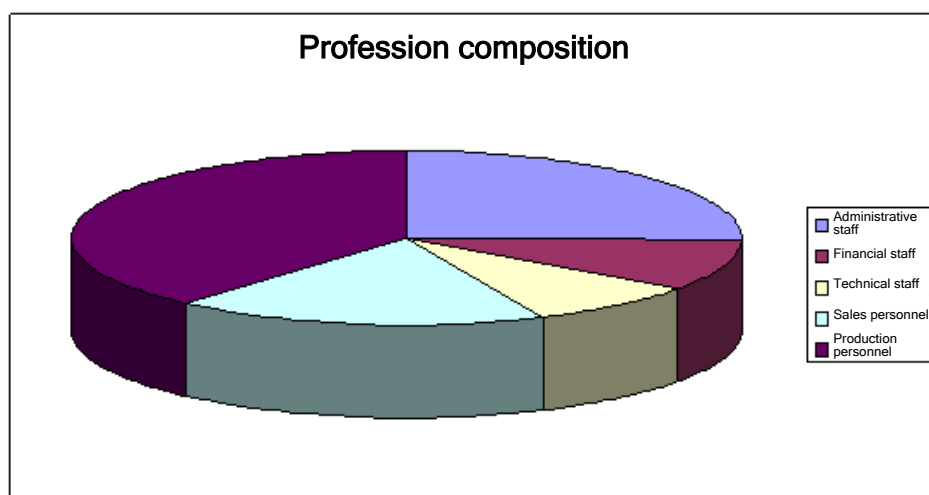
IV. Information about Employees of the Company

At the end of the reporting period, the Company had 300 on-the-job employees and 66 retirees. The pension and medical insurance of the retirees are in social pooling.

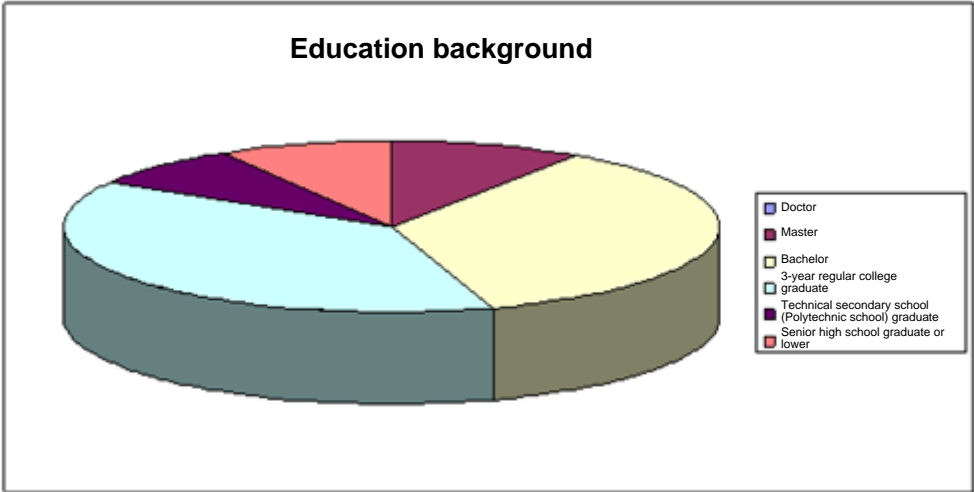
The profession composition and education background of on-the-job employees:

(Unit: Person)

Profession composition	Administrative staff	Financial staff	Technical staff	Sales personnel	Production personnel
Number	76	29	25	54	116



Education background	Doctor	Master	Bachelor	3-year regular college graduate	Technical secondary school (Polytechnic school) graduate	Senior high school graduate or lower
Number	0	28	107	116	23	26



Chapter 8 Corporate Governance

I. Basic information on corporate governance

(1) In this reporting period, the Company constantly improved the governance structure and standardize company operation in strict accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies in China*, the *Articles of Incorporation* and other laws and regulations on corporate governance of listed companies. But there were still problems as follows:

1. The controlling shareholder exercised the *Property Right Representative Report System* for management of the Company. The Company's controlling shareholder SEG Group is a state-controlled enterprise in Shenzhen and Shenzhen State-owned Assets Supervision & Administration Bureau is the controlling shareholder of SEG Group. It must implement the *Property Right Representative Report System* for state-owned assets management according to the management methods of Shenzhen for state-owned assets.
2. In respect of assessment on human resources, the Company's controlling shareholder SEG Group implemented the annual performance assessment on Senior Executives according to the completing of annual operation indicators and other indicators stipulated by SEG Group.
3. The Company reported undisclosed information to the major shareholder or the actual controller.

In accordance with the Property Right Representative Report System and the requirements of state statistic department, the Company should report undisclosed information to the majority shareholder or the actual controller. In accordance with the requirements of state-owned assets supervision department, the Company has been submitting monthly flash reports to its majority shareholders and actual controller and reporting important issues to its majority shareholders and actual controllers 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 nonpublic 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 the employees are obligated to hold confidential the business secrets and undisclosed information of the Company.

The nonpublic information the Company offered to its major shareholder and actual controller in this reporting 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 (30.24%)	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 State-owned Asset Management Information System.	monthly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors
2	SEG Group	Controlling shareholder (30.24%)	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 State-owned Asset Management Information System.	monthly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors
3	SEG Group	Controlling shareholder (30.24%)	Summary sheet of monthly cash flow	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 State-owned Asset Management Information System.	monthly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors
4	SEG Group	Controlling shareholder (30.24%)	Summary sheet of deposits and financing loans of the headquarters	The financial personnel at the Headquarters prepare the sheet that is reported through the State-owned Asset Management Information System.	Quarterly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed 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
5	SEG Group	Controlling shareholder (30.24%)	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 State-owned Asset Management Information System.	Quarterly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors
6	SEG Group	Controlling shareholder (30.24%)	Summary sheet of quarterly information on investment real estate of the company registered in Shenzhen	It began to be 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 State-owned Asset Management Information System.	Quarterly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors
7	SEG Group	Controlling shareholder (30.24%)	Monthly consolidated statements (including the Balance Sheet, the Profit Statement, the Cash Flow Statement, the Notes to Preparation of the Statements and the Financial Statements)	They should be reported every month after being printed, signed and sealed and reported every quarter through the State-owned Asset Management Information System. They began to be reported on line from July 2008.	monthly	The <i>Notice of Shenzhen SEG Co., Ltd on Submitting of Monthly Statements</i>	Agreed by the Board of Directors
8	SEG Group	Controlling shareholder (30.24%)	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</i> and the regulations of the state and provide statistical data	Agreed by the Board of Directors
	Shenzhen Statistics Bureau	Government branch					

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
						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 the state.	
9	SEG Group	Controlling shareholder (30.24%)	Summary sheet of quarterly financial assets	Sealed by the Company	Quarterly	The <i>Notice on Matters about Preparation of Monthly Financial Flash Reports by Corporations under Supervision and Administration of SASAC</i> , the file of SASAC of the State Council (State-owned Assets Supervision and Administration Department's Review [2003] No. 23)	Agreed by the Board of Directors

4. Establishment and adjustment of the corporate governance system in this reporting period:

- (1) The Eighth Meeting of the Fifth Board of Directors held on March 23, 2012 reviewed and approved the *Proposal on Modifying the Insider Information and Insider Management System of Shenzhen SEG Co., Ltd.* The matter was disclosed on *the China Securities Journal, the Securities Times, the Securities Daily* and the *Hong Kong Commercial Daily* and the Cninfo Website on March 27, 2012.
- (2) The Ninth Meeting of the Fifth Board of Directors of the Company held on July 23, 2012 reviewed and approved the *Proposal on Modifying the Articles of Association*. The matter was disclosed on *the China Securities Journal, the Securities Times, the Securities Daily* and the *Hong Kong Commercial Daily* and the Cninfo Website on July 24, 2012.
- (3) The 26th Interim Meeting of the Fifth Board of Directors held on December 17, 2012 reviewed and approved the *Proposal on Establishing the Internal Control Assessment and Check System and the Method for Selecting and Engaging Internal Control Auditor of Shenzhen SEG Co., Ltd.* The matter was disclosed on *the China Securities Journal, the Securities Times, the Securities Daily* and the *Hong Kong Commercial Daily* and the Cninfo Website on December 19, 2012.

Is there any discrepancy between corporate governance practices and related regulations as set in the *Company Law* and as required by China Securities Regulatory Commission?

☐ Yes ☒ No

There is no discrepancy between corporate governance practices and related regulations as set in the *Company Law* and as required by China Securities Regulatory Commission.

Implementation of the corporate governance activities and the establishment and implementation of insider information and insider registration management system

(I) Implementation of corporate governance activities

1. Carried out the shareholder return plan and the distribution of cash dividends as required by China Securities Regulatory Commission and Shenzhen Securities Regulatory Bureau. In this reporting period, according to the *Notice on Further Implementing Issues Concerning Distribution of Cash Dividends of Listed Companies* released by China Securities Regulatory Commission and the *Notice on Implementing Requirements of "Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies"* (Shenzhen Ju Gong Si Zi [2012] No.43) (hereunder referred to as the "Notice") issued by Shenzhen Securities Regulatory Bureau, the Company actively organized controlling shareholders, directors, supervisors and senior executives to carefully study the *Notice* and carried out the requirements given in the *Notice*, worked out the *Action Plan on Carefully Implementing Issues Concerning Distribution of Cash Dividends*, and designated the Chairman of Board of Directors of the Company, Mr. Wang Li as the first person responsible, and the Director and General Manager of the Company, Mr. Liu Zhijun as the directly responsible person. The Secretariat Board of Directors was responsible for execution of the *Notice*. To meet the requirements of the *Notice*, the Company conducted a thorough communication with independent directors and some shareholders of marketable shares regarding the establishment of the shareholder return plan and profit distribution policy; implemented special research and demonstration on the shareholder return plan, and profit distribution policy, especially the soundness of cash dividend policy-making process and mechanism; specified the decision-making

procedure for distribution of cash dividends that best suits future development of the Company, and produced a *Demonstration Report on the Shareholder Return Plan of Shenzhen SEG Co., Ltd.* Furthermore, the Company established the shareholder return plan for the upcoming three years (2012 to 2014), and amended pertinent profit distribution clauses in the *Articles of Association*. The above-mentioned *Demonstration Report on the Shareholder Return Plan of Shenzhen SEG Co., Ltd.* was reviewed and approved on the Ninth Meeting of the Fifth Board of Directors held on July 23, 2012. The *Shareholder Return Plan for the Upcoming Three Years (2012 to 2014) of Shenzhen SEG Co., Ltd.* and the *Proposal on Amending the Articles of Association* were reviewed and approved on the First Interim Meeting of Shareholders held on August 9, 2012.

2. Intensified study on crackdown on insider trading.

Shenzhen Securities Regulatory Bureau held the Insider Trading Warning Education Exhibition Tour (Shenzhen) from October 22 to October 26, 2012. The Company designated employees to attend the exhibition. To expand the scope of the insider trading warning education and intensify the law-abiding awareness among employees, the Company offered the exhibition presentation slide to directors, supervisors, senior executives and related business personnel who had not attended the exhibition in person, and mobilized all employees to study the slide on Intranet of the Company. The above-mentioned personnel carefully studied the exhibition contents and understood the evolution of laws for crackdown on insider trading in recent years from the five aspects of background, fundamentals, legal system construction, law enforcement actions, and case studies; understood the work arrangements of regulatory authorities in cracking down insider trading and achievements made; studied various types of violation and crime cases and the reasons behind them. The preceding study had drawn the attention of all employees in preventing and cracking down insider trading and enhanced their law-abiding awareness.

3. Publicized investor protection.

According to the *Notice on Publicizing Investor Protection of Listed Companies* (hereunder referred to as the *Notice*) released by Shenzhen Securities Regulator Bureau (Shen Zhen Ju Gong Si Zi [2012] No.60), the Company carried out a three-month program for publicizing investor protection and investor communication in various ways to enhance investors' understanding of the Company and safeguard the legal interests of investors. The Company conducted various investor protection activities such as carefully studying the *Notice*, working out publicity plan, and setting up the "Investor Protection Publicity" column on the Company's website. The three-month (from September to December 2012) "Investor Protection Publicity" program allowed the Company to publicize common investment knowledge to various types of investors, help investors build up the concepts of rational investment, value investing and long-term investment, further enhance investors' understanding of the Company through multi-dimensional interaction with investors, better serve investors and play its role in maintaining a harmonious and stable capital market.

(II) Implementation of the insider information and insider management system

1. Improve relevant system, organize the study on the system and strengthen the law-abiding awareness. The Eighth Interim Meeting of the Fourth Board of Directors held on September 30, 2007 reviewed and approved the *Confidentiality System for Non-public Information of Shenzhen SEG Co., Ltd* and the *Insider Registration System of Shenzhen SEG Co., Ltd*. The 14th Interim Meeting of the Fifth Board of Directors held on September 22, 2011 reviewed and approved the *Confidentiality System for Non-public Information of Shenzhen SEG Co., Ltd (Revised Draft)* and

established the *Insider Information and Insider Management System of Shenzhen SEG Co., Ltd.* In this reporting period, the Company organized its directors, supervisors and senior management as well as the insiders of non-public information, by on-the-spot meetings, emails and release of documents, to study the *Opinion on Crackdown, Prevention and Control of Insider Trading in the Capital Market according to Law*, relevant laws and regulations on non-public information management and negative cases of insider trading, thus ceaselessly promoting the confidentiality awareness and legal awareness of related personnel.

2. The *Confidentiality System for Non-public Information of Shenzhen SEG Co., Ltd.*, the *Insider Registration System of Shenzhen SEG Co., Ltd.* and the *Insider Information and Insider Management System of Shenzhen SEG Co., Ltd.* were well implemented in this reporting period. The Company strictly implemented the management requirements for report of non-public information to external institutions: the external institution or the user was required to sign a confidentiality commitment at the time of report; routine reports and other non-public information were submitted to the specific external user of information while the time of routine reports should not be earlier than the time of disclosure and the disclosed information of the performance flash report should not be less than the content offered to the external user of information. In accordance with the requirements of Shenzhen Securities Regulatory Bureau, the Company submitted the *Registration Form of Non-Public Information Reported from Shenzhen SEG Co., Ltd to the Controlling Shareholder and the Actual Controller* to Shenzhen Securities Regulatory Bureau on a monthly basis.
3. Implement the reminder system for the Company's directors, supervisors, senior executives, and insiders. Prior to the information disclosure date, the Secretariat of the Board of Directors reminded the Company's directors, supervisors and senior executives, and insiders in time of not buying or selling the Company's shares, thus effectively preventing violations. The Company implemented self-inspection on whether its directors, supervisors, senior executives and insiders bought or sold the Company's shares within 30 days prior to the disclosure of periodical reports, within 10 days prior to the disclosure of performance forecasts and flash reports, during the disclosure of other important events or other sensitive periods. No insider trading by relevant personnel using non-public information was discovered.
4. The Company prepared the *Letter of Commitment for Specific Objects Conducting Onsite Communication with the Company*, and required specific investors who came to the Company for onsite communication to sign the *Letter of Commitment* that includes clauses such as "Do not deliberately probe into important undisclosed information of listed companies, and do not communicate or inquire about undisclosed information with personnel not designated by listed companies". After finishing onsite communication with investors, the Company released the *Investor Activity Registration Form* on the website of Shenzhen Stock Exchange to ensure fairness, openness and justice.

(II). Annual meeting of shareholders and interim meeting of shareholders held in this reporting period

(1) Annual meeting of shareholders in this reporting period

Meeting No.	Date	Resolution name	Resolution status	Disclosure date	Disclosure index
The 17 th Meeting of Shareholders (2011)	April 20, 2012	1. 2011 Work Report of the Board of Directors; 2. 2011 Work Report of the Board of Supervisors; 3. Final Account Report 2011 of the Company; 4. Annual Budget Report 2012 of the Company; 5. Plan on Profit Distribution and Transfer of Capital reserve into Share Capital in 2011; 6. 2011 Annual Report and Report Summary of the Company; 7. 2011 Debriefing Report of Independent Directors of Shenzhen SEG Co., Ltd.; 8. Proposal on Auditor Engagement for the 2012 Annual Report and Payment of Audit Fee; 9. Proposal on Engagement of Internal Control Auditor for the 2012 Semi-Annual Report and Payment of Internal Control Audit Fee; 10. The Resolution on Requesting the General Meeting of Shareholders to Amend the Proposal on Procurement of Investment Products with Self-owned Idle Funds of the Company approved in the First Interim Meeting of Shareholders in 2011.	All resolutions were approved.	April 21, 2012	The Public Notice on the Resolutions of the 17 th (2011) General Meeting of Shareholders was published on the China Securities Journal, the Securities Times, the Securities Daily, the Hong Kong Commercial Daily and the Cnifo Website on April 21, 2012 (Notice No.: 2012-014).

(2) Interim meeting of shareholders held in this reporting period

Meeting No.	Date	Resolution name	Resolution status	Disclosure date	Disclosure index
First Interim Meeting of Shareholders in 2012	August 09, 2012	1. Shareholder Return Plan in the Upcoming Three Years (from 2012 to 2014); 2. Proposal on Amending the Articles of Association; 3. Resolution on Requesting the General Meeting of Shareholders to Terminate the Proposal on Engagement of Internal Control Auditor for the 2012 Semi-Annual Report and Payment of Internal Control Audit Fee approved in the 17 th General Meeting of Shareholders in 2011; 4. Proposal on Engagement of Internal Control Auditor for the 2012 Semi-Annual Report and Payment of Internal Control Audit Fee.	All resolutions were approved	August 10, 2012	The Public Notice on the Resolutions of the First Interim Meeting of Shareholders in 2012 was published on the China Securities Journal, the Securities Times, the Securities Daily, the Hong Kong Commercial Daily and the Cnifo Website on August 10, 2012 (Notice No.: 2012-023).

Meeting No.	Date	Resolution name	Resolution status	Disclosure date	Disclosure index
Second Interim Meeting of Shareholders in 2012	September 24, 2012	1. <i>The Company's Proposal on Applying for Issue of Short-term Commercial Paper or Mid-term Notes from National Association of Financial Market Institutional Investors.</i> 2. <i>The Proposal on Applying for Short-term Line of Credit of RMB 0.5 Billion Yuan From Banks.</i>	All resolutions were approved.	September 25, 2012	The <i>Public Notice on the Resolutions of the Second Interim Meeting of Shareholders in 2012</i> was published on the <i>China Securities Journal</i> , the <i>Securities Times</i> , the <i>Securities Daily</i> , the <i>Hong Kong Commercial Daily</i> and the Cninfo Website on September 25, 2012 (Notice No.: 2012-033).

III. Performance of independent directors in this reporting 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 this reporting period	On-the-spot attendances	Attendances through communication	Entrusted attendances	Times of absence	Failure to attend the meeting in person in two consecutive times
Jiang Yigang	12	3	8	1	0	No
Yang Rusheng	12	2	8	2	0	No
Zhou Hanjun	12	3	8	1	0	No
Times for independent directors to attend the general meeting of shareholders as a nonvoting delegate		5				

Reasons for failure to attend the meeting in person in two consecutive times

Not applicable

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

Whether independent directors raised objections against relevant matters of the Company

☐ Yes ☒ No

The independent directors did not raise any objection against relevant matters of the Company in this reporting period.

3. Other descriptions about the performance of independent directors

Whether the independent directors accepted proposals of the Company

☐ Yes ☒ No

Description about independent directors accepting or rejecting proposals of the Company

In this reporting period, the three Independent Directors performed their duties faithfully and actively with due diligence in strict accordance with the *Work System of Shenzhen SEG Co., Ltd for Independent Directors* by attending relevant meetings, actively performing onsite survey of investment project, obtaining an in-depth understanding towards the production and operating status of the Company as well as and the progress of important events, providing reasonable opinions and suggestions based on their

respective professional backgrounds, throwing attention on corporate governance, directly participating in the internal system establishment and assessment of the Company and playing an active role in standardized operation of the Company. The Audit Committee and the Remuneration and Assessment Committee convened by Independent Directors of the Company and the Development Strategy Committee attended by all Independent Directors all held more than 2 meetings in this reporting period, having well performed the duties of special committees and provided professional opinions for the decision-making of the Board of Directors.

Proposals raised by independent directors and the adoption of proposals

Proposal raised by	Proposal content	Form	Adoption status
Yang Rusheng, Zhou Hanjun, and Jiang Yigang	Proposal on Improving the Establishment and Implementation of Internal Control System of the Company	Oral	Adopted
Yang Rusheng, and Zhou Hanjun,	Proposal on the Issue of Short-term Commercial Paper and Mid-term Notes	Oral	Adopted
Yang Rusheng, and Zhou Hanjun	Proposal on the Analysis of Risk Factors in the Feasibility Study Report for the Investment Project of the Company	Oral	Adopted
Jiang Yigang, Yang Rusheng, and Zhou Hanjun	Proposal on Implementing the HR Optimization Plan	Oral	Adopted

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

(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 this annual report*, the Audit Committee, in this reporting 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 2012 Financial Statements of the Company.

In this reporting 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 new 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, 2012 and the operating results and cash flow of the Company in 2012. The Committee approved the use of these financial statements as the basis for implementation of the audit work for 2010.
- (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 *2012 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 *2012 Annual Report and Report Summary*.

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

After consultation with Beijing Shu Lun Pan Certified Public Accountants Co., Ltd, the auditing institution of 2012, the arrangement for the 2012 auditing was decided by the Company in December 2010, 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. The Audit Committee issued letters on progress arrangement and other issues on annual auditing to the institution to impel the work for twice in February and March in 2013.

3. The work summary of the Audit Committee for the 2012 auditing conducted by *Beijing Shu Lun Pan Certified Public Accountants Co., Ltd*

In order to implement a timely, accurate, true and complete auditing on the annual financial status of the Company, the accounting institution had implemented initial investigations and arranged the pre-audit in December 2012, and made technical preparations for adjustments to various accounting items in advance in accordance with requirements of the *Accounting Standard for Business Enterprises*.

During the annual audit, the Audit Committee communicated with the CPA and reviewed the first draft of this annual report. The Audit Committee believed that the CPA could perform his duty in strict accordance with auditing laws, regulations and principles, focused on understanding the Company and its 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 schedule. The Audit Committee believed that the CPA was independent and discreet, well finished the auditing on the Financial Statements of the Company for the Year 2012, and issued a true, 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 in this reporting period by the Audit Committee of the Board of Directors and the details were as follows:

(1) The Audit Committee of the Company held the first meeting of 2012 on March 13, 2012 at Zengcheng Pattra Resort Guangzhou to review and approve the Annual Financial Report of 2011, Internal Audit Summary of 2011 and Internal Audit Plan of 2012, Audit Report of 2011 from Beijing Shu Lun Pan Certified Public Accountants Co., Ltd., *Proposal on Auditor Engagement for the 2012 Annual Report and Payment of Audit Fee*, and *Proposal on Engagement of Internal Control Auditor for the 2012 Semi-Annual Report and Payment of Internal Control Audit Fee*.

(2) The second meeting of the Audit Committee held on December 21, 2012 at the conference room of the Company listened to the *2012 Audit Plan of the Company* from Beijing Shu Lun Pan Certified Public Accountants Co., Ltd (special general partnership).

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

The opinion of the Wage and Assessment Committee on the disclosed remuneration of the Directors, Supervisors and Senior Executives of the Company: Director of the Board and General Manager Liu Zhijun, Director, Vice General Manager and Secretary of the Board Zheng Dan, Director and Vice General Manager Zhu Longqing, Vice General Manager and Chief Financial Officer Li Lifu, Supervisor Tian Jiliang and Supervisor Ying Huadong only received the wages corresponding to their respective administrative posts; Independent Directors Jiang Yigang, Yang Rusheng and Zhou Hanjun received allowances for independent directors; other directors and supervisors did not receive wages from the Company. The Company had not implemented the non-independent director and supervisor remuneration system yet.

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

1. The Wage and Assessment Committee of the Company held the first meeting of 2012 on March 23, 2012 at Zengcheng Pattra Resort Guangzhou to listen to the *HR System Optimization Project Report* of the Company.
2. The Wage and Assessment Committee of the Company held the second meeting of 2012 on November 22, 2012 at Shenzhen Sanlian Hotel to listen to the *Salary System and Performance Management Report of 2012* of the Company.

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

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

1. The Development Strategy Committee of the Company held the first meeting of 2012 on March 23, 2012 at Zengcheng Pattra Resort Guangzhou to listen to the *2012 Strategic Business Development Report* of the Company.
2. The Development Strategy Committee of the Company held the second meeting of 2012 on November 22, 2012 at Shenzhen Sanlian Hotel to listen to the *Report on the Progress of the 12th Five-Year Development Strategy Planning, Current Status and Next-Step Plan* of the Company.

V. Performance of the Board of Supervisors

Whether the Board of Supervisors found any risk in the Company during supervision in this reporting period

☐ Yes ☒ No

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

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

1. In the aspect of business, Shenzhen Securities Regulatory Bureau pointed out that "There is an issue of horizontal competition in the business of electronic markets between the Company and SEG Group" during the spot inspection in 2007; the Company received the Letter of Commitment in writing from SEG Group on September 14, 2007, which said: SEG Group and Shenzhen SEG Co., Ltd have similar business in electronic markets in Shenzhen (Shenzhen SEG), and this is due to historic reasons and the objective background of market development; the Group hereby promises

that it will not individually operate a market in the same city whose business is similar with that of Shenzhen SEG”. The aforesaid matter was disclosed on *the Securities Times*, *the China Securities Journal* and *the 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 Sixth Interim Meeting of the Fifth Board of Directors held on January 26, 2011 reviewed and approved the *Proposal on 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 Communication 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 fair 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 Related 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 date of disclosure of this report, the Company had received the timely payment of the management fee of 2011、2012, RMB 200,000 *Yuan*, from SEG Group. Therefore, there is no longer the issue of horizontal competition between the Company and SEG Group.

2. 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.
3. 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 needn't pay any fee to SEG Group for using the aforesaid trademarks or signs.

4. 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.
5. 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.

VII. Assessment and incentive system for senior executives

The annual remuneration of Senior Executives comprises three parts, namely, the wage (the position wage and allowance), year-end bonus, and legal welfare. The wage is decided and monthly paid by the Board of Directors in accordance with the salary management system of the Company; the year-end bonus is decided based on the completion of annual operation targets and work tasks assigned by 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.

Chapter 9 Internal Control

I. Establishment of the Internal Control System

The Company is specified as one of the 83 pilot companies in Shenzhen for execution of internal control standards, according to:

- The general plan made by five ministries including Ministry of Finance and China Securities Regulatory Commission (CSRC) for promoting listed companies to implement basic internal control standards.
- The purport of the video conference convened by the CSRC for mobilizing enterprises to implement internal control in capital markets.
- The *Notice on Conducting the Relevant Work for Pilot Implementation of Internal Control Standard by Listed Companies in Shenzhen* (Shenzhen Ju Gong Si Zi [2011] No.31) issued by Shenzhen Securities Regulatory Bureau.

The Board of Directors approved the *Work Plan for Implementation of Internal Control of Shenzhen SEG Co., Ltd.* (hereinafter referred to as "Internal Control Work Plan") on April 28, 2011, and employed Shenzhen Branch of Platinum Deloitte Touche Tohmatsu CPA Ltd. (hereinafter referred to as "Deloitte") as the consulting institute for the Internal Control System Design and Assessment Project to conduct project plan and process design, internal control system building, and internal control system assessment for the first batch of internal control subjects. Amendments were made for the Internal Control Work Plan in the 8th interim meeting of the fifth Board of Directors on March 23, 2012. In 2012, the Company completed defect rectification of the second batch of internal control subjects and internal control system building and defect rectification of the third batch (three investment holding companies). The Company set up an internal control evaluation group in November 2012 to assess the effectiveness of internal control of the Company and its affiliated investment holding companies. The group members shall not participate in the internal control evaluation of their companies (departments) to avoid any suspicion of favoritism and ensure independence of their assessment.

(I) Internal Control Scope and Work Plan

According to the Internal Control Work Plan, three batches of subjects will fall under the scope of internal control:

- First batch: The subjects that account for a majority of operating revenue and assets of the Company and belong to five different industries.
- Second batch: Five subsidiaries related to electronics markets.
- Third batch: Two new companies and one hotel.

The above mentioned subjects include the Company headquarters and all of its incumbent subsidiaries. The Company's internal control promotion group will promote internal control in 2013 for the new subsidiaries that have not yet come into business.

The internal control progress of relevant subjects is listed as follows:

Batch	Subject of internal control	Start time	Move-in time of the external consulting institute or internal control promotion group	Defect recognition completion time	Defect rectification completion time	Completion time of check by the internal control implementation group	Completion time of 2012 internal control self-assessment draft
First batch	Headquarters	2011.4.28	2011.5.9	2011.7.31	2011.8.31	2011.12.31	2012.12.31
	SEG Electronics Markets	2011.4.28	2011.6.7	2011.7.31	2011.8.31	2011.12.31	2012.12.31
	SEG E-Commerce	2011.4.28	2011.5.31	2011.7.31	2011.8.31	2011.12.31	2012.12.31
	SEG Baohua (excluding its owned Chengguo Hotel)	2011.4.28	2011.6.28	2011.7.31	2011.8.31	2011.12.31	2012.12.31
	SEG Industry	2011.4.28	2011.6.1	2011.7.31	2011.8.31	2011.12.31	2012.12.31
Second batch	Longgang SEG	2011.4.28	2011.9.13	2011.11.30	2012.3.31	2012.6.30	2012.12.31
	Xi'an SEG	2011.4.28	2011.11.8	2012.2.13	2012.3.31	2012.6.30	2012.12.31
	Changsha SEG	2011.4.28	2011.11.13	2012.2.13	2012.3.31	2012.6.30	2012.12.31
	Suzhou SEG	2011.4.28	2011.12.11	2012.2.20	2012.3.31	2012.6.30	2012.12.31
	Nanjing SEG	2011.4.28	2011.12.6	2012.2.20	2012.3.31	2012.6.30	2012.12.31
Third batch	SEG Small Loan	2012.1.1	2012.2.1	2012.3.1	2012.4.1	2012.6.30	2012.12.31
	Hairong SEG	2012.1.1	2012.3.15	2012.4.15	2012.4.30	2012.6.30	2012.12.31
	Chengguo Hotel	2012.1.1	2012.4.1	2012.4.15	2012.4.30	2012.6.30	2012.12.31

As listed in the "Move-in time of the external consulting institute or internal control promotion group" column in the table above, SEG Small Loan in the first and the third batches receive Deloitte consultation and onsite guide from Deloitte Hua Yong Certified Public Accountants Co., Ltd. (hereinafter referred to as "Deloitte"), while other subjects from the internal control promotion group.

(II) Internal Control Promotion Progress in this reporting period

By the end of the last year, the internal control promotion group has identified internal control defects including 13 major defects for the second batch of internal control subjects, and trained these subjects to independently conduct internal control self-assessment. The second batch completed defect rectification before March 31, 2012 according to the Internal Control Work Plan and annual internal control promotion plan. For the third batch, the Company employed Deloitte as the internal control consulting institute for SEG Small Loan, and the internal control promotion team provided guidance for the rest two subjects. By the end of 2012, the three companies in the third batch have completed summarizing and

testing of the internal control system and process and defect rectification. The internal control implementation group performed internal control check for these companies, and provided inspection reports. The three companies have rectified the detected problems. The Company conducted 2012 semi-annual internal control self-assessment, and disclosed the 2012 Semi-annual Internal Control Self-assessment Report on the Cninfo Website on August 27, 2012.

The Company has employed BDO Da Hua Certified Public Accountants Co., Ltd. (special general partnership) for 2012 internal control audit.

II. Statement of the Board of Directors on Internal Control Responsibilities

The Board of Directors and all shareholders of the Company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibilities, individually and jointly, for the authenticity, accuracy and completeness of the report. Establishing a sound internal control system and implementing effective internal control are responsibilities of the Board of Directors. The Board of Supervisors shall supervise internal control implementation of the Board of Directors. The management shall organize and lead internal control in daily work.

The internal control objectives of the Company are: to guarantee business compliance with laws and regulations, protect assets safety, ensure the authenticity and integrity of financial statements and relevant information, improve operation efficiency and effect, and promote implementation of development strategies. Due to its inherent limits, internal control can provide proper guarantee only for the objectives above.

III. Basis for Establishing an Internal Control System for Financial Statements

On the basis of daily and special supervision of internal control, the Company aims to assess the effectiveness of design and operation of the internal control system by the end of December 31, 2012, in accordance with *The Basic Standard for Enterprise Internal Control* and *The Guidelines for Enterprise Internal Control Assessment* formulated by the Ministry of Finance together with relevant government authorities, and *Internal Control Application Manual for Internal Control System Building of Shenzhen SEG Co., Ltd.* and *Internal Control Assessment Manual for Internal Control System Building of Shenzhen SEG Co., Ltd.*

IV. Internal Control Self-assessment Report

Information about the major defects discovered in this reporting period in the internal control self-assessment report	
No major defect in internal control was discovered in this reporting period.	
Disclosure date of the internal control self-assessment report	March 30, 2013
Disclosure index of the internal control self-assessment report	http://www.cninfo.com.cn (Cninfo Website)

V. Internal Control Audit Report

☒ Applicable ☐ Not applicable

Opinion paragraph in the internal control audit report	
Disclosure date of the internal control audit report	March 30, 2013

Disclosure index of the internal control audit report	http://www.cninfo.com.cn (Cninfo Website)
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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

VI. Establishment and Execution of the Accountability System for Major Errors in Annual Report Information Disclosure

To enhance the information disclosure quality of the Company and the authenticity, accuracy, integrity, timeliness, and transparency of annual reports, the *Accountability System of Shenzhen SEG Co., Ltd for Major Errors in Annual Report Information Disclosure* was reviewed and approved in the 8th meeting of the fourth Board of Directors of the Company on April 20, 2010. In this reporting period, no major error occurs in annual report information disclosure. This conclusion is made based on the following:

1. No major accounting error was corrected in this reporting period.
2. No major missing information was supplemented in this reporting period.
3. No earnings pre-announcement was modified in this reporting period.

Chapter 10 Financial Report

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II Audited Financial Statements

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Auditor's Report

Da Hua Shen Zi [2013] No.003347

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, 2012 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 their Notes to Financial Statements for the year 2012.

I. Responsibilities of the management for financial statements

It is the responsibility of the management of SEG Corporation to prepare and fairly present financial statements, which includes: a. 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; b. Designing, implementing and maintaining necessary internal control, thus avoiding major misstatements resulted from fraud, malpractice, mistakes or errors.

II. 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 of the *Auditing Standards for Chinese Certified Public Accountants*. The *Auditing Standards for Chinese Certified Public Accountants* require that we, observing 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 resulted from fraud and malpractice or mistakes and errors. 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 the issuance of auditing 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, 2012 as well as the consolidated and the parent company's operating results and cash flows for the year 2012.

BDO Da Hua Certified Public Accountants Co., Ltd.
(special general partnership)

Certified Public Accountant: YANG XI

Beijing, China

Certified Public Accountant:

ZHANG CHAO CHENG

March 28, 2013

II. Financial Statements

The monetary unit used in the Notes to Financial Statements is RMB Yuan.

1. Consolidated Balance Sheet

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Period-end balance	Period-beginning balance
Current assets:		
Monetary capital	453,132,467.18	644,439,198.78
Deposit reservation for balance		
Loans to banks and other financial institutions		
Transaction financial assets		
Notes receivable	200,000.00	
Accounts receivable	10,742,406.91	10,372,667.62
Advances	37,983,011.33	33,776,814.71
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance deposit receivable		
Interest receivable		
Dividends receivable		426,516.21
Other receivables	18,231,238.23	21,010,718.77
Redemptory financial assets for sale		
Inventory	2,715,123.54	633,555.08
Non-current assets due within one year		
Other current assets	346,200,402.78	201,000,000.00
Total current assets	869,204,649.97	911,659,471.17
Non-current assets:		
Entrusted loans and advances issued	135,557,219.04	3,534,300.00
Financial assets available for sale	651,735.42	587,411.44
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	133,105,415.67	132,408,004.59
Investment real estate	500,164,867.01	518,939,370.27
Fixed assets:	43,166,491.52	45,927,045.74
Construction in progress	185,086.00	42,750.00
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	453,282.22	561,441.87
Development expenses		

Goodwill	10,328,927.82	10,328,927.82
Long-term expenses to be apportioned	38,101,188.50	39,825,875.17
Deferred income tax assets	9,778,422.03	9,770,179.28
Other non-current assets		
Total non-current assets	871,492,635.23	761,925,306.18
Total assets	1,740,697,285.20	1,673,584,777.35
Current liabilities:		
Short-term loans		
Loans from the Central Bank		
Deposits attracted and accounts due to banks and other financial institutions		
Loans from banks and other financial institutions		
Transaction financial liabilities		
Notes payable		
Accounts payable	4,011,377.73	13,047,530.24
Advances from customers	172,415,368.88	158,171,642.48
Financial assets sold for repurchase		
Commissions payable		
Wages payable	10,656,207.14	10,318,172.65
Taxes payable	15,226,223.73	36,930,773.40
Interest payable		
Dividends payable	1,274,816.18	1,466,295.43
Other accounts payable	142,725,201.77	110,869,162.89
Reinsurance accounts payable		
Insurance deposit		
Acting trading securities		
Acting underwriting securities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	346,309,195.43	330,803,577.09
Non-current liabilities:		
Long-term loans		
Bonds payable		
Long-term accounts payable		
Special payables		
Estimated liabilities	2,361,610.00	
Deferred income tax liabilities	19,327,668.80	20,420,513.70
Other non-current liabilities	320,080.91	
Total non-current liabilities	22,009,359.71	20,420,513.70
Total liabilities	368,318,555.14	351,224,090.79
Owners' equity (or shareholders' equity):		
Paid-up capital (or share capital)	784,799,010.00	784,799,010.00
Capital reserve	404,380,330.57	406,990,452.97
Less: Treasury shares		

Special reserve		
Surplus public reserve	102,912,835.67	102,912,835.67
General risk provision		
Retained profits	-96,419,229.99	-142,006,368.05
Translation difference of the financial statements in foreign currency		
Total owners' equity belonging to the parent company	1,195,672,946.25	1,152,695,930.59
Minority shareholders' equity	176,705,783.81	169,664,755.97
Owners' equity (or shareholders' equity):	1,372,378,730.06	1,322,360,686.56
Total liabilities and owner's equity (or shareholders' equity)	1,740,697,285.20	1,673,584,777.35

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

2. Balance sheet of the parent company

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Period-end balance	Period-beginning balance
Current assets:		
Monetary capital	296,491,241.42	510,486,998.56
Transaction financial assets		
Notes receivable		
Accounts receivable	320,000.00	360,000.00
Advances	2,761,960.00	35,295.00
Interest receivable		
Dividends receivable		405,190.40
Other receivables	48,967,222.37	64,833,774.55
Inventory		
Non-current assets due within one year		
Other current assets	292,380,000.00	36,000,000.00
Total current assets	640,920,423.79	612,121,258.51
Non-current assets:		
Financial assets available for sale		
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	356,808,941.91	341,635,503.63
Investment real estate	316,236,256.69	326,741,292.61
Fixed assets:	21,005,561.80	21,203,518.79
Construction in progress		42,750.00
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	207,404.28	321,593.46
Development expenses		
Goodwill		

Long-term expenses to be apportioned	2,868,032.83	1,638,270.44
Deferred income tax assets	7,299,951.67	6,658,082.67
Other non-current assets		
Total non-current assets	704,426,149.18	698,241,011.60
Total assets	1,345,346,572.97	1,310,362,270.11
Current liabilities:		
Short-term loans		
Transaction financial liabilities		
Notes payable		
Accounts payable	350,000.00	2,423,946.62
Advances from customers	76,224,535.77	81,070,594.02
Wages payable	4,373,229.79	5,107,972.59
Taxes payable	11,859,380.06	34,275,065.86
Interest payable		
Dividends payable	119,803.29	119,803.29
Other accounts payable	65,167,926.86	39,829,376.42
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	158,094,875.77	162,826,758.80
Non-current liabilities:		
Long-term loans		
Bonds payable		
Long-term accounts payable		
Special payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	158,094,875.77	162,826,758.80
Owners' equity (or shareholders' equity):		
Paid-up capital (or share capital)	784,799,010.00	784,799,010.00
Capital reserve	405,652,893.32	404,980,399.08
Less: Treasury shares		
Special reserve		
Surplus public reserve	102,912,835.67	102,912,835.67
General risk provision		
Retained profits	-106,113,041.79	-145,156,733.44
Translation difference of the financial statements in foreign currency		
Total owners' equity (or shareholders' equity):	1,187,251,697.20	1,147,535,511.31
Total liabilities and owner's equity (or shareholders' equity)	1,345,346,572.97	1,310,362,270.11

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

3. Consolidated profit statement

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Amount of the current period	Amount of the previous period
I. Total operating revenue	477,037,952.32	436,844,244.35
Including: Operating revenue	463,807,500.77	436,844,244.35
Interest income	11,530,213.15	
Earned premiums		
Commissions income	1,700,238.40	
2. Total operating cost	418,866,463.11	416,849,184.39
Including: Operating cost	355,848,954.58	340,193,727.77
Interest expenses		
Commissions		
Surrender value		
Net compensation pay-outs		
Net insurance deposit accrued		
Insurance dividends		
Reinsurance expenses		
Operating tax and surcharges	19,510,018.23	17,512,219.42
Sale expenses	1,700,265.15	5,015,836.03
Management expenses	51,993,449.44	65,814,139.10
Financial expenses	-12,256,638.27	-12,032,650.84
Loss from asset impairment	2,070,413.98	345,912.91
Income from change of fair value (Loss is marked with "-")		
Income from investment (Loss is marked with "-")	15,849,712.09	76,778,570.74
Including: Income from investment in joint ventures and associated enterprises	3,539,916.84	-5,789,729.53
Income from exchange (Loss is marked with "-")		
III. Operating profit (Loss is marked with "-")	74,021,201.30	96,773,630.70
Plus: Non-operating revenue	1,926,040.95	3,951,380.66
Less: Non-operating expenses	2,451,990.32	197,786.11
Including: Loss from disposal of non-current assets	5,892.79	82,311.79
IV. Total profit (Total loss is marked with "-")	73,495,251.93	100,527,225.25
Less: Income tax	18,232,618.45	31,730,533.69
V. Net profit (Net loss is marked with "-")	55,262,633.48	68,796,691.56
Including: Net profit of the purchased party realized before the business combination		
Net profit belonging to shareholders of the parent company	45,587,138.06	68,995,713.25
Profit and loss of minority shareholders	9,675,495.42	-199,021.69
6. Earnings per share	--	--
(1) Basic earnings per share	0.0581	0.0879
(2) Diluted earnings per share	0.0581	0.0879
7. Other comprehensive income	720,737.22	-340,639.72
8. Total comprehensive income	55,983,370.70	68,456,051.84
Total comprehensive income belonging to shareholders of the parent company	46,291,752.48	68,712,837.83
Total comprehensive income belonging to minority shareholders	9,691,618.22	-256,785.99

During business combination under common control in this reporting period, the net profit of the acquired party realized before the business combination was: RMB _____Yuan.

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

Note: The income from exchange needs to be listed as an independent item when financial expenses involve financial business.

4. Profit statement of the parent company

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Amount of the current period	Amount of the previous period
I. Operating revenue	117,745,210.06	120,920,647.33
Less: Operating cost	64,554,370.38	65,292,700.17
Operating tax and surcharges	6,611,175.97	6,790,594.67
Sale expenses	0.00	0.00
Management expenses	28,938,354.09	41,144,511.40
Financial expenses	-10,300,332.46	-12,671,730.90
Loss from asset impairment	2,567,476.00	46,516.32
Plus: Income from change of fair value (Loss is marked with "-")		
Income from investment (Loss is marked with "-")	20,998,324.79	96,386,611.69
Including: Income from investment in joint ventures and associated enterprises	3,539,916.84	-5,789,729.53
II. Operating profit (Loss is marked with "-")	46,372,490.87	116,704,667.36
Plus: Non-operating revenue	314,557.09	287,061.98
Less: Non-operating expenses	24,034.65	14,275.00
Including: Loss from disposal of non-current assets	4,034.65	6,100.00
III. Total profit (Total loss is marked with "-")	46,663,013.31	116,977,454.34
Less: Income tax	7,619,321.66	24,144,668.76
IV. Net profit (Net loss is marked with "-")	39,043,691.65	92,832,785.58
V. Earnings per share	--	--
(1) Basic earnings per share		
(2) Diluted earnings per share		
VI. Other comprehensive income	672,494.24	0.00
VII. Total comprehensive income	39,716,185.89	92,832,785.58

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

5. Consolidated cash flow statement

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Amount of the current period	Amount of the previous period
I. Cash flow from operating activities		
Cash received from selling of goods and provision of service	505,535,175.99	489,459,661.76
Net increase of customers' deposits and accounts due to banks and other financial institutions		
Net increase of loans from the Central Bank		
Net increase of loans from other financial institutions		
Cash received from premiums of original insurance contracts		

Net cash received from reinsurance business		
Net increase of deposit of the insured and investment		
Net increase of income from disposal of transaction financial assets		
Cash received from interest and commissions	15,512,905.46	
Net increase of loans from banks and other financial institutions		
Net increase of redemption capital		
Tax refunds		
Other cash received concerning operating activities	558,362,265.91	606,014,355.05
Subtotal of cash inflow from operating activities	1,079,410,347.36	1,095,474,016.81
Cash paid for goods and service	260,133,629.69	234,273,136.42
Net increase of loans to customers and advances	134,050,315.31	3,570,000.00
Net increase of accounts due from the Central Bank and other financial institutions		
Cash paid for compensation pay-outs of original insurance contracts		
Cash paid for interest and commissions		
Cash paid as insurance dividends		
Cash paid to and on behalf of employees	76,878,139.13	78,004,686.61
Taxes paid	129,842,566.72	121,391,994.21
Other cash paid concerning operating activities	524,493,209.48	588,686,524.32
Subtotal of cash outflow for operating activities	1,125,397,860.33	1,025,926,341.56
Net cash flow arising from operating activities	-45,987,512.97	69,547,675.25
II. Cash flow from operating activities		
Cash received from withdrawal of investment	2,690,870,000.00	75,000,000.00
Cash received from investment income	16,233,364.46	4,992,664.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,200.00	841,524.85
Net cash received from disposal of subsidiaries and other business units		148,541,014.67
Other cash received concerning investment activities		
Subtotal of cash inflow from investment activities	2,707,105,564.46	229,375,203.81
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	10,207,882.56	32,411,189.55
Cash paid for investment	2,836,060,402.78	276,000,000.00
Net increase of mortgage loans		
Net cash paid for acquisition of subsidiaries and other operating units		
Other cash paid concerning operating activities		111,043.00
Subtotal of cash outflow for investment activities	2,846,268,285.34	308,522,232.55
Net cash flow arising from investment activities	-139,162,720.88	-79,147,028.74
III. Cash flow from financing activities:		
Cash received from attraction of investment	5,390,000.00	85,170,000.00
Including: Cash received by subsidiaries from investment of minority shareholders	5,390,000.00	85,170,000.00
Cash received from obtainment of loans		
Cash received from issuance of bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	5,390,000.00	85,170,000.00

Cash paid for repayment of debts		
Cash paid for distribution of dividends and profit or repayment of interest	6,145,779.25	3,958,917.70
Including: Dividends and profit paid by subsidiaries to minority shareholders	6,145,779.25	3,958,917.70
Other cash paid concerning financing activities	5,401,027.20	
Subtotal of cash outflow for financing activities	11,546,806.45	3,958,917.70
Net cash flow arising from financing activities	-6,156,806.45	81,211,082.30
IV. Influence of exchange rate fluctuation on cash and cash equivalents	308.70	9,291.22
V. Net Increase of cash and cash equivalents	-191,306,731.60	71,621,020.03
Plus: Period-beginning balance of cash and cash equivalents	644,439,198.78	572,818,178.75
VI. Period-end balance of cash and cash equivalents	453,132,467.18	644,439,198.78

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

6. Cash flow statement of the parent company

Prepared by: Shenzhen SEG Co., Ltd

Unit: RMB Yuan

Item	Amount of the current period	Amount of the previous period
I. Cash flow from operating activities		
Cash received from selling of goods and provision of service	141,762,510.48	121,234,789.16
Tax refunds		
Other cash received concerning operating activities	205,764,796.68	274,594,951.94
Subtotal of cash inflow from operating activities	347,527,307.16	395,829,741.10
Cash paid for goods and service	42,262,600.59	27,472,056.50
Cash paid to and on behalf of employees	35,956,248.54	38,006,541.53
Taxes paid	122,233,683.67	96,844,027.78
Other cash paid concerning operating activities	105,718,838.35	220,444,544.94
Subtotal of cash outflow for operating activities	306,171,371.15	382,767,170.75
Net cash flow arising from operating activities	41,355,936.01	13,062,570.35
II. Cash flow from operating activities		
Cash received from withdrawal of investment	856,870,000.00	211,910,035.00
Cash received from investment income	21,360,651.35	20,857,722.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	880.00	65,000.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received concerning investment activities		
Subtotal of cash inflow from investment activities	878,231,531.35	232,832,757.88
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	782,506.00	196,927.00
Cash paid for investment	1,132,801,027.20	186,830,000.00
Net cash paid for acquisition of subsidiaries and other operating units		111,043.00
Other cash paid concerning operating activities		
Subtotal of cash outflow for investment activities	1,133,583,533.20	187,137,970.00
Net cash flow arising from investment activities	-255,352,001.85	45,694,787.88
III. Cash flow from financing activities:		
Cash received from attraction of investment		

Cash received from obtainment of loans		
Cash received from issuance of bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
Cash paid for repayment of debts		
Cash paid for distribution of dividends and profit or repayment of interest		33,600.00
Other cash paid concerning financing activities		
Subtotal of cash outflow for financing activities		33,600.00
Net cash flow arising from financing activities		-33,600.00
IV. Influence of exchange rate fluctuation on cash and cash equivalents	308.70	
V. Net Increase of cash and cash equivalents	-213,995,757.14	58,723,758.23
Plus: Period-beginning balance of cash and cash equivalents	510,486,998.56	451,763,240.33
VI. Period-end balance of cash and cash equivalents	296,491,241.42	510,486,998.56

Legal representative: Wang Li Person in charge of accounting: Li Lifu Accounting institution head: Ying Huadong

7. Consolidated statement of changes in owners' equity

Prepared by: Shenzhen SEG Co., Ltd

Amount of the current period

Unit: RMB Yuan

Item	Amount of the current period									
	Owners' equity belonging to the parent company								Minority shareholders' equity	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserve	Surplus public reserve	General risk provision	Retained profits	Others		
. I. Ending balance of the previous year	784,799,010.00	406,990,452.97			102,912,835.67		-142,006,368.05		169,664,755.97	1,322,360,686.56
Plus: Change due to alteration of accounting policies										
Correction to errors of the previous period										
Others										
II. Beginning balance of the current year	784,799,010.00	406,990,452.97			102,912,835.67		-142,006,368.05		169,664,755.97	1,322,360,686.56
III. Increase and decrease of the current period (Decrease is marked with "-")		-2,610,122.40					45,587,138.06		7,041,027.84	50,018,043.50
i. Net Profits							45,587,138.06		9,675,495.42	55,262,633.48
ii. Other comprehensive income		704,614.42							16,122.80	720,737.22
Subtotal of the above-mentioned items i and ii		704,614.42					45,587,138.06		9,691,618.22	55,983,370.70
iii. Capital invested or decreased by owners		-3,314,736.82							3,303,709.62	-11,027.20
1. Capital invested by owners									3,303,709.62	3,303,709.62
2. Amount of share-based payment included in owners' equity										
3. Others		-3,314,736.82								-3,314,736.82

iv. Profit distribution									-5,954,300.00	-5,954,300.00
1. Withdrawal of surplus public reserve										
2. Withdrawal of general risk provisions										
3. Amount distributed to owners (or shareholders)									-5,954,300.00	-5,954,300.00
4. Others										
v. Internal carrying forward of owners' equity										
1. Capital reserve transferred to increase capital (or share capital)										
2. Surplus public reserve transferred to increase capital (or share capital)										
3. Surplus public reserve compensating losses										
4. Others										
vi. Special reserve										
1. Accrual of the current year										
2. Amount utilized in the current period										
vii. Others										
IV. Ending balance of the current period	784,799,010.00	404,380,330.57			102,912,835.67		-96,419,229.99		176,705,783.81	1,372,378,730.06

Amount of the previous year

Unit: RMB Yuan

Item	Amount of the previous year									
	Owners' equity belonging to the parent company								Minority shareholders' equity	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserve	Surplus public reserve	General risk provision	Retained profits	Others		
I. Ending balance of the previous year	784,799,010.00	407,684,719.56			102,912,835.67		-211,002,081.30	-411,391.17	89,603,113.32	1,173,586,206.08
Plus: Retroactive adjustment due to business combination under common control										

Plus: Change due to alteration of accounting policies										
Correction to errors of the previous period										
Others										
II. Beginning balance of the current year	784,799,010.00	407,684,719.56			102,912,835.67		-211,002,081.30	-411,391.17	89,603,113.32	1,173,586,206.08
III. Increase and decrease of the current year (Decrease is marked with "-")		-694,266.59					68,995,713.25	411,391.17	80,061,642.65	148,774,480.48
i. Net Profits							68,995,713.25		-199,021.69	68,796,691.56
ii. Other comprehensive income		-694,266.59						411,391.17	-57,764.30	-340,639.72
Subtotal of the above-mentioned items i and ii		-694,266.59					68,995,713.25	411,391.17	-256,785.99	68,456,051.84
iii. Capital invested or decreased by owners									84,838,528.87	84,838,528.87
1. Capital invested by owners									85,170,000.00	85,170,000.00
2. Amount of share-based payment included in owners' equity										
3. Others									-331,471.13	-331,471.13
iv. Profit distribution									-4,520,100.23	-4,520,100.23
1. Withdrawal of surplus public reserve										
2. Withdrawal of general risk provisions										
3. Amount distributed to owners (or shareholders)									-4,520,100.23	-4,520,100.23
4. Others										
v. Internal carrying forward of owners' equity										
1. Capital reserve transferred to increase capital (or share capital)										
2. Surplus public reserve transferred to increase capital (or share capital)										
3. Surplus public reserve compensating losses										
4. Others										
vi. Special reserve										

1. Amount withdrawn in the current period										
2. Amount utilized in the current period										
vii. Others										
IV. Ending balance of the current period	784,799,010.00	406,990,452.97			102,912,835.67		-142,006,368.05		169,664,755.97	1,322,360,686.56

Legal representative: Wang Li

Person in charge of accounting: Li Lifu

Accounting institution head: Ying Huadong

Statement on Changes of Owners' Equity of the Parent Company

Prepared by: Shenzhen SEG Co., Ltd

Amount of the current period

Unit: RMB Yuan

Item	Amount of the current period							
	Paid-up capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserve	Surplus public reserve	General risk provision	Retained profits	Total owners' equity
I. Ending balance of the previous year	784,799,010.00	404,980,399.08			102,912,835.67		-145,156,733.44	1,147,535,511.31
Plus: Change due to alteration of accounting policies								
Correction to errors of the previous period								
Others								
II. Beginning balance of the current year	784,799,010.00	404,980,399.08			102,912,835.67		-145,156,733.44	1,147,535,511.31
III. Increase and decrease of the current year (Decrease is marked with "-")		672,494.24					39,043,691.65	39,716,185.89
i. Net Profits							39,043,691.65	39,043,691.65
ii. Other comprehensive income		672,494.24						672,494.24
Subtotal of the above-mentioned items i and ii		672,494.24					39,043,691.65	39,716,185.89
iii. Capital invested or decreased by owners								
1. Capital invested by owners								
2. Amount of share-based payment included in owners' equity								

3. Others								
iv. Profit distribution								
1. Appropriation of surplus public reserve								
2. Appropriation of general risk provisions								
3. Amount distributed to owners (or shareholders)								
4. Others								
v. Internal carrying forward of owners' equity								
1. Capital reserve transferred to increase capital (or share capital)								
2. Surplus public reserve transferred to increase capital (or share capital)								
3. Surplus public reserve compensating losses								
4. Others								
vi. Special reserve								
1. Withdrawal of the current year								
2. Amount utilized in the current period								
vii. Others								
IV. Ending balance of the current period	784,799,010.00	405,652,893.32			102,912,835.67		-106,113,041.79	1,187,251,697.20

Amount of the previous year

Unit: RMB Yuan

Item	Amount of the previous year							
	Paid-up capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserve	Surplus public reserve	General risk provision	Retained profits	Total owners' equity
I. Ending balance of the previous year	784,799,010.00	404,980,399.08			102,912,835.67		-237,989,519.02	1,054,702,725.73
Plus: Change due to alteration of accounting policies								
Correction to errors of the previous period								
Others								
II. Beginning balance of the current year	784,799,010.00	404,980,399.08			102,912,835.67		-237,989,519.02	1,054,702,725.73

III. Increase and decrease of the current year (Decrease is marked with "-")							92,832,785.58	92,832,785.58
i. Net Profits							92,832,785.58	92,832,785.58
ii. Other comprehensive income								
Subtotal of the above-mentioned items i and ii							92,832,785.58	92,832,785.58
iii. Capital invested or decreased by owners								
1. Capital invested by owners								
2. Amount of share-based payment included in owners' equity								
3. Others								
iv. Profit distribution								
1. Withdrawal of surplus public reserve								
2. Withdrawal of general risk provision								
3. Amount distributed to owners (or shareholders)								
4. Others								
v. Internal carrying forward of owners' equity								
1. Capital reserve transferred to increase capital (or share capital)								
2. Surplus public reserve transferred to increase capital (or share capital)								
3. Surplus public reserve compensating losses								
4. Others								
vi. Special reserve								
1. Amount withdrawn in the current year								
2. Amount utilized in the current period								
vii. Others								
IV. Ending balance of the current period	784,799,010.00	404,980,399.08			102,912,835.67		-145,156,733.44	1,147,535,511.31

Legal representative: Wang Li

Person in charge of accounting: Li Lifu

Accounting institution head: Ying Huadong

Shenzhen SEG Co., Ltd

Notes to the Financial Statements 2012

(I) Basic Company Information

1. Company History

Shenzhen SEG Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated on July 16th, 1996 through public offering with Shenzhen SEG Group Co., Ltd. as the sole initiator upon the approval of relevant authorities of Shenzhen Municipality and the State in accordance with relevant provisions in the Company Law of the People's Republic of China. The Company received a Business License for Enterprise Legal Person (Shen Si Zi No. N16886) and its registration number is 440301103573251. And upon the approval of the securities administration departments of Shenzhen municipality and the State, the Company's B share and A share started to be listed and traded on Shenzhen Stock Exchange respectively in July and December, 1996.

On June 7, 2006, a resolution was adopted at the general meeting of shareholders on the share combination reform of the Company. According to the plan on the fixed conversion of capital reserve into increase of capital share, the Company distributed such converted and increased capital share to the tradable A-share shareholders. Such shareholders obtained 4.6445 shares of converted and increased capital share for each 10 shares, which totaled 40,233,322 shares of converted and increased capital share. As a result, relevant non-tradable A shares were also authorized to be listed and circulated. 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, 2012, the total capital share of the company had amounted to 784,799,010 shares, including 35,464 restricted shares and 784,763,546 unrestricted shares.

2. Nature of Business

The Company belongs to the business services industry.

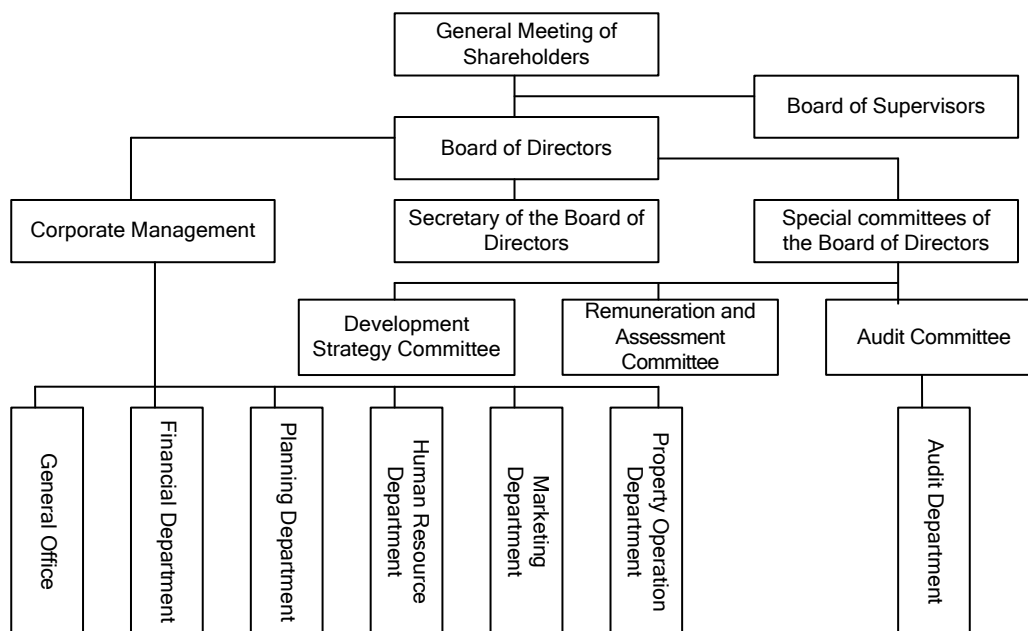
3. Business Scope

Business Scope: Domestic commerce, goods supply and sale (excluding commodities under special operation, control and sale), engaging in other industries as may be applied for with specific projects, economic information consultancy, property lease, estate agency and operation of SEG special electronics markets (licenses for special markets shall be specially applied for). Location of Registration: 31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen

4. Major Products and Services

The Company provides lease service and other services in the third industry, as well as specialized electronics market operation and management.

5. Organizational Structure of the Company



(II) Accounting Policies, Accounting Estimates and Correction of Errors

1. Basis of preparation of the financial statements

The Company has conducted recognition and measurement based on the continuous operation principle and the transactions and events that have actually occurred and in accordance with the *Accounting Standards for Business Enterprises* (ASBE) which comprises a basic standard and 38 specific standards, the application guide of ASBE, the interpretation of ASBE, and other relevant regulations (hereinafter collectively called "the ASBE"), the *No. 15 Preparation Conventions of Information Disclosure by Companies Offering Securities to the Public - General Regulations on Financial Report* (amended in 2010) released by CSRC. The financial statements have been prepared on such a basis.

2. Statement on compliance with ASBE

The financial statements prepared by the Company comply with the requirements of the ASBE and truthfully and completely reflect the financial position, operating results, and cash flows of the Company.

3. Accounting period

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

4. Recording currency

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

5. Accounting method for the business combination under or not under common control

(1) Business combination under common control

For the business combination under common control, the assets and liabilities acquired by the Company from the combination are measured according to the book value of the combined party on the date of combination. The capital reserve is adjusted according to the difference between the book value of net assets acquired in the combination and that of the consideration of combination or the total book value of issued shares. The retained earnings are adjusted if the capital reserve is not sufficient for writing off.

When the accounting policies of the combined parties are not consistent with those of the Company, the Company makes adjustments in accordance with its own accounting policies on the day of combination and then conducts recognition in accordance with the *ASBE*.

(2) Business combination not under common control

The cost for the business combination not under common control is the fair value of the assets paid, the liabilities incurred or assumed, and the equity securities issued by the acquirer for acquiring control of the acquiree on the day of acquisition.

For the business combination not under common control that is implemented through multiple transactions, the separate and consolidated financial statements shall be prepared using different accounting methods:

- a) In separate financial statements, the sum of the book value of equity held by the acquiree before the date of acquisition and the newly increased investment cost at the date of acquisition shall be identified as the initial investment cost of the combination. If the equity held by the acquiree involves any other comprehensive income before the date of acquisition, the involved other comprehensive income (for example, the profits arising from changes in the fair value of saleable financial assets can be counted into capital reserves) shall be included in current investment income.
- b) In consolidated financial statements, the equity held by the acquiree before the date of acquisition shall be re-measured at the equity's fair value at the date of acquisition, and the difference between the fair value and book value of the equity shall be counted into current investment income. If the equity held by the acquiree involves other comprehensive income before the date of acquisition, the involved income shall be included in the investment income of the period when acquisition occurs.

The auditing, legal, appraisal and consulting, and other management fees paid by the acquirer during combination shall be included in profit and loss during the period in which they are incurred. The transaction expenses paid by the acquirer for equity securities and debt securities issued as consideration for combination shall be included in the initial recognition amount of equity securities and debt securities.

Goodwill is measured as the difference at the acquisition date between the cost of the business combination not under common control over the acquirer's interest in the fair value of the identifiable net assets. Otherwise, the difference is included in the profit and loss of the current period.

6. Preparation method of the consolidated financial statements

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.

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

The consolidated financial statements are prepared by the Company based on individual financial statements of the Company and its subsidiaries as well as other relevant materials after adjustment of long-term equity investment in subsidiaries under the equity method.

In the consolidated financial statements, the influence of transactions between the Company and its subsidiaries and between subsidiaries on the consolidated balance sheet, the consolidated profit

statement, the consolidated cash flow statement and the consolidated statement on changes of owner's equity, is written off.

When the current loss born by the minority shareholders of a subsidiary exceeds their owners' equity at the period beginning, the difference should be written off against the equity of the minority shareholders.

The period-beginning amount of the consolidated balance sheet is adjusted if a subsidiary is increased in this reporting period because of business combination under common control. The income, expenses and profits of the subsidiary from the beginning of the period when it was combined to the end of the reporting period are included in the consolidated profit statement. The cash flow of the subsidiary from the beginning of the period when it was combined to the end of the reporting period is included in the consolidated cash flow statement.

The period-beginning amount of the consolidated balance sheet is not adjusted if a subsidiary is increased in this reporting period because of business combination not under common control. The income, expenses and profits of the subsidiary from the date of acquisition to the end of the reporting period are included in the consolidated profit statement. The cash flow of the subsidiary from the date of acquisition to the end of the reporting period is included in the consolidated cash flow statement.

If the Company disposes a subsidiary in this reporting period, the income, expenses and profits of the subsidiary from the period beginning to the disposal day 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 losses control of its subsidiary due to disposal of part of equity investment or other reasons, the remaining equity shall be re-measured at fair value on the day when the Company losses control of the subsidiary. (Consideration received in connection with equity disposal + Fair value of remaining equity – Net assets that are calculated based on the original shareholding proportion since the day of acquisition) shall be included in the investment income in the period when the Company losses control of the subsidiary. Other comprehensive income in connection with the subsidiary's equity investment shall be transferred the current investment income when the Company losses control of the subsidiary.

7. 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, owned by the Company, are recognized as cash. The investments that meet the four conditions of shorter term (to be mature within 3 months from the purchase day), strong liquidity, easiness in being converted into known cash, very small risk of value fluctuation are recognized as cash equivalents.

8. Foreign currency business and translation of the financial statements in foreign currency

(1) Foreign currency business

Foreign currency business is included in accounts after relevant amounts are translated into RMB according to the current exchange rate on the transaction day as the exchange rate for translation.

The balance of the monetary items in foreign currency is translated according to the current exchange rate on the balance sheet date while the translation difference caused is all included in current profit and loss, except the difference from the special foreign currency loans related to the assets whose purchase and construction meet the conditions for capitalization, which are dealt with according to the principles for capitalization of loan expenses. The non-monetary items in foreign currency measured by the

historical cost method are translated according to the current exchange rate on the transaction date and the amount in the recording currency is not changed. The non-monetary items in foreign currency measured at fair value are translated according to the current exchange rate on the recognition date of the fair value while the translation difference caused is included in current profit and loss or into capital reserve.

(2) Translation of the financial statements in foreign currency

The assets and liabilities items in the balance sheet are translated according to the current exchange rate on the balance sheet date. The owners' equity items other than "retained profits" are translated according to the current exchange rate at the time when incurred. The income and expense items in the profit statement are translated according to the current exchange rate on the transaction date. The translation difference in the financial statements in foreign currency caused by the above-mentioned methods is listed separately under the owner's equity items in the balance sheet.

When an overseas operation is disposed, the translation difference in the financial statements in foreign currency related to the overseas operation, which is listed under the owner's equity items in the balance sheet, is transferred from the owner's equity items to current profit and loss of the period when the disposal is carried out. When an overseas operation is partly disposed, the translation difference is calculated according to the proportion of the disposal, which is transferred to current profit and loss of the period when the disposal is carried out.

9. Financial instruments

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

(1) Classification of financial instruments

According to the purposes of the acquisition and holding of financial assets and the assumption of financial debts, the management classifies them as follows: financial assets and liabilities measured at the fair value whose changes are included in current profit and loss, including transaction monetary assets or liabilities and the financial assets or liabilities (and those that can be directly assigned as financial assets or liabilities measured at the fair value and whose changes are included in current profit and loss), held-to-maturity securities, loans and accounts receivable, financial assets available for sale, and other financial liabilities.

(2) Recognition criteria and measurement method of financial instruments

- a) Financial assets (liabilities) measured at fair value and with changes included in current profit and loss

The fair value (with the cash dividends declared but not yet distributed or the bond dividends not yet received with the interest payment period expired deducted) is taken as the initial recognized amount at the time of acquisition.

Relevant transaction expenses are included in current profit and loss. The interests and cash dividends obtained during the time of holding are recognized as investment income.

At the time of disposal, the difference between the fair value and the initial recorded amount in the account is recognized as investment income and the profit and loss from changes of fair value are adjusted at the same time.

b) Held-to-maturity investment

At the time of acquisition the sum of the fair value (with the bond interests deducted, which are not yet received with the term of interest payment expired) and relevant transaction expenses are taken as the initial recognized amount.

During the period of share-holding, the interest income is calculated and recognized 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.

c) Accounts receivable

For the accounts receivable formed from the commodities sold or labor services provided by the Company and those of other enterprises held by the Company other than the priced debt tools in the active market, including accounts receivable, other accounts receivable, notes receivable, advances and so on, the price money in contracts or agreements of the purchaser is taken as the initial recognized amount. For those of a financing nature, the current value is taken as the initial recognized amount.

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

d) Financial assets available for sale

The sum of the fair value (with the cash dividends declared but not yet distributed or the bond dividends not yet received with the interest payment period expired to be deducted) and relevant transaction expenses are taken as the initial recognized amount at the time of obtainment.

The interests or cash dividends obtained during the time of holding are recognized as investment income. Such assets are measured at fair value at the end of the period and the changes of fair value are included in capital reserve (other capital reserve).

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 the disposed part of the assets originally recorded in the accumulative amount of the changes in the fair value of owners' equity is transferred and included in investment profit and loss.

e) Other financial liabilities

The sum of the fair value of such assets and relevant transaction expenses is identified as the recognized initial amount. The amortized cost is adopted in the follow-up measurement after recognition.

(3) Recognition criteria and measurement method of financial assets transfer

In the case of the transfer of the financial assets of the Company, if almost all the risks and returns in the ownership rights of the financial assets are transferred to the assignee, the recognition of such financial assets is terminated, and if almost all the 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 above conditions for termination of its recognition, the principle of attaching more importance to substance than to 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 of the following two amounts is included in current profit and loss.

- a) The book value of the transferred financial assets;
- b) The sum of the consideration received due to transfer and the accumulated amount of the changes in fair value originally recorded in owners' equity (involving the situation when the transferred financial assets are the financial assets available for sale).

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 according to their relevant fair value while the difference between the following two amounts is included in current profit and loss.

- a) The book value of the part with its recognition terminated;
- b) The sum of the consideration of the part with its recognition terminated and the part of the accumulated amount of the changes in fair value originally recorded in owners' equity corresponding to the part with its recognition terminated (involving the situation when the transferred financial assets are the financial assets available for sale).

Where the financial assets transfer does not meet the conditions for termination of recognition, the recognition of such financial assets is continued. The received consideration is recognized as a financial liability.

(4) Conditions for recognizing the termination of financial liabilities

If all or part of current obligations of a financial liability is discharged, the recognition of the financial liability or part of it is terminated. If the Company signs an agreement with the creditor to substitute an existing financial liability by assuming a new financial liability and the contract terms for the new liability and the existing one are not consistent, the recognition of the existing financial liability is terminated and the new financial liability is recognized in the meantime.

If material alteration has been made to all or a part of contract terms of the existing financial liability, the recognition of the existing liability or part of it is terminated and, in the meantime, the liability is recognized as a new financial liability after the alteration is made.

If the recognition of all or part of a financial liability is terminated, the difference between the book value of the liability with its recognition 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 a part of a financial liability, the total book value of the liability is allocated on the purchasing date according to the respective 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 assumed) is included in current profit and loss.

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

For the financial assets and financial liabilities that exist in an active market, the Company determines their fair value based on the quotation in the active market. For those that do not exist in an active market, the Company estimates their fair value using valuation techniques, such as referring to the prices applied in recent transactions which are conducted by well-informed and willing parties or the current fair value of other financial instruments of the same nature, or adopting the discounted cash flow (DCF)

technique and the option pricing model. For those initially acquired or raw financial assets and financial liabilities, the Company determines their fair value based on the market price.

(6) Withdrawal of impairment provisions for financial assets (excluding accounts receivable)

The Company shall check on the balance sheet date the book value of the financial assets except those measured at fair value and with changes included in current profit and loss. If there is any objective evidence indicating that a loss has occurred to these financial assets, impairment provision shall be made.

a) Impairment provision for financial assets available for sale:

If the fair value of the financial assets available for sale sees a large decrease at the end of the period or it is anticipated that such decrease tendency is not provisional upon the comprehensive analysis of various relevant factors, then it can be determined that impairment occurred to such assets. All the accumulative losses formed from the decrease of the fair value originally and directly included in owners' equity are transferred out and relevant impairment loss is recognized.

b) Impairment provision for held-to-maturity investments

If there is any objective evidence indicating that a loss has occurred to the held-to-maturity investments, calculate and recognize the impairment loss based on the difference between the book value of these investments and the current value of the expected future cash flow. If there is any evidence indicating that the investment value has recovered after provision, the originally recognized impairment loss can be reversed and included in the current profit and loss. However, the reversed book value should not exceed the amortized cost of the financial assets at the date of provision reversal if impairment provision has not been made.

10. Recognition criteria and provision method for accounts receivable bad debts

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

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

The specific criteria for the significant single amount: Top 5 accounts receivable balance.

Method of provision for the bad debts of accounts receivable with significant single amount

Carry out independent impairment testing. If the current value of the expected future cash flow is less than its book value, a provision shall be made for the bad debts which will be included in current profit and loss. The accounts receivable which has no value diminution shall be included in the bad debts provision made for the corresponding portfolio.

(2) Accounts receivable for which bad debt provisions are withdrawn based on different portfolios:

- a) Recognition of portfolios by credit risk characteristics: The accounts receivable that has no risk in collection, for example, guarantee money, shall be identified as a separate portfolio for which no provision is made for bad debts. Other accounts receivable shall be classified by age into different portfolios based on credit risks.
- b) Provision methods for portfolios classified based on credit risk characteristics:
 - 1) Bad debt provision made using the aging analysis method

Account age	Provision proportion of accounts receivable (%)	Provision proportion of other accounts receivable (%)
Within one year (including one year)	--	--
1-2 years	5.00	5.00
2-3 years	10.00	10.00
Over 3 years	20.00	20.00

2) Accounts receivable portfolio for which no bad debts provision is made:

No bad debts provision is made for various deposits and guarantee money unless there is objective evidence of a fall in value.

(3) Accounts receivable with insignificant single amount but single provision for bad debts, and reasons and method of single provision for bad debts

If there is objective evidence of a fall in value of the accounts receivable with insignificant single amount, independent impairment testing shall be conducted. A bad debt provision shall be made according to the difference between the book value and current value of the future cash flow of these accounts receivable.

11. Inventory

(1) Classification of inventory

Inventory refers to the finished products or commercial products owned by the Company in daily activities for sale, and the products in process, and the materials consumed in manufacturing or service delivery process. Inventory is classified as follows: goods en route, raw materials, circulating materials, in-stock goods, goods in process, delivered goods and consigned processing materials.

(2) Pricing method of delivered inventory

The pricing of the inventory is made according to the weighted average method at the time of delivery.

(3) Determination basis for the net realizable value of inventory and method of inventory decline provision

After a complete counting and examination of the inventory at the end of the year, the inventory decline provision is accrued or adjusted according to the lower between the inventory cost and the net realizable value. The net realizable value of the goods inventory directly for sale such as finished products, goods and materials for sale is determined in regular production and operation according to the amount of the estimated sale price of such inventory minus estimated sale expenses and relevant taxes. That of the material inventory to be processed is determined in regular production and operation according to the estimated sale price of the finished products produced minus estimated sale expenses and relevant taxes. That of the inventory held for the performance of sale or service contracts is calculated on the basis of the contract price. Where the quantity of the inventory is more than the quantity ordered in the sale contract, the net realizable value of the surplus of such inventory is calculated on the basis of the general sale price.

At the end of the year, the inventory decline provision is accrued according to individual inventory items. However, that of the inventory of a large quantity and a low unit price is accrued according to the types of the inventory. For the inventory involving the product series produced and sold in the same region, having identical or similar final use or purpose, and being difficult to be separated from other items for measurement, relevant inventory decline provision is accrued in a combined manner.

Recovery of value decline provision

Where the factors previously causing the recording of the reduction of inventory value stop to exist, the reduced amount is restored and transferred back from the amount of the originally accrued inventory decline provision. The transferred amount is included in current profit and loss.

(4) Inventory taking system

The perpetual inventory method is adopted in the stock inventory.

(5) Amortization method of low value consumables and packaging materials

- a) For low value consumables, the one-off amortization method is adopted.
- b) For packaging materials, the one-off amortization method is adopted

12. Loans and advances issued

(1) Loan

A loan is a sum of money in the unit of RMB *Yuan* advanced to a small- or medium-sized enterprise, small business of industry and commerce, and individual person according to the market rate of interest. The principal amount of the loan is equal to the amount of money initially borrowed. The interest income recognized during loan holding period shall be calculated based on the actual interest rate. The actual interest rate is determined at the time of acquisition and remains unchanged within the anticipated existence period or a shorter period applicable.

(2) Loan loss provision

At the end of each quarter, the Company classifies each single loan into five categories: normal, concerned, subprime, suspicious, and loss, and performs classified supervision over these loans in daily credit management.

The Company shall properly estimate the possible loss incurred on loans and make a timely provision for loan loss in accordance with the accountant cautious principle. Loan loss provisions include general provision and special provision. General provision is made for recovering the unrecognized possible loss in proportion of the balance of all loans. Special provision is made for recovering the special loss based on the extent of each loan loss after loan classification in accordance with *Guidelines for Risk-based Loan Classification*.

The scope of loan loss provision includes risk-bearing and loss-bearing assets, such as, various petty loans (including mortgage, pledge, guarantee, and credit) and bills discounted.

The Company shall make provision by quarter. The year-end balance of general provision shall not be less than 1% of the year-end loan balance.

The Company has made quarterly special provisions based on the following proportions:

- a) Concerned loan: 2%
- b) Subprime loan: 25%
- c) Suspicious loan: 50%
- d) Loss loan: 100%

13. Long-term equity investment

(1) Determination of investment cost

- a) Long-term equity investment formed from business combination

Business combination under common control: If the Company pays cash, transfers non-monetary assets or bears debts, and issues equity securities as the consideration of the combination, the book value of the owners' equity obtained from the acquiree on the acquisition date is identified as the initial investment cost for long-term equity investment. The capital reserve is adjusted for the difference between the initial investment cost of the long-term equity investment and the consideration and retained profits are adjusted if the capital reserve is not sufficient for write-off. All directly relevant expenses arising from the combination, including the auditing fee, evaluation fee and legal service fee, are included in current profit and loss at the time when the fees accrue. If the acquiree has consolidated financial statements, the initial investment cost of long-term equity investment shall be determined based on the owners' equity in the consolidated financial statements at the acquisition date.

Business combination not under common control: The cost for the combination is the fair value of the assets paid and the liabilities incurred or assumed as well as the equity securities issued by the acquirer for the acquisition of the control of the acquiree. All directly relevant expenses arising from the combination, including agency fees like auditing fee, evaluation fee and legal service fee and relevant management fee, are included in current profit and loss at the time when the fees accrue. The transaction costs for the equity securities or debt securities issued as the purchase price are included in the initial recognized amount.

For the business combination not under common control that is implemented through multiple transactions, the separate and consolidated financial statements shall be prepared using different accounting methods:

- (a) In separate financial statements, the sum of the book value of equity held by the acquiree before the date of acquisition and the newly increased investment cost at the date of acquisition shall be identified as the initial investment cost of the combination. If the equity held by the acquiree involves any other comprehensive income before the date of acquisition, the involved other comprehensive income (for example, the profits arising from changes in the fair value of saleable financial assets can be counted into capital reserves) shall be included in current investment income.
- (b) In consolidated financial statements, the equity held by the acquiree before the date of acquisition shall be re-measured at the equity's fair value at the date of acquisition, and the difference between the fair value and book value of the equity shall be counted into current investment income. If the equity held by the acquiree involves other comprehensive income before the date of acquisition, the involved income shall be included in the investment income of the period when acquisition occurs. If future items likely to influence the combination cost, for which an agreement has been reached, are estimated very possible to occur at the acquisition date and the amount of affected combination cost can be measured reliably, these future items are also included in the combination cost.

b) Long-term equity investment obtained in other ways

The purchase price actually paid in cash for long-term equity investment is identified as the initial investment cost.

The fair value of the issued equity securities is identified as the initial investment cost for the long-term equity investment obtained from the issuance of equity securities.

The value agreed in investment contracts or agreements (with the cash dividends declared but not yet distributed or profits deducted) of the long-term equity investment given by the investors is identified as the initial investment cost, unless the value agreed in investment contracts or agreements is not the fair value.

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 initial investment cost of the long-term equity investment obtained through debt restructuring is determined according to its fair value.

(2) Follow-up measurement after recognition and profit and loss recognition

a) Follow-up measurement after recognition

The accounting of the long-term equity investment of the Company into the subsidiaries is done according to the cost method. Such investment is adjusted according to the equity method in the preparation of the consolidated financial statements.

The accounting of the long-term equity investment that does not involve the joint control over or significant influence on the investee, that does not have quoted prices in the active market, and whose fair value cannot be reliably measured is done according to the cost method.

The accounting of the long-term equity investment that involves the joint control over or significant influence on the investee is done according to the equity method. When the Company can exercise significant influence on or joint control over the investee, if the initial investment cost is larger than the investment, the Company should enjoy the difference with the due share of the fair value of the discernible net assets of the investee and the initial investment cost of the long-term equity investment should not be adjusted, if the initial investment cost is smaller than the investment, the Company should enjoy the difference with the due share of the fair value of the discernible net assets of the investee and such difference is included in current profit and loss

In the accounting treatment of the changes in owners' equity other than net profit and loss of the investee, the book value of the long-term equity investment is adjusted and the capital reserve (other capital reserves) added or decreased with respect to the part of the changes in owners' equity other than net profit and loss of the investee that the Company should enjoy or bear according to the proportion of shareholding under the circumstance that the proportions of shareholding remain unchanged. If the investee can provide consolidated financial statements during the holding period, the investment shall be calculated based on the consolidated financial statements, net profit and other investment changes.

b) Recognition of profit and loss

Under the cost method, the Company recognizes investment income according to the cash dividends or profits enjoyed by the Company, for which the investee declares to distribute, except the actual amount paid when investment is acquired and cash dividends and profits included in the consideration and declared but yet to be distributed.

Under the equity method, when an investor recognizes its share of the net profit or net loss of the investee based on the fair value of various recognizable assets of the investee after adjustment of the investee's net profit, the investor's share of the profit and loss arising from internal transactions between the investor and the joint venture and between joint ventures should be written off. The investment profit and loss should be recognized on this basis. The Company shall abide by the following procedure when recognizing its share of the loss of the investee: First, write off the book value of the long-term equity investment. Second, if the book value of the long-term equity investment is not sufficient for write-off, the investment loss should continue to be recognized within the limit of the book value of other long-term equity that practically constitutes net investments into the investee and the book values of long-term accounts receivable and others are written off. Finally, if the enterprise still bears additional obligations as agreed in the investment contract or agreement after the above processing, liabilities are recognized according to the anticipated obligations to be borne and included in current investment loss.

Where the investee realizes profits in the later periods, the Company should make accounting treatment in the reversed sequence against the above after deducting the shared loss not yet recognized, reduce the book balance of the recognized anticipated liabilities, restore other long-term equity that practically constitutes net investments into the investee and the book value of the long-term equity investment, and recognize investment income at the same time.

(3) Criteria for recognizing the common control over or significant influence on investees

If the common control over a certain economic activity as agreed in a contract exists only with the unanimous agreement of the investors who need to share the controlling powers in the important financial and operation decisions related to such economic activity, such investors are deemed as exercising joint control with other parties over the investee. If an investor has the power to participate in the decision making of the financial and operation matters of an enterprise but cannot control or jointly control with other parties the formation of such policies, such investor is deemed as being able to exercise significant influence over the investee.

(4) Impairment test method and impairment provision withdrawal method

At the balance sheet date, if there is any sign of diminution in value of long-term equity investment due to market price fall or deterioration of the investee's operation status, the recoverable amount of long-term equity investment shall be determined according to the higher one of the net amount of the fair value of the single long-term equity investment minus the disposal expenses and the current value of the expected future cash flow of the long-term equity investment. Where the recoverable amount of the long-term equity investment is lower than its book value, the book value of such assets may be reduced and included in the recoverable amount. The reduced amount is recognized as assets impairment loss and included in current profit and loss, and the corresponding assets impairment provision is made.

For the long-term equity investment that does not have price quotations in the active market, whose fair value cannot be reliably measured, and the accounting of which is conducted with cost method, its impairment loss is determined by the difference between its book value and the current value determined through discounting the future cash flow according to the current market return rate of similar financial assets

For other long-term equity investments facing impairment except the goodwill formed due to business combinations, if measurement results of recoverable amount of a long-term equity investment indicate

that such recoverable amount is lower than the book value of the investment, the difference between the two is recognized as impairment loss.

For the long-term equity investment calculated using the cost method, consider whether the value of long-term equity investment falls after the cash dividends or profit declared to be distributed by the investee are recognized to be investment profit.

Once the impairment loss of long term equity investment is recognized, such loss will not be transferred back.

14. Investment real estate

Investment real estate refers to the property held for earning rental or increasing the value of capital, including the right to use any land which has been rented, the right to use any land which is held and prepared for transfer after appreciation and the right to use any building which has been rented.

The Company uses the cost of investment real estate as entry value. The cost of purchased investment real estate includes the purchase price, relevant taxes, and other expenses directly relegated to the asset. The cost of a self-built investment real estate consists of the necessary expenses for building the asset to the expected condition for use.

The Company conducts measurement after recognition to the investment real estate using the cost pattern, and makes accrual depreciation or amortization for buildings and land use rights based on their expected useful life and residual value. The following table lists the expected useful life, residual value, and annual depreciation (amortization) rate of investment real estate:

Category	Expected useful life	Expected residual value	Annual depreciation (amortization) rate
Houses and buildings	20-40	5%	4.75% - 2.375%

When the purpose of an investment real estate changes to self-use, the Company shall convert the investment real estate to fixed or intangible assets since the day of change. When the real estate with the right to self-use is changed for generating rents or capital appreciation, the Company shall convert fixed or intangible asset to investment real estate since the day of change. The book value of the real estate prior to the conversion shall be entry value after conversion.

For the investment real estate facing impairment, the Company evaluates their recoverable amount and recognizes relevant impairment loss if the recoverable amount is less than the book value.

Once the impairment loss of long-term equity investment is recognized, such loss will not be transferred back.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. When an enterprise sells or transfers or discards any investment real estate, or when any investment real estate of an enterprise is damaged or destroyed, the enterprise shall deduct the book value of the investment real estate as well as the relevant taxes from the disposal income, and include the amount in the current profit and loss.

15. Fixed assets

(1) Conditions on recognition of fixed assets

Fixed assets refer to the tangible assets held for the purpose of the manufacture of commodities, provision of labor services, lease or operation and management with a term of use exceeding one year. The recognition of fixed assets can be made only when all the following conditions are satisfied:

- a) Where the economic interests related to such fixed assets are likely to flow into the company;
- b) Where the cost of such fixed assets can be measured reliably.

(2) Depreciation of fixed assets

Classified provisions shall be made for fixed assets depreciation using the straight-line method, except for the fixed assets that have been fully depreciated but are still in use, and the depreciation rate shall be determined according to the category, expected useful life, and residual value of fixed assets.

For the fixed assets leased by financing lease, if it can be reasonably determined that the ownership of the leased assets will be obtained upon the expiration of the lease term, depreciation is accrued within the remaining useful life of the leased assets; and if it cannot be reasonably so determined, depreciation is accrued during the shorter one of the lease term and the remaining useful life of the leased assets.

For the fixed assets that are formed by special reserve expenditure, the fixed assets cost shall be written off against the special reserve and the accumulated depreciation of the same amount shall be determined. In later periods, such fixed assets shall not be depreciated any more.

The Company determines the useful life and residual value of fixed assets based on the nature and use of the fixed assets. The Company rechecks the useful life, residual value, and depreciation method of fixed assets at the end of every year. In case of any discrepancy between the recheck result and estimated result, the Company makes an adjustment correspondingly.

Depreciation period and annual depreciation rate of various fixed assets:

Category	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	20-40	5	4.75 - 2.375
Machinery equipment	5-10	5	19.00 - 9.50
Electronic equipment	5-10	5	19.00 - 9.50
Transportation equipment	5-10	5	19.00 - 9.50
Other equipment	10	5	9.50

(3) Impairment test method of fixed assets and accrual method of impairment provision

The Company estimates at the end of every period whether there are signs of impairment on its fixed assets.

Where there are signs of impairment on some assets, the recoverable amount of such assets is estimated. 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.

Where the recoverable amount of the assets is lower than its book value, the book value of such assets may be reduced and included in the recoverable amount. The reduced amount is recognized as assets impairment loss and included in current profit and loss.

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 expected residual value deducted) can be amortized systematically within the remaining useful life.

Once the impairment loss of fixed assets is recognized, the loss will not be transferred back in later accounting periods.

Where there are signs of impairment on a certain fixed asset, the enterprise estimates the recoverable amount of the asset based on the individual asset. If it is hard for the enterprise to estimate the recoverable amount of the asset, the enterprise makes estimation based on the asset group to which the asset belongs.

(4) Recognition criteria and pricing method of the fixed assets acquired under finance leases

The fixed assets leased by the Company shall be recognized as the fixed assets acquired under finance leases when one or more of the following conditions are met:

- a) The ownership of the leased asset belongs to the Company when the lease expires;
- b) The Company has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.
- c) Even if the ownership of the asset is not transferred, the lease term covers the major part of the useful life of the leased asset.
- d) The current value of the minimum lease payment that is paid by the Company on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.
- e) The leased assets are of a special nature that only the Company can use them without making major modifications.

The lessee shall record the lower one of the fair value of the leased asset and the current value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees, traveling expenses, stamp duties directly belonging to the leased item incurred during the process of lease negotiating and lease contract signing shall be included in the asset value of the current period. The unrecognized financing charge shall be amortized to each period during the lease term.

In calculating the depreciation of a leased asset, the Company adopts a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonably certain that the lessee will obtain the ownership of the leased asset when the lease expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonably certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

16. Construction in progress

(1) Type of construction in progress

The construction in progress built by the Company shall be valued according to its actual cost which is composed of all necessary expenses incurred for bringing the asset to the expected conditions for use, including material costs, labor costs, relevant taxes and dues, borrowing costs eligible for capitalization, and indirect expenses eligible for amortization. Cost accounting for the construction in progress of the Company shall be made based on projects.

(2) Standards and time points for the construction in progress being carried forward to fixed assets

For a construction in progress, all expenses during the construction till the desired usable status of the asset is reached are taken as the entry value of the fixed asset. If a construction in progress has reached the desired usable status but has not conducted final accounting, it is transferred into fixed assets when it reaches the desired usable status, according to the estimated value based on project budget, construction cost or actual cost; in the meantime, depreciation is accrued according to the Company's depreciation policies for fixed assets; when the final accounting is conducted the temporarily estimated value is adjusted according to the actual cost while the accrued depreciation amount is not adjusted.

(3) Impairment test method of construction in progress and accrual method of impairment provision

The Company estimates at the end of every period whether there are signs of impairment on construction in progress.

Where there are signs of impairment on some assets, the recoverable amount of such assets is estimated. 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.

Where the recoverable amount of the assets is lower than its book value, the book value of such assets may be reduced and included in the recoverable amount. The reduced amount is recognized as assets impairment loss and included in current profit and loss.

At the same time, the corresponding assets impairment provision is accrued. Once the impairment loss of a construction in progress is recognized, it will not be transferred back in later accounting periods.

Where there are signs of impairment on a construction in progress, the enterprise estimates the recoverable amount based on the individual construction. If it is hard for the enterprise to estimate the recoverable amount of the individual construction, the enterprise makes estimation based on the asset group to which the construction belongs.

17. Borrowing costs

(1) Recognition criteria of borrowing costs capitalization

Where the borrowing costs incurred by the Company can be directly attributable to the purchase, building or production of the assets that meet the conditions of capitalization, such assets are capitalized and included in relevant assets cost. Other borrowing costs are recognized as expenses according to the incurred amount at the time of incurrence and included in current profit and loss.

The assets that meet the conditions of capitalization refer to the assets such as fixed assets, investment real estate and inventory that can reach the anticipated usable or salable status only after a considerable time of purchase, building or production activities.

The borrowing costs may be capitalized when all of the following conditions are met:

- a) The assets expenditure has already incurred, including that incurred in the form of cash payment, non-monetary assets transfer or bearing of debts with interests for the purchase, building or production of the assets that meet the conditions of capitalization.
- b) The borrowing costs have already been incurred.
- c) The construction or production activities necessary for putting the assets into a usable or salable status have already started.

(2) Capitalization term of borrowing costs

The capitalization term refers to the period between the start time point and the end time port of the capitalization of the borrowing costs, excluding the period in which the capitalization is suspended.

Where the purchase, building or production of the assets that meet the conditions of capitalization has put such assets into the anticipated usable or salable status, the capitalization of the borrowing costs is stopped.

Where part of the projects in the purchase, building or production of the assets that meet the conditions of capitalization have been completed and reached the anticipated usable or salable status, the capitalization of the borrowing costs of such part of the assets is stopped.

Where different parts of the assets purchased, built or produced have been completed but can not be used or sold till the whole assets have been completed, the capitalization of the borrowing costs is stopped when the whole assets are completed.

(3) Suspension period of capitalization

Where abnormal discontinuation has occurred in the purchase, building or production of the assets that meet the conditions of capitalization and the time of discontinuation exceeds three months consecutively, the capitalization of the borrowing costs is suspended. If the discontinuation is a necessary procedure in the process during which the assets purchased or produced, which meet the conditions of capitalization, reach the usable or salable status, the capitalization of the borrowing costs is continued. The borrowing costs occurring in the suspension period are recognized as current profit and loss and the capitalization is continued until the purchasing and production activities of the assets are restarted.

(4) Calculation method of the amount of borrowing costs capitalization

The interest expenses of special loans (with the interest income of the unused borrowed funds deposited in the bank or the investment income obtained from temporary investment deducted) and relevant auxiliary expenses are capitalized before the assets that meet the conditions of capitalization, purchased, built or produced with such loans, reach the anticipated usable or salable status.

The amount of the interests of common loans that are capitalized is calculated and determined by the weighted average of the accumulative parts of the assets expenditure exceeding special loans multiplied by the capitalization rate of common loans. The capitalization rate is determined according to the weighted average interest rate of common loans.

Where the loans involve discount or premium, the amount of discount or premium to be amortized in each accounting period is determined in accordance with the actual interest rate method and the amount of interests of each period should also be adjusted.

18. 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) Pricing method of intangible assets

a) The Company measures intangible assets initially at cost.

The cost of a separately acquired intangible asset comprises its purchase price, relevant taxes and other directly attributable cost of preparing the asset for its intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of the intangible assets shall be determined on the basis of the current value of the purchase price.

The entry value in the account of the fixed assets obtained from debtors for the repayment of debts 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 debts 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 entry value in the account of the intangible assets acquired from a business combination under common control is recognized according to the book value of the acquiree. The entry value in the account of the intangible assets obtained from a business combination not under common control is recognized according to the fair value.

The cost of an internally generated intangible asset includes: (a) costs of materials and labor consumed in generating the intangible asset; (b) fees to register a legal right; (c) amortization of patents and licenses that are used to generate the intangible asset; (d) interest costs incurred to meet the requirements for capitalization; (e) other directly attributable costs of preparing the intangible asset for its intended use.

b) Follow-up measurement after recognition

The Company estimates the useful life when acquiring intangible assets.

The intangible assets with finite useful life are amortized according to the straight-line method within the period that such assets bring economic benefits to the enterprise. Where the period cannot be anticipated in which such intangible assets bring economic interests to the enterprise, such intangible assets are deemed as having indeterminate useful life and no amortization will be made.

(2) The expected useful lives of the intangible assets with finite useful lives:

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

At the end of each period, the useful life and amortization method of the intangible assets with finite useful life are reviewed.

At the end of this year, the useful life and amortization method of the intangible assets with finite useful lives are the same as the last year.

(3) Withdrawal of impairment provision for intangible assets

Where there are obvious signs of impairment on an intangible asset with a definite useful life, an impairment test is carried out at the end of the period.

An impairment test is carried out to the intangible asset to estimate its recoverable amount. 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.

Where the recoverable amount of the asset is lower than its book value, the book value of such asset may be reduced and included in the recoverable amount. The reduced amount is recognized as assets impairment loss and included in current profit and loss.

At the same time, the corresponding asset impairment provision is accrued. After the recognition of asset impairment loss, corresponding adjustments are made in the future periods on the depreciation or amortized expenses of the depreciated asset so that the adjusted book value of this intangible asset (with the residual value deducted) can be amortized on a systematic basis over its remaining useful life.

Once the impairment loss of an intangible asset is recognized, it will not be transferred back in later accounting periods.

Where there are signs of impairment on an intangible asset, the Company estimates the recoverable amount based on the individual intangible asset. If it is hard to estimate the recoverable amount of the individual asset, the Company makes estimation based on the asset group to which the asset belongs.

(4) Specific classification standards for research and development phases of R&D projects inside the Company

Research phase: Undertake original and planned investigation with the prospect of gaining new scientific or technical knowledge and understanding.

Development phase: Apply research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

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

(5) Specific standards for meeting the conditions of capitalization by research phase

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) Its intention to complete the intangible asset and use or sell it.

- c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- e) Its ability to measure reliably the expenditure belonging to the intangible asset during its development.

19. Goodwill

Goodwill is measured as the difference at the acquisition date between the cost of the business combination not under common control over the acquirer's interest in the fair value of the identifiable net assets.

The goodwill related to subsidiaries is separately listed in consolidated financial statements. The goodwill related to joint ventures and associates is included in the book value of long-term equity investment.

Testing for impairment shall be conducted at least once at the end of each year for the goodwill separately listed in the financial statements. During impairment testing, the book value of goodwill can be amortized to the asset group or combination of asset groups that acquire synergistic benefit from business combination based on the proportion of benefits.

20. Long-term expenses to be apportioned

The long-term expenses to be apportioned are averaged and amortized in the benefit period.

21. Estimated liabilities

(1) Confirmation 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.

22. Share-based payment and equity instruments

(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 for implementation, modification and termination of share-based payment plans

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 reserver 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 recognized 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.

(5) Modifications to the terms and conditions on which equity instruments were granted

If a grant of an equity instrument is cancelled 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 recognized 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.

23. 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.

(2) Basis for recognition of income from transfer of asset use right

For economic interests related to transactions, which are very likely to flow into the Company and whose amount can be reliably measured, the amount of the income from the transfer of asset use right is determined according to the conditions as follows:

- a) 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.
- b) 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.
- c) The amount of the rent income is determined by equally allocating the total income of the lease contract in the entire contract period without deducting the rent-free period.

(3) Basis for and method of determining contract completion progress when recognizing income from labor service and construction contracts by percentage-of-completion method

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 percentage of completion method. The completion progress of a labor service transaction is determined by surveying the work completed.

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:

- a) 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 into the labor cost.
- b) Where it is estimated that the labor services cost incurred cannot be compensated, the labor services cost incurred is recorded into current gains and losses and no income is recognized.

When the contracts or agreements signed between the Company and other companies include 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.

24. 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. The subsidies are divided into those related to assets and those related to profits.

(2) Accounting treatment method

The government subsidies related to the purchase and construction of long-term assets like fixed and intangible assets are recognized as deferred profits and recorded by phases into the non-operating income according to the service life of the assets purchased and constructed.

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.

25. Deferred income tax assets and liabilities

(1) Basis for the recognition of deferred incomes tax assets

The Company recognizes the deferred incomes tax assets generated from the deductible temporary difference.

(2) Basis for recognition of deferred income tax liabilities

The temporary difference between the payable tax not paid of the current period and that of previous periods is recognized by the Company as deferred income tax liabilities. The temporary difference generated from goodwill transactions or transactions not of business combinations, which, at the transaction time, do not influence accounting profits or the amount of the tax payable, is not included.

(3) An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same 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.

Generally in rare circumstances, the net settlement after the current tax assets are set off against current tax liabilities and the deferred tax assets are set off against the deferred tax liabilities can be presented in financial statements. In consolidated financial statements, however, the current tax assets and deferred tax assets of one entity cannot be set off against the current tax liabilities and deferred tax liabilities of another entity unless the entity involved has a legally enforceable right of set-off and an intention to settle net.

26. Operating lease and financing lease

(1) Accounting treatment of operating lease

- a) The fee paid by the Company for rented assets is apportioned by the straight-line method in the whole lease term without deduction of the rent-free period and recorded into current expenses. The initial direct expenses related to lease transactions, paid by the Company, are recorded into current expenses.

In case that the leasing party undertakes the lease-related expenses that should be undertaken by the Company, the Company deducts the expenses from the total lease fee and the lease fee after deduction is apportioned in the lease term and recorded into current expenses.

- b) The lease fee received by the Company from leasing of assets is apportioned by the straight-line method in the whole lease term without deduction of the rent-free period and recorded into the lease income. The initial direct expenses related to lease transactions, paid by the Company, are recorded into current expenses. Those with significant amounts are capitalized and recorded by periods into current profits in the whole lease term according to the same basis for recognition of the lease income.

In case that the Company undertakes the lease-related expenses which should be undertaken by the lessee, the Company deducts 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

- a) Assets acquired under financing lease: Between the sound value of rented assets and the minimum lease payment, the Company adopts the lower one 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.

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 recorded into accounting expenses. Assets given out under financing lease:

- b) 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 recorded into the initial calculation of financing lease payment receivable and the amount of profits recognized in the lease term is reduced.

27. Changes of main accounting policies and accounting estimates

(1) Changes of accounting policies

No change was made to the main accounting estimates in the current period.

(2) Changes of accounting estimates

No change was made to the main accounting estimates in the current period.

28. Correction to errors of the previous period

(1) Retrospective restatement method

No accounting error was adjusted by the retrospective restatement method in the current period.

(2) Prospective application method

No accounting error was adjusted by the prospective application method in the current period.

(III) Taxes

1. Main tax types and tax rates imposed on the Company

(1) Turnover tax and surcharge

Tax category	Basis	Tax rate
Value-added tax	Revenue from commodity sales	17
Operating tax	Revenue from rental and interest on loans	5
Urban maintenance and construction tax	Turnover tax payable	7
Education surtax	Turnover tax payable	3
Education surtax	Turnover tax payable	2

(2) Enterprise income tax

The income tax rate applicable to the Company and subsidiaries in 2012 is 25%.

(IV) Business Combination and the Consolidated Financial Statements

Unless specifically noted, the unit for amounts in the formulas of this section is RMB ten thousand *Yuan*.

1. Information on subsidiaries

(1) The subsidiaries acquired through establishment or investment

Name of shareholder (Full name)	Type of subsidiary	Place of registration	Nature of business	Registered capital	Business Scope:
Xi'an SEG Electronics Market Co., Ltd	Share-controlled subsidiary	Xi'an	Service industry	300	Domestic trade; material supply and marketing
Shenzhen SEG Electronics Market Management Co., Ltd	Share-controlled subsidiary	Shenzhen	Service industry	300	Domestic trade; material supply and marketing
Suzhou SEG Electronics Market Management Co., Ltd	Share-controlled subsidiary	Su Zhou	Service industry	300	Domestic trade; material supply and marketing
Shenzhen Chengguo	Share-control	Shenzhen	Service	1,000	Hotel management, consultancy

Business Hotel Management Co., Ltd	ed subsidiary		industry		and property management
Shenzhen SEG Small Loan Co., Ltd.	Share-controll ed subsidiary	Shenzhen	Finance	15,000	Petty loan business (pooling public deposits is prohibited) within the administrative region of Shenzhen.
Shenzhen SEG E-Commerce Co., Ltd	Share-controll ed subsidiary	Shenzhen	E-commerce	4,800	E-commerce
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd	Wholly-owne d subsidiary	Nanjing	Service industry	2,000	Market facilities leasing, property management, sales of electronic products and advertisement
Xi'an Hairong SEG Electronics Market Co., Ltd.	Share-controll ed subsidiary	Xi'an	Service industry	300	Property leasing, sales of electronic products and advertisement
Wujiang SEG Electronics Market Co., Ltd.	Share-controll ed subsidiary	Wujiang	Service industry	300	Electronics market management service
Wuxi SEG Electronics Market Management Co., Ltd	Share-controll ed subsidiary	Wuxi	Service industry	300	Electronics market management service
Ningbo SEG Electronics Market Co., Ltd	Share-controll ed subsidiary	Ningbo	Service industry	500	Electronics market management service
Fushan Shunde SEG Electronics Market Management Co., Ltd	Wholly-owne d subsidiary	Foshan	Service industry	600	Electronics market management service

Continued from above

Name of subsidiary (Full name)	Share-holding proportion (%)	Voting right proportion (%)	Year-end actual investment amount	Balance of the net actual investment in subsidiaries	Consolidated or not
Xi'an SEG Electronic Market Co., Ltd	65.00	65.00	195		Yes
Shenzhen SEG Electronics Market Management Co., Ltd	70.00	70.00	210		Yes
Suzhou SEG Electronics Market Management Co., Ltd	45.00	45.00	135		Yes
Shenzhen Chengguo Business Hotel Management Co., Ltd	66.58	66.58	1,000		Yes
Shenzhen SEG Small Loan Co., Ltd.	53.02	53.02	8,100		Yes
Shenzhen SEG E-Commerce Co., Ltd	51.00	51.00	1,530 (Note*1)		Yes
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd	100.00	100.00	2,000		Yes
Xi'an Hairong SEG Electronics Market Co., Ltd.	51.00	51.00	153		Yes
Wujiang SEG Electronics Market Co., Ltd.	51.00	51.00	153		Yes
Wuxi SEG Electronics Market Management Co., Ltd	51.00	51.00	153		Yes
Ningbo SEG Electronics Market Co., Ltd	51.00	51.00	255		Yes

Fushan Shunde SEG Electronics Market Management Co., Ltd	100.00	100.00	600		Yes
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Continued from above

Name of subsidiary (Full name)	Type (Note)	Organization code (Note)	Minority shareholders' equity	The amount of minority shareholders' equity offsetting minority shareholders' gains and losses	The balance after the difference between the losses of the period allocated to minority shareholders and the period-beginning shares enjoyed by minority shareholders, in case the former is more than the latter, is offset against the owners' equity of the parent company
Xi'an SEG Electronics Market Co., Ltd			365.99		
Shenzhen SEG Electronics Market Management Co., Ltd			230.13		
Suzhou SEG Electronics Market Management Co., Ltd			480.27		
Shenzhen Chengguo Business Hotel Management Co., Ltd			114.20		
Shenzhen SEG Small Loan Co., Ltd.			7,003.88		
Shenzhen SEG E-Commerce Co., Ltd			647.84		
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd					
Xi'an Hairong SEG Electronics Market Co., Ltd.			55.53		
Wujiang SEG Electronics Market Co., Ltd.			139.95		
Wuxi SEG Electronics Market Co., Ltd			147.00		
Ningbo SEG Electronics Market Co., Ltd			79.17		
Fushan Shunde SEG Electronics Market Management Co., Ltd					

Note: For details about subsidiary type and organization code, refer to Notes 6 (II).

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, so Suzhou SEG was included into the consolidation scope.

Note *1: The registered capital of Shenzhen SEG E-Commerce Co., Ltd. is RMB 48 million *Yuan*. The amount of the initial capital contribution is RMB 30 million *Yuan*. The Company makes an initial capital

contribution of RMB 15.3 million *Yuan*, which accounts for 51% equity of Shenzhen SEG E-Commerce Co., Ltd.

(2) Subsidiaries acquired through the business combination under common control

Name of subsidiary (Full name)	Type	Place of registration	Nature of business	Registered capital (RMB ten thousand <i>Yuan</i>)	Legal representative	Business scope
Shenzhen SEG Baohua Enterprise Development Co., Ltd	Share-controlled subsidiary	Shenzhen	Service industry	3,080.88	Li Lifu	Property lease and management
Shenzhen SEG Industrial Investment Co., Ltd	Wholly-owned subsidiary	Shenzhen	Investment	2,550.00	Li Lifu	Investment in industrial and commercial businesses

Continued from above:

Name of subsidiary (Full name)	Share-holding proportion (%)	Voting right proportion (%)	Year-end actual investment amount	Balance of the net actual investment in subsidiaries	Consolidated or not
Shenzhen SEG Baohua Enterprise Development Co., Ltd	66.58	66.58	2,051.25		Yes
Shenzhen SEG Industrial Investment Co., Ltd	100.00	100.00	2,378.00		Yes

Continued from above:

Name of subsidiary (Full name)	Type	Organization code	Minority shareholders' equity	The amount of minority shareholders' equity offsetting minority shareholders' gains and losses	The balance after the difference between the losses of the period allocated to minority shareholders and the period-beginning shares enjoyed by minority shareholders, in case the former is more than the latter, is offset against the owners' equity of the parent company
Shenzhen SEG Baohua Enterprise Development Co., Ltd			2,578.86		
Shenzhen SEG Industrial Investment Co., Ltd					

(3) Subsidiaries acquired through the business combination not under common control

Name of subsidiary (Full name)	Type	Place of registration	Nature of business	Registered capital (RMB ten thousand <i>Yuan</i>)	Legal representative	Business scope
Changsha SEG Development Co., Ltd	Share-controlled subsidiary	Changsha	Service industry	3,500.00	Zhu Longqing	Property lease

Continued from above

Name of Subsidiary (Full name)	Share-holding	Voting right proportion	Year-end actual investment amount	Balance of the net actual investment in subsidiaries	Consolidated or
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	proportion (%)	(%)			not
Changsha SEG Development Co., Ltd	46.00	51.00	6,900.00		Yes

Continued from above

Name of subsidiary (Full name)	Type	Organization code	Minority shareholders' equity	The amount of minority shareholders' equity offsetting minority shareholders' gains and losses	The balance after the difference between the losses of the period allocated to minority shareholders and the period-beginning shares enjoyed by minority shareholders, in case the former is more than the latter, is offset against the owners' equity of the parent company
Changsha SEG Development Co., Ltd			5,827.77		

The capital structure of Changsha SEG Development Co., Ltd at present is that the Company is the first majority shareholder holding 46% shares of Changsha SEG, Jinhong Group Co., Ltd holds 40% shares and Huaya Management Co., Ltd holds 14% shares, among which, Jinhong Group Co., Ltd and Huaya Management Co., Ltd have no associated relationship with each other. Half of the directors, the Chairman of the Board, the General Manager, the Chief Financial Officer and the management team of Suzhou SEG Electronic Market Management Co., Ltd are all dispatched by the Company that actually controls the operation of Suzhou SEG, so Suzhou SEG was included into the consolidation scope.

2. Entities included in and those excluded from the consolidation scope in the current period

(1) Subsidiaries, special-purpose entities and operating entities whose share-controlling right is formed through trustee operation or lessee, which are included in the consolidation scope in the current year

Name	Reason for change	Year-end net assets	Net profits of current period
Wujiang SEG Electronics Market Co., Ltd.	Newly established share-controlled subsidiary	285.60	-14.40
Wuxi SEG Electronics Market Co., Ltd	Newly established share-controlled subsidiary	300.00	
Ningbo SEG Electronics Market Co., Ltd	Newly established share-controlled subsidiary	161.57	-338.43
Fushan Shunde SEG Electronics Market Management Co., Ltd	Newly established wholly-owned subsidiary	531.13	-68.87

(2) Subsidiaries, special-purpose entities and operating entities whose share-controlling right is formed through trusted operation or lease taking, which are excluded from the consolidation scope in the current year

3. Business combinations under common control in the current year

None

4. Business combinations not under common control in the current year

None

5. Subsidiaries decreased in the current year because the shares are sold, upon which the controlling right is lost

None

6. Counter purchases in the current year

None

7. Consolidations by business combination in the current year

None

8. Translation exchange rate for the main items of the financial statements of overseas operating entities

N/A

(V) Notes on the Main Items of the Consolidated Financial Statements(Unless specifically noted, the unit for the following amounts is *Yuan*.)**1. Monetary capital**

Item	Year-end balance			Year-beginning balance		
	Amount in foreign currency	Conversion rate	Amount in RMB	Amount in foreign currency	Conversion rate	Amount in RMB
Cash	—	—		—	—	
RMB			398,368.08	—	—	348,813.86
US\$	973.00	6.2855	6,115.79	973.00	6.3009	6,130.78
HK\$	1,189.17	0.8109	964.24	337.17	0.8107	273.34
Sub-total			405,448.11	—	—	355,217.98
Bank deposit	—	—		—	—	—
RMB			452,714,780.24	—	—	643,836,123.67
HK\$				294,433.77	0.8107	238,697.46
Sub-total			452,714,780.24			644,074,821.13
Other monetary capital	—	—		—	—	—
RMB			12,238.83	—	—	9,159.67
Sub-total			12,238.83	—	—	9,159.67
Total			453,132,467.18	—	—	644,439,198.78

2. Notes receivable**(1) Types of notes receivable**

Type	Year-end balance	Year-beginning balance
Bank's acceptance bill	200,000.00	

Commercial acceptance bill		
Total	200,000.00	

3. Accounts receivable

(1) Accounts receivable disclosed according to different types

Type	Year-end balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant amount individually, for which bad debt provision is separately accrued	10,212,173.07	40.97	10,181,647.36	99.70
Accounts receivable for which bad debt provision is accrued according to different combinations		-		
Combination 1	10,176,497.47	40.82	-	
Subtotal of combinations	10,176,497.47	40.82	-	
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	4,539,536.11	18.21	4,004,152.38	88.21
Total	24,928,206.65	100.00	14,185,799.74	56.91

(Continued from above)

Type	Year-beginning balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant amount individually, for which bad debt provision is separately accrued	10,212,173.07	41.74	10,181,647.36	99.70
Accounts receivable for which bad debt provision is accrued according to different combinations	—	—	—	—
Combination 1 Aging analysis	9,982,141.91	40.80	—	—
Subtotal of combinations	9,982,141.91	40.80	—	—
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	4,270,306.44	17.46	3,910,306.44	91.57
Total	24,464,621.42	100.00	14,091,953.80	57.60

Notes on types of accounts receivable:

- a) Accounts receivable in the combination, for which bad debt provision was accrued by the aging analysis method:

Duration of the accounts	Year-end balance			Year-beginning balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	

Less than one year	10,176,497.47	100.00		9,982,141.91	100.00	—
1-2 years				—	—	—
2-3 years				—	—	—
Over 3 years				—	—	—
Total	10,176,497.47	100.00		9,982,141.91	100.00	—

b) Bad debt provision accrued at the year-end for the accounts receivable with a significant amount individually, for which impairment tests are separately carried out.

Content of account receivable	Book balance	Amount of bad debt provision	Percentage of provision	Reason
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Guangzhou Jiajie Technology Co., Ltd	3,052,571.00	3,022,045.29	99.00	The account is impossible to be recovered as there is a dispute between Guangzhou Jiajie and the Company.
Shenzhen Shuangxionghui Industrial Co., Ltd	2,160,725.63	2,160,725.63	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Shenzhen Liyuanshun Industrial Co., Ltd	1,906,865.35	1,906,865.35	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Total	10,212,173.07	10,181,647.36	99.70	

c) No accounts receivable are made provision for bad debts in full before the reporting period, no accounts receivable with large provision percentage are recovered in full in current year or no large amount of accounts receivable are recovered in current year.

d) No accounts receivable are recovered through other methods like restructuring in the current reporting period.

e) No accounts receivable are actually charged off in the current reporting period.

f) Among the year-end accounts receivable, no accounts are receivable from corporate shareholders that hold over 5% (including 5%) of the voting shares of the Company.

g) Organizations of top five accounts receivable

Company name	Relationship with the Company	Amount	Duration	Percentage in the total amount of accounts receivable
Shenzhen Runneng Digital Co., Ltd	Customer	4,721,850.54	Less than one year	18.94
Jiangsu Unicom	Customer	3,092,011.09	Over 5 years	12.40
Guangzhou Jiajie Technology Co., Ltd	Customer	3,052,571.00	2-3 years	12.25
Shenzhen Shuangxionghui Industrial Co., Ltd	Customer	2,160,725.63	Over 5 years	8.67
Shenzhen Liyuanshun Industrial Co., Ltd	Customer	1,906,865.35	Over 5 years	7.65

h) There are no receivable accounts from related parties.

- i) **There are no accounts receivable for which recognition is terminated.**
- j) **There are no accounts receivable which are taken as objects for securitization.**

4. Other receivables

(1) Other accounts receivable disclosed by type:

Type	Year-end balance				Year-beginning balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with a significant amount individually, for which bad debt provision is separately accrued	23,413,223.34	46.34	23,413,223.34	100.00	23,413,223.34	43.91	23,413,223.34	100.00
Other receivables for which bad debt provision is accrued according to different combinations		-			—	—	—	—
Combination 1	6,454,063.13	12.77	2,259.27	0.04	16,051,724.24	30.10	1,766.67	0.01
Combination 2	10,498,327.38	20.78						
Subtotal of combinations	16,952,390.51	33.55	2,259.27	0.01	16,051,724.24	30.10	1,766.67	0.01
Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued	10,156,967.96	20.11	8,875,860.97	87.39	13,859,446.17	25.99	8,898,684.97	64.21
Total	50,522,581.81	100.00	32,291,343.58	63.91	53,324,393.75	100.00	32,313,674.98	60.60

Notes on types of other receivables:

- a) Other receivables in the combination, for which bad debt provision is accrued by the aging analysis method:

Duration of the accounts	Year-end balance			Year-beginning balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than one year	6,433,412.73	99.68	-	16,028,063.53	99.85	—
1-2 years	10,400.40	0.16	520.00	12,073.73	0.08	449.27
2-3 years	3,107.31	0.05	310.73	10,000.00	0.06	1,000.00
Over 3 years	7,142.69	0.11	1,428.54	1,586.98	0.01	317.40
Total	6,454,063.13	100.00	2,259.27	16,051,724.24	100.00	1,766.67

- b) Other accounts receivable in Combination 2 are leasing deposit and accounts due from related parties.

(2) Accrual of bad debt provision for other accounts receivable with a significant amount individually, for which separate impairment tests are carried out

Content of other receivables	Book balance	Amount of bad debt provision	Percentage of provision	Reason for provision
Yangjiang Yuntong Grease Co., Ltd	8,530,276.35	8,530,276.35	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Creditor's right transferred in by SEG Communication Company	5,904,271.52	5,904,271.52	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Shenzhen Lianjing Trade Co., Ltd.	5,697,287.51	5,697,287.51	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Shenzhen Top Industry Co., Ltd.	3,281,387.96	3,281,387.96	100.00	The duration is more than 5 years and the account is impossible to be recovered.
Total	23,413,223.34	23,413,223.34	100.00	

(3) No accounts receivable are made provision for bad debts in full before the reporting period, or no accounts receivable with large provision percentage are recovered in full in current year.

(4) No other receivables are written off in the current period.

(5) There is no amount due from shareholders that hold more than 5% (included) of the voting shares of the company.

Company name	Year-end balance		Year-beginning balance	
	Book balance	Bad debt provision accrued	Book balance	Bad debt provision accrued
Shenzhen SEG Group Co., Ltd.	86,000.00	—	86,000.00	—
Total	86,000.00	—	86,000.00	—

(6) Companies of top five other accounts receivable

Company name	Relationship with the Company	Amount	Duration	Percentage of the total amount	Nature or Content
Yangjiang Yuntong Grease Co., Ltd	Business related organization	8,530,276.35	Over 5 years	16.88	Debt restructuring of SEG Orient
Creditor's right transferred in by SEG Communication Company	Business related organization	5,904,271.52	Over 5 years	11.69	Debt restructuring of SEG Communication
Shenzhen Lianjing Trade Co., Ltd.	Business related organization	5,697,287.51	Over 5 years	11.28	Debt restructuring of SEG Orient
Shenzhen Top Industry Co., Ltd.	Business related organization	3,281,387.96	Over 5 years	6.49	Debt restructuring of SEG Orient
Tonmac International Electronics (Suzhou) Co., Ltd	Cooperation partner of Suzhou SEG Electronics Market	3,012,793.60	Over 5 years	5.96	Deposit and current account

(7) For details on the accounts receivable from related parties at the period end, please refer to Section VI (V) in the Notes.

(8) There are no accounts receivable for which recognition is terminated.

(9) There are no other receivables taken as objects for securitization.

5. Advances**(1) Advances listed according to duration**

Duration of the accounts	Year-end balance		Year-beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than one year	37,983,011.33	100.00	33,735,611.11	99.88
1-2 years			5,908.60	0.02
2-3 years			35,295.00	0.10
Over 3 years			—	—
Total	37,983,011.33	100.00	33,776,814.71	100.00

(2) Top five advances

Company name	Relationship with the Company	Amount	Duration	Reason for not being settled
Tonmac International Electronics (Suzhou) Co., Ltd	Cooperation partner of Suzhou SEG Electronics Market	19,724,140.00	Less than one year	Prepaid rents for 2013
Xi'an Gaoke (Group) New West China Industrial Development Co., Ltd	Cooperation partner of Xi'an SEG Electronics Market	10,000,000.00	Less than one year	Prepaid rents for 2013
Shenzhen Shuojian Industry Co., Ltd	Supplier	1,843,494.00	Less than one year	Payment for goods in advance
Hanlinhui Information Industry Co., Ltd.	Supplier	1,184,263.42	Less than one year	Payment for goods in advance

Shenzhen Huaxia Electronics Co., Ltd	Junguang	Supplier	457,271.18	Less than one year	Payment for goods in advance
Total			33,209,168.60		

(3) Among the year-end advances, no advances are receivable from corporate shareholders that hold over 5% (including 5%) of the voting shares of the Company.

6. Inventory

(1) Classification of inventory

Item	Year-end balance			Year-beginning balance		
	Book balance	Provision for inventory price drop	Book value	Book balance	Provision for inventory price drop	Net book value
Raw materials	106,046.31		106,046.31	410,995.73	—	410,995.73
Low-cost consumables	139,193.05		139,193.05	3,585.00	—	3,585.00
Finished products (Inventories)	2,469,884.18		2,469,884.18	218,974.35	—	218,974.35
Total	2,715,123.54		2,715,123.54	633,555.08	—	633,555.08

Therein, there is no inventory as guaranty in the year-end balance.

There is no inventory whose owner's right is restricted in the year-end balance.

7. Other current assets

Item	Year-end balance	Year-beginning balance
Financial products of bank	346,200,402.78	201,000,000.00
Total	346,200,402.78	201,000,000.00

For details about other current assets, refer to Section X (III) in the Notes.

8. Financial assets available for sale

(1) Financial assets available for sale

Item	Period-end sound value	Period-beginning sound value
Bonds available for sale		—
Equity instruments available for sale Including:	651,735.42	587,411.44
Others		—
Total	651,735.42	587,411.44
Less: Impairment provision for financial assets available for sale:		—
Net amount	651,735.42	587,411.44

9. Loans and advances issued

(1) Loans and advances issued

Item	Year-end balance	Year-beginning balance
Loan principal	137,576,818.48	3,570,000.00

Advance		—
Less: Impairment provision for loans and advances	2,019,599.44	35,700.00
Total	135,557,219.04	3,534,300.00

10. Investments in associates and joint ventures

(Unit: RMB ten thousand Yuan)

Name of invested company	Shareholding ratio	Voting ratio in the invested company	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total operating revenue of current year	Net profit of current year
1. Associates							
Shenzhen Huakong SEG Co., Ltd.	22.45	22.45	42,625.79	19,325.10	23,300.69	10,495.43	316.61
Shanghai SEG Electronics Market Operation Management Co., Ltd.	35.00	35.00	5,958.25	3,641.00	2,317.25	4,427.28	808.33

Shenzhen Samsung SEG Co., Ltd. was renamed as Shenzhen Huakong SEG Co., Ltd. on March 8, 2013.

11. Long-term equity investments

(1) Long-term equity investments are as follows:

Invested company	Accounting method	Investment cost	Year-beginning book balance	Increase or decrease in this year (Decrease is marked with "-")	Year-end book balance
Shanghai SEG Electronics Market Operation Management Co., Ltd.	Equity method	1,750,000.00	8,780,863.41	-670,861.63	8,110,001.78
Shenzhen Huakong SEG Co., Ltd.	Equity method	215,645,740.56	109,816,748.35	1,383,272.71	111,200,021.06
Shenzhen SEG Orient Industrial Development Co., Ltd.	Equity method	400,000.00	—		
Subtotal with the equity method		217,795,740.56	118,597,611.76	712,411.08	119,310,022.84
Nanjing Shangsha Co., Ltd.	Cost method	280,000.00	280,000.00		280,000.00
Anshan Yibai Co., Ltd.	Cost method	15,000.00	15,000.00		15,000.00
Shenzhen SEG GPS Scientific Navigations Co., Ltd.	Cost method	8,275,321.43	13,515,392.83		13,515,392.83
Shenzhen SEG Telecom Equipment Co., Ltd.	Cost method	3,679,217.22	3,679,217.22		3,679,217.22

Shenzhen Tianji Optoelectronic Technology Industrial Co., Ltd.	Cost method	105,000.00	105,000.00		105,000.00
Subtotal with the cost method		12,354,538.65	17,594,610.05		17,594,610.05
Total		230,150,279.21	136,192,221.81	712,411.08	136,904,632.89
Invested company	Share-holding proportion (%)	Voting right proportion (%)	Impairment provision	Impairment provision accrued in the current year	Cash dividends for the current year
Shanghai SEG Electronics Market Operation Management Co., Ltd.	35.00	35.00			3,500,000.00
Shenzhen Huakong SEG Co., Ltd.	22.45	22.45			
Shenzhen SEG Orient Industrial Development Co., Ltd.	20.00	20.00			
Subtotal with the equity method					3,500,000.00
Nanjing Shangsha Co., Ltd.	0.68	0.68			
Anshan Yibai Co., Ltd.			15,000.00	15,000.00	
Shenzhen SEG GPS Scientific Navigations Co., Ltd	12.50	12.50			750,000.00
Shenzhen SEG Telecom Equipment Co., Ltd.	99.17	99.17	3,679,217.22		
Shenzhen Tianji Optoelectronic Technology Industrial Co., Ltd.			105,000.00		
Subtotal with the cost method			3,799,217.22	15,000.00	750,000.00
Total			3,799,217.22	15,000.00	4,250,000.00

Note: The Company transferred 20% equity of Shenzhen SEG Orient Industrial Development Co., Ltd. in December 2012.

(2) Limitation on the ability to transfer funds to the investors

None

12. Investment real estate

Item	Year-beginning book balance	Increase during the year	Decrease during the year	Year-end book balance
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1. Total original book value	710,910,814.25			710,910,814.25
(1) Houses and buildings	705,673,301.76			705,673,301.76
(2) Land use right	5,237,512.49			5,237,512.49
2. Accumulated depreciation or accumulated amortization in total	191,971,443.98	18,774,503.26		210,745,947.24
(1) Houses and buildings	190,481,118.50	18,653,869.57		209,134,988.07
(2) Land use right	1,490,325.48	120,633.69		1,610,959.17
3. Total net value of investment real estate	518,939,370.27	-18,774,503.26		500,164,867.01
(1) Houses and buildings	515,192,183.26	-18,653,869.57		496,538,313.69
(2) Land use right	3,747,187.01	-120,633.69		3,626,553.32
4. Total accumulated impairment provision for investment real estate	—			
(1) Houses and buildings	—			
(2) Land use right	—			
5. Total book value of investment real estate	518,939,370.27	-18,774,503.26		500,164,867.01
(1) Houses and buildings	515,192,183.26	-18,653,869.57		496,538,313.69
(2) Land use right	3,747,187.01	-120,633.69		3,626,553.32

The depreciation of current period is RMB 18,774,503.26 *Yuan*.

There is no sign of impairment for investment real estate this year, and therefore the impairment provision is not made.

13. Original price and accumulated depreciation of fixed assets

(1) Fixed assets

Item	Year-beginning book balance	Increase during the year		Decrease during the year	Year-end book balance
I. Total original book value	112,028,717.80	1,982,051.99		141,870.00	113,868,899.79
Including: houses and buildings	48,303,175.02	-		-	48,303,175.02
Machinery equipment	28,799,896.39	18,398.00		-	28,818,294.39
Transportation vehicles	3,605,242.24	874,415.00		-	4,479,657.24
Electronic equipment	29,340,291.29	1,008,367.83		141,870.00	30,206,789.12
Other equipment	1,980,112.86	80,871.16		-	2,060,984.02
	—	Increase during the year	Provision of the year	—	—
II. Total accumulated depreciation:	66,101,672.06		4,735,833.42	135,097.21	70,702,408.27
Including houses and buildings	24,181,416.23		795,311.50	-	24,976,727.73
Machinery equipment	24,266,200.12		1,856,248.92	-	26,122,449.04

Transportation vehicles	1,662,283.69		459,441.32	-	2,121,725.01
Electronic equipment	15,358,842.59		1,211,791.58	135,097.21	16,435,536.96
Other equipment	632,929.43		413,040.10	-	1,045,969.53
III. Total net book value of fixed assets	45,927,045.74		-2,753,781.43	6,772.79	43,166,491.52
Including houses and buildings	24,121,758.79		-795,311.50		23,326,447.29
Machinery equipment	4,533,696.27		-1,837,850.92		2,695,845.35
Transportation vehicles	1,942,958.55		414,973.68		2,357,932.23
Electronic equipment	13,981,448.70		-203,423.75	6,772.79	13,771,252.16
Other equipment	1,347,183.43		-332,168.94	-	1,015,014.49
IV. Total impairment provision	—	—		—	
Including: houses and buildings	—	—		—	
Machinery equipment	—	—		—	
Transportation vehicles	—	—		—	
Electronic equipment	—	—		—	
Other equipment	—	—		—	
V. Total book value of fixed assets	45,927,045.74		-2,753,781.43	6,772.79	43,166,491.52
Including: houses and buildings	24,121,758.79		-795,311.50		23,326,447.29
Machinery equipment	4,533,696.27		-1,837,850.92		2,695,845.35
Transportation vehicles	1,942,958.55		414,973.68		2,357,932.23
Electronic equipment	13,981,448.70		-203,423.75	6,772.79	13,771,252.16
Other equipment	1,347,183.43		-332,168.94	-	1,015,014.49

The depreciation for current year is RMB 4,735,833.42 *Yuan*.

There is no fixed asset used as collateral at the year-end.

(2) There are no fixed assets obtained through operating lease at the year-end.

(3) There are no fixed assets that are temporarily idle at the year-end.

(4) Year-end fixed assets not gaining the property right certificate

Item	Net book value	Reason for not gaining the property right certificate	Anticipated time to gain the property right certificate
Houses and buildings	2,785,120.38	Qualification procedures not complete	
Total	2,785,120.38		

14. Construction in progress

Item	Year-end balance			Year-beginning balance		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Market reconstruction engineering	185,086.00		185,086.00	—	—	—
Office information system engineering				42,750.00	—	42,750.00
Total	185,086.00		185,086.00	42,750.00	—	42,750.00

15. Intangible assets**(1) Intangible assets**

Item	Year-beginning book balance	Increase during the year	Decrease during the year	Year-end book balance
1. Total original book value	2,126,735.24	92,349.00	92,000.00	2,127,084.24
(1) Land use right	159,759.24			159,759.24
(2) Purchased software	1,966,976.00	92,349.00	92,000.00	1,967,325.00
2. Total accumulated amortization	1,565,293.37	200,508.65	92,000.00	1,673,802.02
(1) Land use right	46,475.51	2,759.76		49,235.27
(2) Purchased software	1,518,817.86	197,748.89	92,000.00	1,624,566.75
3. Net book value of intangible assets	561,441.87	-108,159.65	-	453,282.22
(1) Land use right	113,283.73	-2,759.76	-	110,523.97
(2) Purchased Software	448,158.14	-105,399.89	-	342,758.25
4. Total impairment provision	—			
(1) Land use right	—			
(2) Purchased software	—			
Total book value of intangible assets	561,441.87	-108,159.65		453,282.22
(1) Land use right	113,283.73	-2,759.76		110,523.97
(2) Outsourcing software	448,158.14	-105,399.89		342,758.25

Amortization for current year is RMB 200,508.65 *Yuan*.

No intangible assets are used as mortgage or loan security at the year-end.

16. Goodwill

Name of the investee or the item contributing to goodwill	Year-beginning balance	Increase during the year	Decrease during the year	Year-end balance	Year-end impairment provision
Changsha SEG Development Co., Ltd	10,328,927.82			10,328,927.82	
Total	10,328,927.82			10,328,927.82	

(I) The Company's Goodwill is measured as the difference at the acquisition date between the cost of the business combination not under common control over the acquirer's interest in the fair value of the identifiable net assets.

(II) Goodwill calculation:

Item	Amount
Investment cost	69,000,000.00
Book value of the net assets of the investee	57,508,384.14
Estimated increment of net assets	93,383,233.24
Deferred income tax liabilities incurred by the estimated increment of net assets	23,345,808.30
Sound value of the net assets of the investee	127,545,809.08
Share-holding proportion in the investee	46.00%
The difference caused when the investment cost is more than the recognizable net assets of the investee, which should be enjoyed at the time of acquisition	10,328,927.82

The Company purchased 46% of the equity of Changsha SEG Development Co., Ltd with the price of 69,000,000 *Yuan* in March 2009. The net assets in book value of Changsha SEG Development Co., Ltd was 57,508,384.14 *Yuan* in the current month while the net assets in sound value of Changsha SEG Development Co., Ltd after the evaluation for the added value was carried out. Thus, goodwill amounting to 10,328,927.82 was formed.

The impairment test was carried out for the goodwill at the year-end, and no sign of impairment was found. Therefore, impairment provision was not made.

17. Long-term expenses to be apportioned

Item	Year-beginning balance	Increase in the current year	Amortization for the current year	Other decrease	Year-end balance	Reason for other decrease
Decoration charges	38,736,168.31	8,000,218.42	9,242,889.56		37,493,497.17	
Firefighting renovation	618,947.67		169,064.28		449,883.39	
Land price of Tower B and supporting facilities fee	470,759.19	834,251.00	1,147,202.25		157,807.94	
Total	39,825,875.17	8,834,469.42	10,559,156.09		38,101,188.50	

18. Deferred income tax assets and liabilities

(1) Deferred income tax assets and liabilities that have been recognized

Item	Year-end balance	Year-beginning balance
Deferred income tax assets		
Asset impairment provision	9,778,422.03	9,770,179.28
Establishment charges		
Deductible losses		
Sub-total	9,778,422.03	9,770,179.28

Deferred income tax liabilities		
Changes on the sound value of financial assets available for sale, which is accrued as capital reserve	140,332.61	124,251.61
Change of the sound value of houses and buildings due to business combinations (by evaluating the increase in value)	19,187,336.19	20,296,262.09
Sub-total	19,327,668.80	20,420,513.70

(2) The deferred income tax assets that have not been recognized

Item	Year-end balance	Year-beginning balance
(1) Deductible temporary differences	13,182,271.89	11,144,828.86
(2) Deductible losses	39,194,787.69	38,392,074.34
Total	52,377,059.58	49,536,903.20

(3) The deductible loss of deferred income tax assets that have not been recognized will come to maturity in the following years:

Item	Year-end balance
Year 2013	366,612.59
Year 2014	10,534,872.67
Year 2015	-
Year 2016	19,695,459.23
Year 2017	8,597,843.20
Total	39,194,787.69

(4) Assets incurring a temporary difference or a temporary difference related to liabilities

Item	Amount of temporary difference
Taxable differences	
Changes in fair value	77,310,675.24
Sub-total	77,310,675.24
Deductible differences	
Asset impairment provision	39,113,688.09
Deductible losses	
Sub-total	39,113,688.09

19. Asset impairment provision

Item	Year-beginning balance	Increase during the year	Decrease during the year		Year-end balance
			Write back	Write off	
Bad debt provision	46,405,628.78	94,355.94	22,841.40		46,477,143.32
Provision for losses on loans and advances	35,700.00	1,983,899.44			2,019,599.44
Impairment provision for long-term equity investment	3,784,217.22	15,000.00			3,799,217.22
Impairment provision for	—				

investment real estate					
Impairment provision for fixed assets	—				
Total	50,225,546.00	2,093,255.38	22,841.40		52,295,959.98

20. Accounts payable

Item	Year-end balance	Year-beginning balance
Less than one year	3,821,962.30	12,053,220.26
1-2 years	166,819.80	987,886.48
2-3 years	22,595.63	6,423.50
Over 3 years	-	—
Total	4,011,377.73	13,047,530.24

(1) Among the year-end balance, no accounts are payable to shareholders that hold over 5% (including 5%) of the voting shares of the Company.

(2) Among the year-end balance, no accounts are payable to related parties.

21. Advances from customers

Item	Year-end balance	Year-beginning balance
Less than one year	171,535,281.84	149,612,101.25
1-2 years	880,087.04	8,559,541.23
2-3 years	-	—
Over 3 years		—
Total	172,415,368.88	158,171,642.48

(1) Among the year-end accounts receivable, no accounts are received in advance from corporate shareholders that hold over 5% (including 5%) of the voting shares of the Company.

(2) Among the year-end balance, no accounts are received in advance from related parties.

22. Wages payable

Item	Year-beginning balance	Increase during the year	Decrease during the year	Year-end balance
(1) Wages, bonuses, allowances and subsidies	8,869,993.65	62,799,911.01	62,550,734.98	9,119,169.68
(2) Employee welfare	—	1,684,823.63	1,684,823.63	-
(3) Social insurance premiums	5,488.77	5,248,122.71	5,245,403.71	8,207.77
(4) Housing fund	152,020.69	3,831,778.52	3,169,891.51	813,907.70
(5) Dismiss welfare		290,705.00	290,705.00	
(6) Labor union expenditures and employee education expenses	294,642.49	991,671.10	815,762.00	470,551.59
(7) Others	996,027.05	2,369,161.65	3,120,818.30	244,370.40
Total	10,318,172.65	77,216,173.62	76,878,139.13	10,656,207.14

There are no arrears among the wages payable to employees.

Estimated time schedule for payment of wages payable to employees: January to December 2013.

23. Taxes payable

Taxes and fees	Year-end balance	Year-beginning balance
Value-added tax	6,626,464.51	7,340,479.28
Operating tax	-2,491,746.96	-2,886,340.40
Enterprise income tax	8,570,624.36	27,823,972.59
Individual income tax	796,989.44	2,429,952.30
Urban maintenance and construction tax	421,024.77	481,599.10
Education surtax	287,617.80	324,092.01
Housing property tax	863,293.67	1,157,243.50
Stamp tax and water fund	151,956.14	65,538.81
Others	0.00	194,236.21
Total	15,226,223.73	36,930,773.40

24. Dividends payable

Company name	Year-end balance	Year-beginning balance	Reason for not making payment for over one year
China Electronic Appliance (Shenzhen) Co., Ltd		392,040.00	
Shenzhen SEG Computers Co., Ltd	365,310.00	305,910.00	
Nanjing Shangsha Co., Ltd	285,120.00	285,120.00	
Shenzhen SEG Group Service Co., Ltd	344,520.00	225,720.00	
Individual shares	160,062.89	137,702.14	
Others	70,223.27	70,223.27	
A shares	3,881.48	3,881.48	
B shares	45,698.54	45,698.54	
Total	1,274,816.18	1,466,295.43	

25. Other accounts payable

Item	Year-end balance	Year-beginning balance
Less than one year	69,339,604.93	26,128,567.54
1-2 years	25,835,456.31	52,467,224.37
2-3 years	26,355,418.58	14,279,396.58
Over 3 years	21,194,721.95	17,993,974.40
Total	142,725,201.77	110,869,162.89

(1) Among the year-end balance, no accounts are payable to shareholders that hold over 5% (including 5%) of the voting shares of the Company.

(2) Among the year-end balance, no accounts are payable to related parties.

(3) Other significant payables amounts

Company name	Amount	Nature or content	Remarks
Rental deposit from various electronics market	31,199,205.76	Rental deposit	
Comprehensive deposit of SEG Plaza	22,242,231.36	Rental deposit	
Deposit from cooperation partners of electronics market	10,910,000.00	Deposit	
Rental deposit of Baohua Electronics Market	9,114,877.45	Rental deposit	
Maintenance fee for central air-conditioning system of Baohua	7,167,603.24	Maintenance fee for central air conditioning system	

26. Estimated liability

Item	Balance at year-beginning	Increase this year	Decrease this year	Balance at year-end
Offering guarantee				
Pending litigation				
Product quality guarantee				
Obligation for restructuring				
Contract to be performed, which results in a loss				
Contractual penalty		2,361,610.00		2,361,610.00
合计		2,361,610.00		2,361,610.00

For details about estimated liability, refer to Section VII (III) in the Notes

27. Other non-current liabilities

Item	Year-end book balance	Year-beginning book balance
Government subsidies	320,080.91	-
Total	320,080.91	

28. Share capital

Item	Year-beginning balance	Increase/Decrease of the year					Year-end balance
		New share offering	Bonus share	Capitalization of public reserve	Others	Total	
Restricted shares (1) State-held shares	—						—

(1) State-owned shares	—					—
(2) State-owned legal person's shares	—					—
(3) Other shares held by domestic capital	35,464.00					35,464.00
Including:	—					—
Shares held by foreign legal persons	—					—
Shares held by domestic natural persons	35,464.00					35,464.00
(4) Shares held by foreign capital	—					—
Including:	—					—
Shares held by foreign legal persons	—					—
Shares held by foreign natural persons	—					—
Total of restricted shares	35,464.00					35,464.00
2. Non-restricted shares	—					—
(1) RMB common shares (A Share)	538,302,228.00					538,302,228.00
(2) Domestically listed foreign shares (B Share)	246,461,318.00					246,461,318.00
(3) Overseas listed foreign shares (H Share)	—					—
(4) Others	—					—
Total of non-restricted shares	784,763,546.00					784,763,546.00
Total	784,799,010.00					784,799,010.00

The aforementioned capital has been audited in the Auditor's Report issued by Shenzhen Tianjian Xinde Certified Public Accountants (Xin De Yan Zi Bao Zi [2006] No. 018).

29. Capital reserve

Item	Year-beginning balance	Increase during the year	Decrease during the year	Year-end balance
1. Capital premium (share premium)	—			
(1) Capital by investors	325,329,854.26			325,329,854.26
(2) Influence of business combination under common control	—			
(3) Others			3,314,736.82	-3,314,736.82
Sub-total	325,329,854.26		3,314,736.82	322,015,117.44

2. Other capital reserve	—			
(1) Other changes on owners' equity of the investee except net gains and losses	81,396,966.96	672,494.24		82,069,461.20
(2) Profit or loss from change of the sound value of financial assets available for sale	248,180.16	32,120.18		280,300.34
(3) Others	15,451.59			15,451.59
Sub-total	81,660,598.71	704,614.42		82,365,213.13
Total	406,990,452.97	704,614.42	3,314,736.82	404,380,330.57

Description of capital reserve:

The capital reserve increased due to changes in the fair value of available-for-sale financial assets is the changes in the fair value of the stocks of the listed company Xinjiang Youhao Group Co., Ltd. (Code: 600778), the equity of which is held by Shenzhen SEG Baohua Enterprise Development Co., Ltd. Other changes in owner's equity except the net profit/loss of the investee are changes in the capital reserve of the investee Shenzhen Huakong SEG Co., Ltd., the amount of which is calculated by the Company according to the share-holding percentage. The decrease in share premium of capital reserve is the difference between the investment to acquire the minority interests of Shenzhen SEG Industry Investment Co., Ltd. and the subsidiary's identifiable net assets calculated continually since the combination date based on the additional share proportion.

30. Surplus public reserve

Item	Year-beginning balance	Increase during the year	Decrease during the year	Year-end balance
Statutory surplus reserve	102,912,835.67			102,912,835.67
Free surplus reserve	—			—
Others	—			—
Total	102,912,835.67			102,912,835.67

31. Retained profits

Item	Amount	Accrual/Distribution Rate
Before adjustment Retained profits of the end of the previous year	-142,006,368.05	
After adjustment Total year-beginning retained profits (+ for increase, - for decrease)		
After adjustment Year-beginning retained Profit	-142,006,368.05	
Plus: Plus: Net profit belonging to owners of the parent company	45,587,138.06	
Less: Accrual of statutory surplus reserve		
Accrual of free surplus reserve		
Accrual of reserve fund		
Accrual of enterprise development fund		
Accrual of bonus and welfare fund		
Accrual of general risk provision		

Ordinary share dividends payable		
Ordinary share dividends converted to share capital		
Year-beginning retained profits	-96,419,229.99	

32. Operating revenue and operating cost

(1) Classification of operating revenue and operating cost

Item	Amount for the current year	Amount for the previous year
Operating revenue	463,807,500.77	436,844,244.35
Including: main operating income	447,766,554.83	421,218,431.91
Other business income	16,040,945.94	15,625,812.44
Operating cost	355,848,954.58	340,193,727.77
Including: main operating cost	350,063,144.07	334,535,811.99
Other business cost	5,785,810.51	5,657,915.78

(2) Main operating businesses (by industry)

Name of industry	Amount for the current year		Amount for the previous year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
(1) Industry			—	—
(2) Commerce	137,858,605.49	134,267,415.64	86,943,750.16	85,661,847.29
(3) Real estate			—	—
(4) Leasing and others	309,907,949.34	215,795,728.43	334,274,681.75	248,873,964.70
Total	447,766,554.83	350,063,144.07	421,218,431.91	334,535,811.99

(3) Main operating businesses (by region)

Name of region	Amount for the current year		Amount for the previous year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Domestic	447,766,554.83	350,063,144.07	396,221,620.85	309,407,925.31
Overseas			24,996,811.06	25,127,886.68
Total	447,766,554.83	350,063,144.07	421,218,431.91	334,535,811.99

(4) Operating income of top five customers of the Company

Name of customer	Total operating income	Proportion in the total operating income of the Company (%)
Shenzhen Runneng Digital Technology Co., Ltd	75,431,835.77	15.81
Shenzhen Zhenyuda Electronics Technology Co., Ltd	14,941,534.20	3.13
Shenzhen Wodewo Trading Co., Ltd.	13,517,802.48	2.83
Shenzhen Hongxuda Communications Technology Co., Ltd	10,842,062.66	2.27
China Resources Vanguard Co., Ltd.	8,645,358.81	1.81

33. Operating tax and surcharges

Item	Amount for the current year	Amount for the previous year	Taxation standards
Operating tax	17,374,614.82	15,776,057.32	
Urban maintenance and construction tax	1,192,056.68	1,043,327.12	
Education surtax	843,481.73	653,103.93	
Others	99,865.00	39,731.05	
Total	19,510,018.23	17,512,219.42	

34. Financial expenses

Category	Amount for the current year	Amount for the previous year
Interest expenses	-	43,733.32
Less: Interest income	13,957,724.38	13,141,626.71
Loss on exchange	-308.70	866,878.39
Commission charge	1,701,394.81	143,300.95
Others		55,063.21
Total	-12,256,638.27	-12,032,650.84

35. Investment income**(1) Details on investment income**

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income by the cost method	750,000.00	1,500,000.00
Long-term equity investment income by the equity method	3,539,916.84	-5,789,729.53
Income from disposal of long-term equity investments	2,947.00	80,561,731.87
Income during the time of holding transaction financial assets		—
Income from held-to-maturity investments		—
Income during the time of holding financial assets available for sale	3,034.15	3,034.15
Income from disposal of transaction financial assets		—
Income from held-to-maturity investments		—
Income from financial assets available for sale		—
Others (Financial products)	11,553,814.10	503,534.25
Total	15,849,712.09	76,778,570.74

(2) Long-term equity investment income by the cost method

Investee	Amount for the current year	Amount for the previous year	Reason for increase or decrease compared to the previous year
Shenzhen SEG GPS Scientific Navigations Co., Ltd	750,000.00	1,500,000.00	
Total	750,000.00	1,500,000.00	

(3) Income from long-term equity investment by the equity method

Investee	Amount for the current year	Amount for the previous year	Reason for increase or decrease compared to the previous year
Shenzhen Huakong SEG Co., Ltd.	710,778.47	-9,174,034.85	
Shanghai SEG Electronics Market Operation Management Co., Ltd.	2,829,138.37	3,384,305.32	
Total	3,539,916.84	-5,789,729.53	

(4) Notes on investment income

There is no major restriction on the repatriation of the investment income.

36. Asset impairment loss

Item	Amount for the current year	Amount for the previous year
Loss from bad debt	71,514.54	310,212.91
Impairment losses on loans and advances	1,983,899.44	35,700.00
Loss from impairment of long-term investment	15,000.00	
Total	2,070,413.98	345,912.91

37. Non-operating income

Item	Amount for the current year	Amount for the previous year	Amount recorded into current non-recurring gains and losses
Total profit from disposal of non-current assets	2,400.00	71,546.31	2,400.00
Including: Profit from disposal of fixed assets	2,400.00	71,546.31	2,400.00
Profit from disposal of intangible assets		—	
Government subsidies	870,280.00	250,000.00	870,280.00
Penalty payment	410,444.77	3,306,301.23	410,444.77
Others	642,916.18	323,533.12	642,916.18
Total	1,926,040.95	3,951,380.66	1,926,040.95

38. Non-operating expenses

Item	Amount for the current year	Amount for the previous year	Amount recorded into current non-recurring gains and losses
Total disposal loss of non-current assets			
Including:	5,892.79	82,311.79	5,892.79
Including: disposal loss of fixed assets	5,892.79	82,311.79	5,892.79
Disposal loss of intangible assets			
Donation expenses	20,000.00	6,000.00	20,000.00
Abnormal loss		11,929.01	
Compensation for loss	2,377,982.59	4,920.85	2,377,982.59

Others	48,114.94	92,624.46	48,114.94
Total	2,451,990.32	197,786.11	2,451,990.32

39. Income tax

Item	Amount for the current year	Amount for the previous year
Income tax of the current period calculated according to tax laws and relevant regulations	19,349,787.10	34,432,870.04
Deferred income tax	-1,117,168.65	-2,702,336.35
Total	18,232,618.45	31,730,533.69

40. Calculation process for basic EPS and diluted EPS

The EPS of the Company calculated according to the requirements of *No.9 Compilation Rules for Information Disclosures by Companies That Offers Securities to the Public - Calculation and Disclosure of Net Return on Equity and Earnings Per Share* (Revision 2010) (Notice of China Securities Regulatory Commission [2010]No.2) and *Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public No. 1 - Non-recurring Profits and Losses* (2008) (Notice of China Securities Regulatory Commission [2008] No.43) is as follows:

(1) Calculation result

Profit in reporting period	Amount for the current year		Amount for the previous year	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit belonging to common shareholders of the Company (I)	0.0581	0.0581	0.0879	0.0879
Net profit belonging to common shareholders of the Company after deduction of -recurring losses and gains (II)	0.0578	0.0578	0.0233	0.0233

(2) Calculation process of EPS

Item	No.	Amount for the current year	Amount for the previous year
Net profit belonging to common shareholders of the Company	1	45,587,138.06	68,995,713.25
Net profit belonging to common shareholders of the parent company after deduction of non-recurring losses and gains (The impact of business income tax needs to be considered)	2	217,273.96	50,719,810.17
Net profit belonging to common shareholders of the Company after deduction of non-recurring losses and gains	3=1-2	45,369,864.10	18,275,903.08
Period-beginning shares in total (S0)	4	784,799,010.00	784,799,010.00
Shares increased because the capital reserve is transferred as share capital or share dividends are distributed (S1)	5		—
Shares increased because new shares are issued or liabilities are transferred as shares (Si)	6		—
	6		—
	6		—

Item	No.	Amount for the current year	Amount for the previous year
Number of months from the next month after shares are increased because new shares are issued or liabilities are transferred as shares to the end of the reporting period	7		—
	7		—
	7		—
Shares decreased because shares are repurchased.	8		—
Number of months from the next month after shares are decreased to the end of the reporting period (Mj)	9		—
Shares reduced in this reporting period	10		—
Number of months in this reporting period (M0)	11		—
Weighted average number of ordinary shares (II)	$12=4+5+6\times7\div11-8\times9\div11-10$	784,799,010.00	784,799,010.00
Weighted average number of ordinary shares adjusted due to business combination under common control (I)	13		—
Basic earnings per share	$14=1\div13$	0.0581	0.0879
Basic earnings per share	$15=3\div12$	0.0578	0.0233
Interests of dilutive potential ordinary shares determined to be expenses and other factors	16		—
Income tax rate	17		—
Exchange fee	18		—
Number of shares increased because convertible corporate bonds, share warrants, and share options are converted or exercised.	19		—
Diluted earnings per share (I)	$20=[1+(16-18)\times(100\%-17)]\div(13+19)$	0.0581	0.0879
Diluted earnings per share (II)	$21=[3+(16-18)\times(100\%-17)]\div(12+19)$	0.0578	0.0233

a) Basic earnings per share

Basic earnings per share

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Thereinto, P0 indicates the net profit belonging to common shareholders of the Company or net profit belonging to common shareholders of the Company after deduction of non-recurring losses and gains; S indicates the weighted average number of ordinary shares; S0 indicates the period-beginning shares in total; S1 indicates the shares increased because the capital reserve is transferred as share capital or share dividends are distributed; Si indicates the SHARES increased because new shares are issued or liabilities are transferred as shares; Sj indicates the shares decreased because shares are repurchased; Sk indicates the shares reduced in this reporting period; M0 indicates the number of months in this reporting period; Mi indicates the number of months from the next month after shares are increased to the end of the reporting period; Mj indicates the

number of accumulated months from the next month after shares are decreased to the end of the reporting period.

b) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + S_i \times M_i \div M0 - S_j \times M_j \div M0 - S_k + \text{Weighted average number of ordinary shares increased because convertible corporate bonds, share warrants, and share options are converted or exercised})$

Thereinto, P1 indicates the net profit belonging to common shareholders of the Company or net profit belonging to common shareholders of the Company after deduction of non-recurring losses and gains. The impact of dilutive potential ordinary shares on P1 is considered and P1 is adjusted according to related regulations in the *Accounting Standards for Business Enterprises*. While the diluted earnings per share is calculated, the impact of dilutive potential ordinary shares on the net profit belonging to common shareholders of the Company or the net profit belonging to common shareholders of the Company after deduction of non-recurring losses and gains is taken into account. The dilutive potential ordinary shares are charged to the diluted earnings per share in descending order of the extent of dilution until the diluted earnings per share reaches the minimum value.

41. Other comprehensive income

Item	Amount for the current year	Amount for the previous year
1. Gains (losses) from financial assets available for sale	64,323.98	-220,886.12
Less: Influence of income tax incurred from financial assets available for sale	16,081.00	-48,042.60
Net gains and losses recorded into other consolidated income in the previous period and transferred back in the current period	---	---
Sub-total	48,242.98	-172,843.52
2. Enjoyed shares of other consolidated income of investees by the equity method	672,494.24	---
Less: Influence on income tax by enjoyed shares of other consolidated income of investees by the equity method	---	---
Net gains and losses recorded into other consolidated income in the previous period and transferred back in the current period	---	---
Sub-total	672,494.24	---
3. Profit (or loss) from arbitrage tools of cash flows	---	---
Less: Influence on income tax by arbitrage tools of cash flows	---	---
Net gains and losses recorded into other consolidated income in the previous period and transferred back in the current period	---	---
Adjustment of the initial recognized amount transferred as arbitrated items	---	---
Sub-total	---	---
4. Translation difference of the financial statements in foreign currency Less:	---	---
Net gains and losses transferred in from disposal of overseas assets in the current period		-411,391.17
Sub-total		411,391.17
5. Others		-579,187.37
Influence on income tax by others recorded into other consolidated income	---	---

Net amount of others recorded into other consolidated income in the previous period and transferred back in the current period	---	---
Sub-total		-579,187.37
Total	720,737.22	-340,639.72

42. Notes on the cash flow statement

(1) Other cash received concerning operating activities

Item	Amount for the current year
Incomings and outgoings	52,876,227.80
Collected goods payment of lessees	490,005,627.09
Interest income	13,957,724.38
Non-operating income	1,522,686.64
Total	558,362,265.91

(2) Other cash paid concerning operating activities

Item	Amount for the current year
Incomings and outgoings	16,456,727.31
Collected goods payment of lessees	480,439,941.19
Cash expenses	27,512,053.45
Non-operating expenses	84,487.53
Total	524,493,209.48

(3) Other cash paid concerning financing activities

Item	Amount for the current year
Purchase of minority interest of SEG Industry	5,401,027.20
Total	5,401,027.20

43 Supplementary information to the cash flow statement

(1) Supplementary information to cash flow statement

Item	Amount for the current year	Amount for the previous year
1. Reconciliation of net profit to cash flows of operating activities		—
Net profit	55,262,633.48	68,796,691.56
Plus: Asset impairment provision	2,070,413.98	345,912.91
Depreciation of fixed assets, oil & gas assets and consumable biological assets	23,510,336.68	29,526,206.48
Amortization of intangible assets	200,508.65	191,919.06
Amortization of long-term expenses to be apportioned	10,559,156.09	9,592,809.92
Loss on disposal of fixed assets, intangible assets, and other long-term assets (Profit will be marked with "-")	3,492.79	10,765.48
Loss on discard of fixed asset (Profit will be marked with "-")		—

Item	Amount for the current year	Amount for the previous year
Loss on change of fair value (Profit will be marked with "-")		—
Financial expenses (Profit will be marked with "-")	-	43,733.32
Loss on investment (Profit will be marked with "-")	-15,849,712.09	-76,778,570.74
Decrease of deferred income tax assets (Profit will be marked with "-")	-8,242.75	-1,593,410.45
Increase of deferred income tax liabilities (Decrease will be marked with "-")	-1,108,925.90	-1,108,925.90
Decrease of inventories (Increase will be marked with "-")	-2,081,568.46	3,572,331.47
Decrease of operating accounts receivable (Increase will be marked with "-")	16,381,953.11	-22,746,427.30
Increase of operating accounts payable (Decrease will be marked with "-")	-134,927,558.55	59,694,639.44
Others		—
Net cash flow arising from operating activities	-45,987,512.97	69,547,675.25
2. Investing and financing activities that do not involve cash receipts and payments		—
Conversion of debt into capital		—
Convertible bonds due within one year		—
Fixed assets acquired by financing lease		—
3. Net change in cash and cash equivalents		—
Year-end cash balance	453,132,467.18	644,439,198.78
Less: Year-beginning cash balance	644,439,198.78	572,818,178.75
Plus: cash equivalents at the end of the period		—
Less: Cash equivalents at beginning of the period		—
Net increase in cash and cash equivalents	-191,306,731.60	71,621,020.03

(2) Combination of cash and cash equivalents:

Item	Year-end balance	Year-beginning balance
I. Cash	453,132,467.18	644,439,198.78
Including: Cash on hand	405,448.11	355,217.98
Bank deposits available for payment at any time	452,714,780.24	644,074,821.13
Other monetary capital available for payment at any time	12,238.83	9,159.67
Accounts in the central bank available for payment		—
Accounts deposited in the enterprises of the same industry		—
Accounts borrowed from the enterprises of the same industry		—
II. Cash equivalents		—
Including: Bond investments due within 3 months		—
III. Year-end balance of cash and cash equivalents	453,132,467.18	644,439,198.78

(VI) Related parties and relevant transactions**1. Information on subsidiaries of the Company:**Unit: RMB Ten thousand *Yuan*

Name of parent company	Association relationship	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Share-holding proportion over the Company (%)	Voting right proportion over the Company (%)	The ultimate controlling party of the Company	Organization code
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Limited liability company	Shenzhen	Sun Shengdian	State-owned	135,542.00	30.24	30.24	Shenzhen SASAC	19218093-0

2. Information on subsidiaries of the Company:**Unit: RMB Ten thousand Yuan**

Full name of subsidiary	Type of subsidiary	Company type	Place of registration	Legal representative	Nature of business	Registered capital	Share-holding proportion (%)	Voting right proportion (%)	Organization code
Xi'an SEG Electronic Market Co., Ltd	Share-controlled subsidiary	Limited liability company	Xi'an	Li Lifu	Service industry	300	65.00	65.00	74283072-4
Shenzhen SEG Electronics Market Management Co., Ltd	Share-controlled subsidiary	Limited liability company	Shenzhen	Liu Zhijun	Service industry	300	70.00	70.00	77413117-8
Suzhou SEG Electronic Market Co., Ltd	Share-controlled subsidiary	Limited liability company	Su Zhou	Zheng Dan	Service industry	300	45.00	45.00	78205845X
Shenzhen SEG Baohua Enterprise Development Co., Ltd	Share-controlled subsidiary	Company limited by shares	Shenzhen	Li Lifu	Service industry	3,080.88	66.58	66.58	19219334-4
Shenzhen SEG Industrial Investment Co., Ltd	Wholly-owned subsidiary	Limited liability company	Shenzhen	Li Lifu	Service industry	2,550	100.00	100.00	19219150-9
Changsha SEG Development Co., Ltd	Share-controlled subsidiary	Limited liability company	Changsha	Zhu Longqing	Service industry	3,500	46	51	616600581
Shenzhen Chengguo Business Hotel Management Co., Ltd	Indirect subsidiary	Limited liability company	Shenzhen	Bo Hongxi	Service industry	1,000	66.58	66.58	69556368-5
Shenzhen SEG Small Loan Co., Ltd.	Share-controlled subsidiary	Limited liability company	Shenzhen	Wang Li	Finance	15,000	53.02	53.02	58792690-1
Shenzhen SEG E-Commerce Co., Ltd	Share-controlled subsidiary	Limited liability company	Shenzhen	Liu Zhijun	E-commerce	4,800	51	51	56854637-2
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd	Wholly-owned subsidiary	Limited liability company	Nanjing	Zhu Longqing	Service industry	2,000	100	100	57158102-1
Xi'an Hairong SEG Electronics Market Co., Ltd.	Share-controlled subsidiary	Limited liability company	Xi'an	Li Lifu	Service industry	300	51	51	57843107-7
Wujiang SEG Electronics Market Co., Ltd.	Share-controlled subsidiary	Limited liability company	Wujiang	Zheng Dan	Service industry	300	51	51	05353484-X
Wuxi SEG Electronics Market Co., Ltd	Share-controlled subsidiary	Limited liability company	Wuxi	Zhu Longqing	Service industry	300	51	51	05662319-4
Ningbo SEG Electronics Market Co., Ltd	Share-controlled subsidiary	Limited liability company	Ningbo	Zheng Dan	Service industry	500	51	51	05384248-X
Fushan Shunde SEG Electronics Market Management Co., Ltd	Wholly-owned subsidiary	Limited liability company	Foshan	Liu Dong	Service industry	600	100	100	

3. Information on the joint ventures and associated enterprises of the Company

Name of the invested company	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Shareholding ratio	Voting ratio in the invested company	Association relationship	Organization code
Shenzhen Huakong SEG Co., Ltd.	Share-holding	Shenzhen	Hu Jianping	Manufacturing	89,667.15	22.45	22.45	Associated enterprise	27934648-9
Shanghai SEG Electronics Market Operation Management Co., Ltd	Limited liability company	Shanghai	Song Xun	Service industry	500.00	35	35	Associated enterprise	72937044-4

4. Information on other related parties

Name of the related party	Relationship between other related parties and the Company	Organization code
Shenzhen SEG Property Development Co., Ltd.	Subsidiary of controlling shareholders	
Shenzhen SEG Group Service Co., Ltd	Subsidiary of controlling shareholders	
Shenzhen SEG Computers Co., Ltd	Subsidiary of controlling shareholders	

5. 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 related transactions**a) Property of related parties of lease:**

Name of lessor	Name of lessee	Information on leased assets	Lease beginning date	Lease ending date	Rent amount	Rent charge recognized annually	Basis for recognition of rent charge
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Co., Ltd	The warehouse with its area of 809.26 square meters on the 8 th floor of SEG Plaza	2011.4.1	2013.3.31	1,032,000.00	516,000.00	The lease contract

b) Markets of related parties with entrusted operation

Name of trustor	Name of trustee	Entrusted management project	Start date	End date	Entrusted management charge	Basis for recognition of entrusted management charge	Influence of entrusted management charge on the Company
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Co., Ltd	SEG Communications Market	2011.2.1	2015.1.31	RMB 200,000 Yuan each year + Commission if over quota	Entrusted management contract	Little

c) Financial support of related parties

None

d) Other related transactions

None

(3) Accounts Receivable from and Payable to Related Parties**a) Accounts receivable from related parties**

Item	Related party	Year-end balance		Year-beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables				---	---
	Shenzhen SEG Property Development Co., Ltd.	2,000.00	---	2,000.00	---
	Shenzhen SEG Orient Industrial Development Co., Ltd.	443,910.00	443,910.00	443,910.00	443,910.00
	Shenzhen SEG Group Co., Ltd.	86,000.00	---	86,000.00	---

b) Accounts payable to related parties

Item	Related party:	Year-end balance	Year-beginning balance
Dividends payable			
	Shenzhen SEG Group Service Co., Ltd	344,520.00	225,720.00
	Shenzhen SEG Computers Co., Ltd	365,310.00	305,910.00

(VII) Contingency matters**1. Contingent liabilities arising from pending litigation or arbitration and their financial impact**

None

2. Contingent liabilities arising from provision of debt guarantee for other companies and their financial impact

None

3. Other contingent liabilities

The operation of Ningbo SEG Digital Market Management Co., Ltd. was affected as a result of the deterioration of operation status of its commercial tenants. According to the Lease Contract signed with its commercial tenants, Ningbo SEG Digital Market Management Co., Ltd. needs to pay a certain amount of compensation for them. The Company made a provision of RMB 2,362,610.00 *Yuan* as estimated liabilities according to the article of breach in the contract..

(VIII) Commitments**1. Major commitments****(1) Signed lease contracts being fulfilled**

The minimum lease payment to be received in later periods

Remaining lease term	Xi'an SEG Electronic Market Co., Ltd	Suzhou SEG Electronic Market Management Co., Ltd	Shenzhen SEG Electronics Market Management Co., Ltd	Xi'an Hairong SEG Electronic Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd	Wujiang SEG Electronics Market Management Co., Ltd.
Within one year (including one year)	12,375,000.00	16,024,907.88	4,631,192.21			

Above one year but within two years (including two years)	12,625,000.00	16,024,907.88	4,770,267.32			
Above two years but within three years (including three years)	12,875,000.00	16,024,907.88	4,912,813.79			
Over 3 years	75,250,000.00	183,710,381.84	27,023,179.50			
Total	113,125,000.00	231,785,105.48	41,337,452.82	Note *1	Note *2	Note *3

(Continued from above)

Remaining lease term	Ningbo SEG Digital Market Management Co., Ltd	Shunde SEG Electronics Market Management Co., Ltd	Wuxi SEG Electronics Market Co., Ltd		Total
Within one year (including one year)	2,376,000.00	2,240,000.00			37,647,100.09
Above one year but within two years (including two years)	5,702,400.00	3,840,000.00			42,962,575.20
Above two years but within three years (including three years)	6,842,880.00	4,320,000.00			44,975,601.67
Over 3 years		4,800,000.00			290,783,561.34
Total	14,921,280.00	15,200,000.00	Note *4		416,368,838.30

Note *1: According to the cooperation agreement signed between Xi'an Hairong SEG Electronics Market Co., Ltd. and the Company, Xi'an Hairong SEG Electronics Market Co., Ltd. shall pay 70% of its profits from the electronics market as annual rent. Therefore, the future lease payment is uncertain.

Note *2: The rent of Shenzhen SEG Nanjing Electronics Market Management Co., Ltd. is adjusted according to CPI, and therefore, the future lease payment is uncertain.

Note *3: According to the cooperation agreement signed between Wujiang SEG Electronics Market Co., Ltd. and the Company, Wujiang SEG Electronics Market Management Co., Ltd. shall pay 70% of its profits (before tax) from the electronics market as annual rent. Therefore, the future lease payment is uncertain.

Note *4: Because the rent will be free for the first three years before Wuxi SEG Electronics Market Co., Ltd. officially opens and it will be 70% of profits (before tax) as rent for the fourth year, so the amount of rent in the future is indeterminate.

(IX) Events after the balance sheet date**1. Important events after the balance sheet date**

Item	Content	Influence on financial status and operating results	Reason for failure to predict the influence
Set up wholly-owned subsidiary and acquire land use rights	The Company invested RMB 30 million <i>Yuan</i> to set up Nantong SEG Times Square Development Co., Ltd. responsible for the development, construction, investment attracting and operation of Nantong SEG Times Square (tentative name) in February 2013. The Company acquired the land use rights of the parcel located in Nantong city (No.C13001) openly traded by Nantong Land and Resources Bureau of Land Resources by way of competitive bids on February 6, 2013 with a total price of RMB 80.2545 million <i>Yuan</i> . This parcel will be developed and operated by Nantong SEG Times Square Development Co., Ltd.	Unpredictable	The return on investment of the project is unpredictable
Purchase equity	The Company and Shenzhen SEG Property Investment Co., Ltd. made a joint investment of RMB 10 million <i>Yuan</i> to purchase 72.0461% equity of Shenzhen Buji Sanlian Industrial Development Co., Ltd., which was previously held by Zhuhai Minghao Group Co., Ltd. The Company invested RMB 2.776 million <i>Yuan</i> , which accounts for 20% equity of the acquired company.	Unpredictable	
External guarantee	The 13 th Meeting of the Fifth Board of Directors held on February 28, 2013 reviewed and approved the <i>Proposal on Applying for Line of Credit of RMB 75 Million Yuan from the Bank of China for Shenzhen SEG Small Loan Co., Ltd.</i> The maximum principal balance of the guaranteed creditor's right was RMB 75 million <i>Yuan</i> with the guarantee term of two years from the day when the term of the main creditor's right expires. Shenzhen SEG Group Co., Ltd., as one of the shareholders of SEG Small Loan, offers counter guarantee for the aforesaid guarantee of the Company.	Unpredictable	The guarantee was not implemented yet and therefore the influence was uncertain.
Set up wholly-owned subsidiary	The Company planned to invest RMB 8 million <i>Yuan</i> as the registered capital to set up Nanning SEG Digital Square Management Co., Ltd.	Unpredictable	Nanning SEG Digital Square Management Co., Ltd. had not been set up yet and the influence was therefore uncertain.
Invest in the Shenzhen City project.	The Ninth Meeting of the Fifth Board of Directors reviewed and approved the <i>Resolution on Investing RMB 20 Million Yuan in the Shenzhen City Project</i> . The Company paid the investment of RMB 20 million <i>Yuan</i> for the project on March 8, 2013.	Unpredictable	Project earnings are unpredictable.

2. Profit distribution after the balance sheet date:

According to the decision of the meeting of Board of Directors, because the profit of parent company attributable to shareholders is minus, so in 2012 the Company will neither distribute any profit to the

whole shareholders nor transfer any capital reserve to add capital stock.

The above proposal needs the examination and approval of the shareholders' assembly.

3. Other events after the balance sheet date:

The Company has no events that need to be disclosed.

(X) Notes on other important matters

1. Major sales dispute

Guangzhou Jiajie Technology Co., Ltd (hereinafter referred to as Guangzhou Jiajie) signed the SYBASE Purchase Contract with Shenzhen SEG Industry Investment Co., Ltd (SEG Industry), a subsidiary of the Company, on June 25, 2010 and Guangzhou Jiajie purchased the SYBASE software from SEG Industry for sale. Due to the difference of the representation of the payment terms in the Purchase Contract separately held by SEG Industry and Guangzhou Jiajie, the two parties had a dispute on the issue of payment. Two optional payment terms were included in the Purchase Contract: the first term provided that the Seller shall issue a value-added tax invoice for the full amount to the Buyer within 60 days after the goods arrive at the place of delivery and are qualified upon inspection and acceptance through power-on operation (i.e., before August 30, 2010) and the Buyer shall make full payment for the goods; the second term provided that the Seller shall issue a value-added tax invoice for the full amount to the Buyer and the Buyer shall make the payment within 7 days after receiving the full amount of the payment from users. Both clauses were checked (√) in the Purchase Clause held by SEG Industry. However, only the second clause was checked (√) in the Purchase Clause held by Guangzhou Jiajie. Guangzhou Jiajie sold the SYBASE software to Guangzhou Yushi Information Technology Co., Ltd (hereinafter referred to as Guangzhou Yushi) that sold the software to end users. Because Guangzhou Yushi has not made payment to Guangzhou Jiajie, the latter filed a lawsuit against the former. The legal person of Guangzhou Yushi had migrated to another country. By analyzing the Purchase Contract held by Guangzhou Jiajie, the prerequisite for the payment by Guangzhou Jiajie is that Guangzhou Jiajie received the payment from Guangzhou Yushi. According to the lawyer's opinion, it is very likely that the payment cannot be recovered. The amount of the contract object is RMB 3,052,571.00 *Yuan*, for which RMB 3,022,045.29 *Yuan*, 99% of the amount, was accrued as bad debt provision at the end of 2012.

The Company collected related litigation information and materials on May 17, 2011 and filed a suit in Shenzhen Futian District People's Court. Shenzhen Futian District People's Court (2011) granted the Company a civil judgment (Shen Fu Fa Min Er Chu Zi No.3432) on February 14, 2012. According to the civil judgment, Guangzhou Jiajie shall make a goods payment of RMB 3,052,571 *Yuan* to SEG Industry within 10 days as of the effective date of the civil judgment. If Guangzhou Jiajie fails to make the goods payment within the limit specified in the civil judgment, Guangzhou Jiajie shall pay twice the amount of interest on the debt for the period during which the performance is deferred according to Article 229 of the Civil Procedure Law of the People's Republic of China. The litigation fee of this case is RMB 31,301 *Yuan*, RMB 102 of which is borne by the plaintiff SEG Industry, and RMB 31,199 of which is borne by the defendant Guangzhou Jiajie.

2. Bank credit

To ensure strong capital adequacy for development of future new projects, the Company planned to pledge the second, fourth and fifth floors of SEG Plaza as collateral to apply for a credit line of RMB 0.3

billion from Shenzhen Branch of the Industrial and Commercial Bank of China. Till now, the aforesaid loan against collateral has not been implemented.

3. Purchase of financial products with idle funds

The *Proposal on Requesting the General Meetings of Shareholders of the Company to Amend the Resolution on Purchasing Financial Products with Idle Funds Approved in the First Interim Meeting of Shareholders of 2011* was approved in the 17th General Meeting of Shareholders on April 21, 2012, stating that the Company and share-controlled subsidiaries shall not purchase short- and mi-term low-risk financial products of over RMB five hundred million *Yuan* (including RMB five hundred million *Yuan*).

As of December 31, 2012, the amount of financial products purchased by the Company and its subsidiaries is as follows:

Unit: RMB ten thousand *Yuan*

Company name	Shenzhen SEG Co., Ltd	Shenzhen SEG Small Loan Co., Ltd.	Shenzhen Enterprise Co., Ltd	SEG Baohua Development	Total
Amount	29,238.00	382.04		5,000.00	34,620.04

(XI) Notes on main items in the financial statements of the parent company

1. Accounts receivable

(1) Accounts receivable disclosed according to different types

Type	Year-end balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant amount individually, for which bad debt provision is separately accrued	7,163,876.44	77.29	7,163,876.44	100.00
Accounts receivable for which bad debt provision is accrued according to different combinations		-		
Combination 1		-		
Subtotal of combinations		-		
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	2,105,306.44	22.71	1,785,306.44	84.80
Total	9,269,182.88	100.00	8,949,182.88	96.55

(Continued from above)

Type	Year-beginning balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with a significant amount individually, for which bad debt provision is	7,163,876.44	77.29	7,163,876.44	100.00

separately accrued				
Accounts receivable for which bad debt provision is accrued according to different combinations				
Combination 1	—	—	—	—
Subtotal of combinations	—	—	—	—
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	2,105,306.44	22.71	1,745,306.44	82.90
Total	9,269,182.88	100.00	8,909,182.88	96.12

(2) Accounts receivable with a significant amount and for which impairment test is separately conducted:

Company name	Book balance	Amount of bad debt provision	Percentage of provision	Reason
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00	The account cannot be recovered because the duration is long.
Shenzhen Liyuanshun Industrial Co., Ltd	1,906,865.35	1,906,865.35	100.00	The account cannot be recovered because the duration is long.
Shanghai Tianci Industrial Co., Ltd	899,000.00	899,000.00	100.00	The account cannot be recovered because the duration is long.
Zhejiang Finance Information Paging Center	786,000.00	786,000.00	100.00	The account cannot be recovered because the duration is long.
Sichuan Huiyuan Electronics Co. Ltd.	480,000.00	480,000.00	100.00	The account cannot be recovered because the duration is long.
Total	7,163,876.44	7,163,876.44	100.00	

(3) There are no receivable accounts written off in the current period.

(4) Among the year-end accounts receivable, no accounts are receivable from corporate shareholders that hold over 5% (including 5%) of the voting shares of the Company.

(5) Organizations of top five accounts receivable

Company name	Relationship with the Company	Amount	Duration of the accounts	Percentage in the total amount of accounts receivable
Jiangsu Unicom	Customer	3,092,011.09	Over 5 years	33.36
Shenzhen Liyuanshun Industrial Co., Ltd	Customer	1,906,865.35	Over 5 years	20.57
Shanghai Tianci Industrial Co., Ltd	Customer	899,000.00	Over 5 years	9.70
Zhejiang Finance Information Paging Center	Customer	786,000.00	Over 5 years	8.48
Sichuan Huiyuan Electronics Co., Ltd.	Customer	480,000.00	Over 5 years	5.18

(6) There are no receivable accounts by related parties at the year-end.

(7) There are no other receivables not meeting the conditions for termination of recognition.

(8) There are no receivable accounts which are taken as objects for securitization.

2. Other receivables

(1) Other receivables by type:

Type	Year-end balance				Year-beginning balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with a significant amount individually, for which bad debt provision is separately accrued	17,508,951.82	23.44	17,508,951.82	100.00	50,036,844.15	55.24	17,508,951.82	34.99
Other receivables for which bad debt provision is accrued according to different combinations		-						
Combination 1	1,697,505.86	2.27	300.00	0.02	30,593,616.89	33.78	—	—
Combination 2	46,177,342.13	61.83						
Subtotal of combinations	47,874,847.99	64.10	300.00		30,593,616.89	33.78	—	—
Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued	9,307,631.40	12.46	8,214,957.02	88.26	9,950,046.35	10.98	8,237,781.02	82.79
Total	74,691,431.21	100.00	25,724,208.84	34.44	90,580,507.39	100.00	25,746,732.84	28.42

Notes on types of other receivables:

- a) Other receivables in the combination 1, for which bad debt provision is accrued by the aging analysis method:

Duration of the accounts	Year-end balance			Year-beginning balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Less than one year	1,691,505.86	99.65		30,593,616.89	100.00	—
1-2 years	6,000.00	0.35	300.00	—	—	—
2-3 years				—	—	—
Over 3 years				—	—	—
Total	1,697,505.86	100.00	300.00	30,593,616.89	100.00	—

- b) Other accounts receivable in Combination 2 are accounts receivable by related parties.

(2) Accrual of bad debt provision for other receivables with a significant amount individually, for which separate impairment tests are carried out

Company name	Book balance	Amount of bad debt provision	Percentage of provision	Reason
Yangjiang Yuntong	8,530,276.35	8,530,276.35	100.00	The account cannot be recovered because the duration

Grease Co., Ltd				is long.
Shenzhen Lianjing Trade Co., Ltd.	5,697,287.51	5,697,287.51	100.00	The account cannot be recovered because the duration is long.
Shenzhen Top Industry Co., Ltd.	3,281,387.96	3,281,387.96	100.00	The account cannot be recovered because the duration is long.
Total	17,508,951.82	17,508,951.82	100.00	

(3) Other receivables charged off in the current reporting period**(4) Other year-end accounts receivable from shareholders who hold more than 5% (including 5%) of the voting shares of the company.**

Company name	Year-end balance		Year-beginning balance	
	Book balance	Bad debt provision accrued	Book balance	Bad debt provision accrued
Shenzhen SEG Group Co., Ltd.	86,000.00		86,000.00	—
Total	86,000.00		86,000.00	—

(5) Companies of top five other receivables

Company name	Relationship with the Company	Nature or Content	Amount	Duration	Percentage in the total amount of other accounts receivable
Shenzhen SEG Industrial Investment Co., Ltd	Wholly-owned subsidiary	Loan	24,088,490.03		32.25
Changsha SEG Development Co., Ltd	Share-controlled subsidiary	Loan	21,000,191.78		28.12
Yangjiang Yuntong Grease Co., Ltd	Business related organization	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	11.42
Shenzhen Lianjing Trade Co., Ltd.	Business related organization	Debt restructuring of SEG Orient	5,697,287.51	Over 5 years	7.63
Shenzhen Top Industry Co., Ltd.	Business related organization	Debt restructuring of SEG Orient	3,281,387.96	Over 5 years	4.39

(6) Other receivables from related parties

Company name	Relationship with the Company	Amount	Percentage in the total amount of other accounts receivable
Shenzhen SEG Industrial Investment Co., Ltd	Wholly-owned subsidiary	24,088,490.03	32.25
Changsha SEG Development Co., Ltd	Share-controlled subsidiary	21,000,191.78	28.12
Shenzhen SEG Baohua Enterprise Development Co., Ltd	Share-controlled subsidiary	997,512.09	1.34
Shenzhen SEG Orient Industrial Development Co., Ltd.	Associated enterprise	443,910.00	0.59
Shenzhen SEG E-Commerce Co., Ltd	Share-controlled subsidiary	3,148.23	
Shenzhen SEG Property Development Co., Ltd.	Subsidiary of shareholders	2,000.00	

(7) There are no other receivables not meeting the conditions for termination of recognition.**(8). There are no other receivables taken as objects for securitization.**

3. Long-term equity investment

Unit: RMB Yuan

Invested company	Accounting method	Investment cost	Year-beginning balance	Increase or decrease	Year-end balance	Share-holding proportion in the invested company (%)	Voting ratio in the invested company	Notes on the occasion where the proportion of the shares of the investee, held by the Company, is not consistent with the voting right	Impairment provision	Impairment provision accrued in the current year	Cash dividends of the current year
Shenzhen SEG Orient Industrial Development Co., Ltd.	Equity method	400,000.00	--	--	--	20	20	--	--	--	--
Shenzhen Huakong SEG Co., Ltd.	Equity method	215,645,740.56	109,816,748.35	1,383,272.71	111,200,021.06	22.45	22.45	--	--	--	--
Shanghai SEG Electronics Market Co., Ltd	Equity method	1,750,000.00	8,780,863.41	-670,861.63	8,110,001.78	35	35	--	--	--	3,500,000.00
Subtotal by the equity method		217,795,740.56	118,597,611.76	712,411.08	119,310,022.84	---	---	--	--	--	3,500,000.00
Shenzhen SEG Baohua Enterprise Development Co., Ltd	Cost method	18,742,808.93	20,512,499.04	---	20,512,499.04	66.58	66.58	--	--	--	6,153,840.00
Shenzhen SEG Industrial Investment Co., Ltd	Cost method	23,780,000.00	23,780,000.00	5,401,027.20	29,181,027.20	100	100	--	--	--	--
Shenzhen SEG Telecom Equipment Co., Ltd	Cost method	2,979,217.22	2,979,217.22	---	2,979,217.22	90	90	--	2,979,217.22	--	--
Shenzhen SEG GPS Scientific Navigations Co., Ltd	Cost method	8,275,321.43	13,515,392.83	---	13,515,392.83	12.5	12.5	--	--	--	750,000.00
Changsha SEG Development Co., Ltd	Cost method	69,000,000.00	69,000,000.00	---	69,000,000.00	46	51	--	--	--	--
Shenzhen SEG Electronics Market Management Co., Ltd	Cost method	2,100,000.00	2,100,000.00	---	2,100,000.00	70	70	--	--	--	350,000.00
Suzhou SEG Electronics Market Management Co., Ltd	Cost method	1,350,000.00	1,350,000.00	---	1,350,000.00	45	45	--	--	--	1,125,000.00
Xi'an SEG Electronics Market Co., Ltd	Cost method	1,950,000.00	1,950,000.00	---	1,950,000.00	65	65	--	--	--	2,489,500.00
Shenzhen SEG Small Loan Co., Ltd.	Cost method	54,000,000.00	54,000,000.00	---	54,000,000.00	36	36	--	--	--	--
Shenzhen SEG E-Commerce Co., Ltd	Cost method	15,300,000.00	15,300,000.00	---	15,300,000.00	51	51	--	--	--	--
Shenzhen SEG (Nanjing) Electronics Market Management Co., Ltd	Cost method	20,000,000.00	20,000,000.00	---	20,000,000.00	100	100	--	--	--	--
Xi'an Hairong SEG Electronics Market Co., Ltd.	Cost method	1,530,000.00	1,530,000.00	---	1,530,000.00	51	51	--	--	--	--
Wujiang SEG Electronics Market Management Co., Ltd.	Cost method	1,530,000.00	---	1,530,000.00	1,530,000.00	51	51	--	--	--	--
Wuxi SEG Electronics Market Co., Ltd	Cost method	1,530,000.00	---	1,530,000.00	1,530,000.00	51	51	--	--	--	--
Ningbo SEG Electronics Market Management Co., Ltd	Cost method	2,550,000.00	---	2,550,000.00	2,550,000.00	51	51	--	2,550,000.00	--	--
Fushan Shunde SEG Electronics Market Management Co., Ltd	Cost method	6,000,000.00	---	6,000,000.00	6,000,000.00	100	100	--	--	--	--
Subtotal by the cost method		230,617,347.58	226,017,109.09	17,011,027.20	243,028,136.29	---	---	---	5,529,217.22	---	10,868,340.00
Total		448,413,088.14	344,614,720.85	17,723,438.28	362,338,159.13	---	---	---	5,529,217.22	---	14,368,340.00

4. Operating revenue and operating cost

(1) Operating revenue and operating cost

Item	Amount for the current year	Amount for the previous year
Main operating income	117,745,210.06	120,920,647.33
Other business income		—
Operating cost	64,554,370.38	65,292,700.17

(2) Main operating businesses (classified by industry)

Item	Amount for the current year		Amount for the previous year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
(1) Industry			—	—
(2) Commerce			—	—
(3) Real estate			—	—
(4) Leasing and others	117,745,210.06	64,554,370.38	120,920,647.33	65,292,700.17
Total	117,745,210.06	64,554,370.38	120,920,647.33	65,292,700.17

5. Investment Income

(1) Details of investment income

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income by the cost method	10,868,340.00	12,254,457.89
Long-term equity investment income by the equity method	3,539,916.84	-5,789,729.53
Income from disposal of long-term equity investments	2,947.00	89,525,198.40
Income during the time of holding transaction financial assets		—
Income from held-to-maturity investments		—
Income during the time of holding financial assets available for sale		—
Income from disposal of transaction financial assets		—
Income from held-to-maturity investments		—
Income from disposal of financial assets available for sale		—
Others (Financial products of bank)	6,587,120.95	396,684.93
Total	20,998,324.79	96,386,611.69

(2) Income from long-term equity investment calculated by the cost method

Invested company	Amount incurred in current year	Amount incurred in last year	Reason for increase or decrease from the previous year
Xi'an SEG Electronics Market Co., Ltd	2,489,500.00	1,742,000.00	
Shenzhen SEG Electronics Market Management Co., Ltd		---	

Shenzhen SEG Baohua Enterprise Development Co., Ltd	6,153,840.00	4,923,072.00	
Shenzhen SEG GPS Scientific Navigations Co., Ltd	750,000.00	1,500,000.00	
Suzhou SEG Electronics Market Management Co., Ltd	1,125,000.00	900,000.00	
Shenzhen SEG Logistics Co., Ltd		3,189,385.89	
Shenzhen SEG Electronics Market Management Co., Ltd	350,000.00		
Total	10,868,340.00	12,254,457.89	

(3) Income from long-term equity investment calculated by the equity method

Invested company	Amount incurred in current year	Amount incurred in last year	Reason for increase or decrease from the previous year
Shenzhen Huakong SEG Co., Ltd.	710,778.47	-9,174,034.85	
Shanghai SEG Electronics Market Co., Ltd.	2,829,138.37	3,384,305.32	
Total	3,539,916.84	-5,789,729.53	

6. Supplementary information to cash flow statement

Item	Amount in current year	Amount in previous year
Reconciliation of net Profit to cash flows of operating activities		—
Net profit	39,043,691.65	92,832,785.58
Plus: Asset impairment provision	2,567,476.00	46,516.32
Depreciation of fixed assets, oil & gas assets and consumable biological assets	11,621,690.26	11,630,948.65
Amortization of intangible assets	156,939.18	165,135.96
Amortization of long-term expenses to be apportioned	688,811.21	571,919.19
Loss on disposal of fixed assets, intangible assets, and other long-term assets (Profit will be marked with "-")	4,034.65	6,100.00
Loss on discard of fixed asset (Profit will be marked with "-")		—
Loss on change of sound value (Profit will be marked with "-")		—
Financial expenses (Profit will be marked with "-")		-2,434,487.54
Loss on investment (Profit will be marked with "-")	-20,998,324.79	-96,386,611.69
Decrease of deferred income tax assets (Profit will be marked with "-")	-641,869.00	-281,327.22
Increase of deferred income tax liabilities (Decrease will be marked with "-")		—
Decrease of inventories (Increase will be marked with "-")		—

Decrease of operating accounts receivable (Increase will be marked with "-")	8,975,976.63	-16,011,912.13
Increase of operating accounts payable (Decrease will be marked with "-")	-62,489.78	22,923,503.23
Others		—
Net cash flow arising from operating activities	41,355,936.01	13,062,570.35
Investment and financing activities not Involving cash receipts and payments		—
Conversion of debt into capital		—
Convertible bonds due within one year		—
Fixed assets acquired by financing lease		—
Net change in cash and cash equivalents		—
Year-end cash balance	296,491,241.42	510,486,998.56
Less: Year-beginning cash balance	510,486,998.56	451,763,240.33
Plus: Year-end balance of cash equivalents		—
Less: Year-beginning balance of cash equivalents		—
Net increase in cash and cash equivalents	-213,995,757.14	58,723,758.23

(XII) Supplementary materials

1. Details on non-recurring gains and losses

Item	Amount	Note:
Gains and losses from disposal of non-current assets	-3,492.79	
(II) Tax refund, reduction or exemption upon approval exceeding authorized limits or without formal documents		
Government subsidiaries recorded into current gains and losses (except those closely related with the Company, which are enjoyed by quotas according to uniform standards of the State)	870,280.00	
(IV) Fund appropriation charges for non-financial entities recorded into current gains and losses	581,000.00	
Profit from the difference caused by the case that the investment cost of the Company for acquisition of subsidiaries, joint ventures and associated enterprises is less than the recognizable sound value of net assets of invested units, which can be enjoyed at the time of acquisition		
2. Loss from transfer of non-monetary assets		
(VI) Gains and losses from exchange of non-monetary assets		
Gains and losses from entrustment of others to make investments or manage assets (VIII) Provision for assets impairment withheld for Force Majeure		
(IX) Gains and losses from debt restructurings		
(X) Expenditures for corporate restructuring, such as expenses for relocation of employees and for integration		
(XI) Gains and losses from unfairly priced transactions in which the		

transaction value exceeds the sound value		
Net current gains and losses of a subsidiary from the period beginning to the date of business combination, formed due to the business combination under common control		
Gains and losses from contingency items irrelevant with normal operating businesses of the Company		
Gains and losses from contingency items irrelevant with normal operating businesses of the Company Gains and losses from sound value changes by holding of transaction financial assets and liabilities, except effective hedging business related to normal businesses of the Company, and investment income from disposal of transaction financial assets and liabilities as well as financial assets available for sale		
Transferred-back impairment provision for accounts receivable, for which separate impairment tests are carried out		
Gains and losses for external entrusted loans		
Gains and losses from sound value changes of investment real estate, follow-up measurement of which is carried out by the fair value		
Influence on current gains and losses by one-off adjustment according to tax and accounting laws and regulations		
Trustee fee from entrusted operation	200,000.00	
Other non-operating income and expenses except the above-mentioned items	-1,392,736.58	
Other gains and losses fitting the definition of non-recurring gains and losses		
Influenced amount of income tax	-397,102.02	
Amount of influence of minority shareholders' equity (after tax)	359,325.35	
Total	217,273.96	

2. ROE and EPS

Profit in reporting period	Weighted average ROE	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit belonging to common shareholders of the Company	3.88	0.0581	0.0581
Net profit belonging to common shareholders of the Company after deduction of -recurring losses and gains	3.86	0.0578	0.0578

3. Abnormalities on main items of the financial statements of the Company and notes on reasons

(1) Report items with abnormal amount or changes

Item	Year-end balance Amount for the current year	Year-beginning balance Amount for the previous year	Ratio of change	Reason for change
Dividends receivable		426,516.21	-100.00%	Dividends of SEG Logistics were received this year.
Inventory	2,715,123.54	633,555.08	328.55%	The sales volume of SEG Industry expanded this year, increasing the inventory of electronic

				products.
Other current assets	346,200,402.78	201,000,000.00	72.24%	The financial products purchased had not come to maturity by the end of year.
Loans and advances issued	135,557,219.04	3,534,300.00	3,735.48%	The loan business of SEG Small Loan increased this year.
Accounts payable	4,011,377.73	13,047,530.24	-69.26%	Nanjing SEG paid the decoration fee of last year.
Taxes payable	15,226,223.73	36,930,773.40	-58.77%	The net profit of this year decreased, and the provision for payable business income tax decreased.
Sale expenses	1,700,265.15	5,015,836.03	-66.10%	The consolidation scope changed as a result of equity disposal of SEG Logistics last year.
Loss from asset impairment	2,070,413.98	345,912.91	498.54%	The loan loss provision of SEG Small Loan increased this year.
Investment income	15,849,712.09	76,778,570.74	-79.36%	The return on long-term equity investment decreased this year.
Non-operating income	1,926,040.95	3,951,380.66	-51.26%	The income from counterparty default decreased this year.
Non-operating expenses	2,451,990.32	197,786.11	1,139.72%	The estimated compensation amount increased this year.
Income tax	18,232,618.45	31,730,533.69	-42.54%	The net profit decreased this year.

(XII) Approval and submission of the Financial Statements

The Financial Statements were approved for disclosure by all directors of the Company on March 28, 2013.

Shenzhen SEG Co., Ltd

(Official seal)

March 28, 2013

Chapter 11 Documents Available for Reference

- (I) The Financial Statements with signatures and seals of the legal person, the responsible person of accounting work and the responsible person of the accounting institution;
- (II) The original copy of the Auditor's Report with signatures and seals of the accounting firm and the CPA; and
- (III) The original copies of all the files and the manuscripts of public notices of the Company which were disclosed on the newspapers specified by CSRC in this reporting period.