

Stock code: 000058, 200058

Stock abbreviation: SHEN SEG、 SHEN SEG B

Notice No.: 2016-074

Shenzhen SEG Co., Ltd.
2016 Semi-annual Report

August 2016

Chapter 1 Important Notice, Contents, and Definitions

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

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

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

Chairman of the Board Wang Li, the Person in charge of accounting Liu Zhijun and the Responsible person of the accounting institution (accountant in charge) Ying Huadong hereby declare that the Financial Statements enclosed in this semi-annual report are true, accurate and complete.

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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.
Huakong SEG	refers to	Shenzhen Huakong SEG Co., Ltd.
SEG Baohua	refers to	Shenzhen SEG Baohua Enterprise Development Co., Ltd.
Xi'an SEG	refers to	Xi'an SEG Electronics Market Co., Ltd.
Suzhou SEG	refers to	Suzhou SEG Electronics Market Co., Ltd.
Xi'an Hairong SEG	refers to	Xi'an Hairong SEG Electronics Market Co., Ltd.
Nanjing SEG	refers to	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.
Shanghai SEG	refers to	Shanghai SEG Electronics Market Management Co., Ltd.
Nantong SEG	refers to	Nantong SEG Times Square Management Co., Ltd.
Changsha SEG	refers to	Changsha SEG Development Co., Ltd.
Mellow Orange Hotel	refers to	Shenzhen Mellow Orange Business Hotel Management Co., Ltd.
Longgang SEG	refers to	Shenzhen SEG Electronics Market Management Co., Ltd.
SEG Industry	refers to	Shenzhen SEG Industrial Investment Co., Ltd.
SEG E-Commerce	refers to	Shenzhen SEG E-Commerce Co., Ltd.
SEG Credit	refers to	Shenzhen SEG Credit Co., Ltd.
SEG Navigations	refers to	Shenzhen SEG GPS Scientific Navigations Co., Ltd.
Shunde SEG	refers to	Foshan Shunde SEG Electronics Market Management Co., Ltd.
Wuxi SEG	refers to	Wuxi SEG Electronics Market Co., Ltd.
Nanning SEG	refers to	Nanning SEG Digital Plaza Management Co., Ltd.
Yantai SEG	refers to	Yantai SEG Times Square Development Co., Ltd.
Suzhou SEG Digital	refers to	Suzhou SEG Digital Plaza Management Co., Ltd.
Xi'an Fengdong SEG	refers to	Xi'an Fengdong New Town SEG Times Square Properties Co., Ltd.
Nantong SEG Operation Company	refers to	Nantong SEG Commercial Operation Management Co., Ltd.
SEG Intelligent	refers to	Suzhou SEG Intelligent Technology Co., Ltd.
SEG Investment	refers to	Shenzhen SEG Investment Management Co., Ltd.
SEG CPARK	refers to	SEG International Maker Product Exhibition and Promotion Center
SEG Longyan	refers to	Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.
Exchange Center	refers to	China International Consumer Electronics Exhibition/Exchange Center
Wangyu Technology	refers to	Shanghai Wangyu Information Technology Co., Ltd.
SEG Maker	refers to	Shenzhen SEG Maker Co., Ltd. is a wholly-owned subsidiary of SEG

Definition	refers to	Description
		Group.
Tencent	refers to	Shenzhen Tencent Computer System Co., Ltd.
Fujian Babycat Animation Company	refers to	Fujian Babycat Animation Technology Co., Ltd.
Tmall Company	refers to	Zhejiang Tmall Technology Co., Ltd.
Futian Investment	refers to	Shenzhen Futian Investment Co., Ltd.
Shum Yip	refers to	Shum Yip Land Company Limited
SEG Universal	refers to	An integrated information service platform for electronics market management with the functions of access control management, micro-payment, query system and information distribution
Shenzhen SASAC	refers to	State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality
CSRC	refers to	China Securities Regulatory Commission
Shenzhen Securities Regulatory Bureau	refers to	Shenzhen Securities Regulatory Bureau of China Securities Regulatory Commission
<i>Articles of Association</i>	refer to	<i>The Articles of Association of Shenzhen SEG Co., Ltd.</i>
Unless otherwise specified, the amount referred to in the report	refers to	Amount in CNY

Chapter 2 Company Profile

I. Company profile

Stock abbreviation	SHEN SEG, SHEN SEG B	Stock code	000058, 200058
Changed stock abbreviation (if any)	None		
Listed on	Shenzhen Stock Exchange		
Company name in Chinese	深圳赛格股份有限公司		
Company name in Chinese (if any)	深赛格		
Company name in English (if any)	SHENZHEN SEG CO., LTD.		
Company name abbreviations in English (if any)	None		
Legal representative	Wang Li		

II. Contact information

	Secretary of the Board of Directors	Securities affairs representative
Name	Zheng Dan	Zhang Xin
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
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E-mail	segcl@segcl.com.cn	segcl@segcl.com.cn

III. Other information

1. Contact information of the Company

Whether the registered address, office address, zip code, website, and e-mail address of the Company are changed in the report period

Applicable Not applicable

No changes of the registered address, office address, zip code, website and e-mail address of the Company in the report period, please refer to the 2015 Annual Report for details.

2. The place where the information is disclosed and filed

Whether the information disclosure and filing site are changed in the report period

Applicable Not applicable

The newspaper specified by the Company to disclose information, the website specified by CSRC to publish the semi-annual report and the site for filing the semi-annual report are not changed in the report period. Please refer to 2015 Annual Report for details.

3. Change of the registration information

Whether the registration information is changed in the report period

Applicable Not applicable

The registration date and locale, license registration number of enterprise legal person, tax registration number and organization code are not changed in the report period. Please refer to 2015 Annual Report for details.

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?

Yes No

	Amount of the report period	Amount of the same period of the previous year	Year-on-year increase/decrease
Operating revenue (Yuan)	362,673,236.85	374,555,135.61	-3.17%
Net profit attributable to shareholders of the listed company (Yuan)	26,856,270.42	34,906,133.61	-23.06%
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses (Yuan)	28,696,459.47	34,698,254.31	-17.30%
Net cash flow arising from operating activities (Yuan)	-99,314,028.40	-98,587,833.62	-1.08%
Basic EPS (Yuan/Share)	0.0342	0.0445	-23.15%
Diluted EPS (Yuan/Share)	0.0342	0.0445	-23.15%
Weighted average ROE	1.82%	2.55%	-0.73%
	Amount at end of the report period	Amount at end of the previous year	Year-on-year increase/decrease
Total assets (Yuan)	2,479,696,060.50	2,614,660,524.37	-5.16%
Net assets attributable to shareholders of the listed company (Yuan)	1,478,243,069.23	1,475,126,229.16	0.21%

II. Differences of accounting data under Chinese and overseas accounting standards

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

Unit: Yuan

Item	Amount	Remarks
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Item	Amount	Remarks
Gains and losses on disposal of non-current assets (including the write-off of assets depreciation reserves)	-9,316.22	Disposal loss of fixed assets
Government subsidies included in current gains and losses (except those closely related with corporate business and enjoyed according to national standards or certain quota)	101,608.00	The main purpose is to obtain the special awards for service industry development from Wujiang Finance Bureau in Suzhou city, and the support fund for SEG e-Commerce trading platform of Shenzhen Economy and Trade Information Committee.
Other non-operating income and expenses except the above-mentioned items	-2,432,788.76	Among which payment for compensation of Nanning SEG lawsuit of 2.7 million Yuan was drawn complementarily. Others are payments for liquidated damages of merchants.
Less: Amount of affected income tax	-629,774.56	
Amount of influence of minority shareholders' equity (after tax)	129,466.63	
Total	184,810.94	--

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

Applicable Not applicable

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

Chapter 4 Report of the Board of Directors

I. Overview

In the first half of 2016, under the pressure of slowdown of domestic macro-economic development and intensified market competition, the Company actively expanded various businesses via inner innovation, external expansion and alliance with other giants. During the report period, the Company carries out various businesses following the policy of "transformation, innovation and development". In the report period, the total operating income of the Company amounted to RMB 412,250,000, decreased by 3.05% over the same period of last year. The total profit of the Company amounted to RMB 66,260,000, decreased by 8.22% over the same period of last year. Main reasons for decrease of gross revenue and total profit from corresponding period of last year: (1) Substantial decrease of operating revenue from business of SEG industrial trade. (2) Decrease of operating revenue from Shenzhen SEG, Nanjing SEG and Longgang SEG Electronics Markets due to a drop in both of occupancy rate and rental price. (3) Revenue decrease due to business shrinkage of SEG E-commerce which is about to be restructured. (4) The transformation & upgrade business in electronics market is in incubation period and has not generated any income.

II. Analysis of main business

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

(1) Operation of the electronics market (including other relevant business such as the marker platform and Internet+ service and so on)

With the rapid development of the internet and mobile internet, the growing popularity of the terminal service, the formation of oligopoly in the e-commerce platform, and the vertical segments of the e-commerce market, the physical electronics market industry is impacted.

Facing fierce market competition and the impact of new business models, the Company is dedicated to user value, integrates resources, further expands the industrial chain, enriches the industry, builds a multi-channel profit model, promotes transformation and upgrading of the existing services, explores new business development models, and continuously improves the operating capacity and creativity of the electronics market.

In the report period, the Company has established strategic cooperation with Taobao and Tmall to build online and offline service platforms. The Company has also established strategic cooperation with Wangyu Technology and Fujian Babycat, aiming to break through simple commercial platform operation, gets involved in content production and operation, and build an integrated platform service operator.

During the report period, the Company signed strategic cooperation agreement with Tencent whereby both parties will utilize their respective platform and resources advantages for strategic cooperation with an aim to jointly build comprehensive entrepreneur service platform, hardware exhibition & sales platform of key area of cooperation and hardware laboratory platform of practical innovation services, setting up entrepreneur incubation service benchmark in China integrating both of hardware and software. The Company has signed strategic cooperation agreement with Tmall Company whereby both parties will carry out strategic cooperation on product, activities, marketing, media promotion, and resources complementation. SEG Maker Product Collection Company has attracted multiple international and domestic famous brands, makers, and innovative products to settle, aggregated over 500 brands, held over 30 road shows, academic exchanges, and product releases, and served government leaders, industrial and enterprise representatives for over 50 times, gaining high recognition and creating widespread influences and good social demonstration effects.

In the report period, the total operating income from the electronics market amounted to RMB 148,030,000, decreased by 6.60% over the same period of last year. The total profit from the electronics market amounted to RMB 40,860,000, decreased by 8.77% over the same period of last year. Main reason for decrease: under the effect of continuous deterioration of external economic environment and intensified industry competition, the electronics market places in certain regions experienced decrease in operating revenue and total profit due to rent decrease and vacancy rate increase.

(2) Property lease

The property leasing service of the headquarters and the subsidiary SEG Baohua (holding 66.58% of shares) continues to increase steadily.

The Company managed to maintain the leasing rate above 98% through effective management measures including improving property management and service quality, controlling costs and expenses, and adjusting investment-attraction strategy.

In the report period, the total operating income from the property leasing service amounted to RMB 36,400,000, decreased by 2.62% over the same period of last year. The profit from the property leasing service amounted to RMB 8,640,000, decreased by 1.37% over the same period of last year.

(3) IT product channel retail terminal business

In the report period, the overall operating result of Shenzhen SEG Industrial Investment Co., Ltd. witnesses obvious decline. Domestic IT retail market remained sluggish. Under the influence of the Chinese New Year holidays in Q1, the upstream and downstream partners encountered business stagnation. As a result, SEG partners lagged capital returns, and cash flow was slow, which directly influenced the operating income of the Company. In the report period, the Company invested in and founded SEG Intelligent Technology Co., Ltd., mainly developing and expanding intelligent and engineering projects and acting as an agent for communication retail brands.

In the report period, the total operating income from the channel business amounted to RMB 161,700,000, increased by 7.88% over the same period of last year, mainly due to the newly-added channel business of SEG Intelligent Technology Co., Ltd.

(4) Microcredit business

SEG Credit, a subsidiary of the Company (holding 53.02% of shares) ran well in the report period, its economic indicators rose sharply on the year-on-year basis. The Company has achieved success in the warehouse receipt collateral loan. Adapted to market changes and customer demands, the Company continuously explored new credit models, and tried the goods collateral loan model on the basis of risk control.

In the report period, the total operating income from the microcredit business amounted to RMB 49,580,000, increased by 3.16% over the same period of last year. The total profit from the microcredit business amounted to RMB 20,250,000, increased by 23.6% over the same period of last year. The main cause for increase is that new loans increased on a year-on-year basis.

(5) E-Commerce business

On July 21, 2015, the 24th interim meeting of the 6th Board of Directors approved the *Proposal on Transfer of 51% of Equities of Shenzhen SEG E-Commerce Co., Ltd.* The audit and assessment reference date for equity transfer was March 31, 2015. Due to outstanding debts between SEG E-Commerce and the Company, the equity transfer was not implemented as scheduled. Now that SEG E-Commerce paid off the loan of RMB 60 million and fund possession cost to the Company in April 2016, and State-owned Assets Supervision and Administration Commission of Shenzhen Municipality approved the equity transfer, the 1st interim meeting of the 7th Board of Directors approved that the audit and assessment reference data for transfer of 51% of equities of Shenzhen SEG E-Commerce Co., Ltd. held by the Company was changed to April 30, 2016. The Company will continue to push forward the equity transfer. Audit and assessment work is in progress, and the Company will perform the information disclosure obligation based on progress.

Year-on-year changes of the main financial data

Unit: Yuan

	The report period	The same period of the previous year	Year-on-year increase/decrease (%)	Reason for change
Operating income	362,673,236.85	374,555,135.61	-3.17%	
Operating cost	320,996,877.99	317,303,931.44	1.16%	
Sale expenses	818,331.16	941,405.12	-13.07%	
Management expenses	15,716,402.51	16,004,563.26	-1.80%	
Financial cost	755,340.12	843,057.23	-10.40%	
Income tax	22,038,716.72	20,121,370.92	9.53%	

	The report period	The same period of the previous year	Year-on-year increase/decrease (%)	Reason for change
R&D investment	127,447.60	20,000.00	537.24%	Increase in development expenses of new energies etc. projects during the report period
Net cash flow from operating activities	-99,314,028.40	-98,587,833.62	1.08%	
Net cash flow from investing activities	64,506,556.17	76,375,411.91	-15.54%	
Net cash flow arising from financing activities	-97,411,220.51	-204,572,249.79	-52.38%	1. Loans of the Company's decreased compared to the corresponding period of last year during the report period. Decrease in cash received from financing activities. 2. The Company repaid 250 million Yuan of bonds during the corresponding period of last year, and there is no record of this cash outflow during this period. Cash paid for financing activities decreased significantly compared to the last year.
Net increase in cash and cash equivalents	-132,218,674.94	-226,784,670.23	-41.55%	Cash flow from financing activities:

Major changes occur in the profit structure or the profit sources of the Company in the report period.

Applicable Not applicable

No major changes occur in the profit structure or the profit sources of the Company in the report period.

The prospectus, fund-raising notes, and asset restructuring reports of the Company disclose the future development and plans proceeding in the report period.

Applicable Not applicable

The Company launched a major assets restructuring program in November 2015. The Company's stocks (SHEN SEG 000058, SHEN SEG B 200058) were suspended from the early trading on November 04, 2015. During the stock suspension, the Company and related parties actively pushed forward major assets restructuring, and regularly disclosed progress notices. As of the date of the report, the Company has disclosed the major assets restructuring plan. See *Plan of Shenzhen SEG Co., Ltd. on Issue of Shares, Cash Purchase of Assets, and Supporting Fund Raising & Related Transaction* (Revised Draft) released on the Cninfo Website on February 25, 2016. The Company's stocks resumed from the early trading on February 25, 2016. After trading resumption, the Company and related parties actively pushed forward the relevant works of this major assets restructuring.

According to the major assets restructuring plan, based on integration of the existing resource platform, the Company will promote mutual development with commercial real estate and maker platform, improve property value, establish an O2O e-commerce platform, create a diversified SEG industry ecosystem, and build an industry-leading new SEG with clearly-defined strategic positioning.

After restructuring, the Company intends to expand the maker ecology, cultural education, intelligent technology, sports & entertainment, virtual experience, gaming, and financial services. Based on advantages in the specialized electronics market and commercial real estate business and Huaqiangbei industrial cluster, the Company will give full play to the resource allocation function. The Company will build the SEG maker center, SEG international maker product display

and promotion center, SEG maker apartment, and maker funds, get deeply involved in the maker ecology industrial chain, facilitating the maker group in basic hardware technologies, R&D and production support, and funding. The Company will also interact with upstream and downstream manufacturers, promote capitalization and industrialization of innovations, and marketization of new technologies and products, and invigorate innovative vitality of the market to support and build a new maker business ecology integrating "experimental development + incubator + marketing + supporting services", and promote business development. In addition, the Company will vitalize the existing specialized electronics market, combine service advantages of the specialized electronics market and customer resources, make more efforts to expand the electronic financial services, Internet e-commerce, supply chain financial service, intelligent hardware, virtual interactive experience industries, optimize and integrate the business chain system, take consumer experience as the carrier, utilize online and offline channels and resources, and carry out industrial upgrading.

The Company reviews and summarizes how the previously disclosed operation plan is progressed in the report period.

In the first half of 2015, according to the Company's "transformation, innovation, and development" guideline for management, the Company actively develops new business while maintaining the steady development of the existing business. Driven by the capital and resources, the Company creates a multi-channel profit model and mainly implements the following work in the report period:

(1) Accelerate transformation & upgrading, and construct an operation platform with SEG's core competitiveness

Under the current situation of industry development, the physical electronics market has developed from the single type of business to the direction of commercial complex integrating multiple businesses including electronics, science & technology, culture, catering, entertainment etc., the experiential, interactive, social-type, and scene-type commercial operation mode has become the industrial development mainstream of physical market. For this reason, the Company will aggregate the above businesses and resources to expand to the mainstream type of business relating to electronics industry and products, get involved in operation of certain contents from the single commercial platform, thus to build multiple types of businesses including CARPARK exhibition, intelligence technology, electronic sports games, children experience, culture education, forming the business pattern of modularization.

1. In the report period, the Company has established strategic cooperation with Wangyu Technology and Fujian Babycat, aiming to break through simple commercial platform operation, get involved in content production and operation, and build an integrated platform service operator. During the report period, the Company signed *Contract for Regional Agency for Wangyu Internet Bar* with Wangyu Technology, the two parties will carry out strategic cooperation utilizing their own platforms and resources advantages and open physical "Electronic Sports" (refer to e-sport events reaching the level of "sports") stores in properties of the Company in order to develop Electronic Sports business. Based on above strategic cooperation, currently the electronic sports store "SEG Internet Bar" opened by the Company is Nantong SEG marketplace is in preparation and is expected to be opened up at the beginning of October 2016. The Company has set up an Electronic Sports Business Department in August, 2016 to be responsible for the development, expansion and operation of electronic sports business.

2. During the report period, the Company signed *Strategic Cooperation Agreement* with Fujian Babycat Animation Company. The Company and Fujian Babycat Animation Company carry out cooperation utilizing their respective resources advantages, and combine children experience business type with intellectual property on animation to build SEG Small Babycat Children Paradise (name for temporary use) characterized with science, education, culture and experience, meeting the needs of transformation and upgrading of the Company's SEG electronics market while realizing their respective development strategy of national arrangement. The Company has set up a Children Industry Business Department in August 2016 to be responsible for the development, expansion and operation of SEG children theme experience store.

3. During the report period, according to the *Framework Agreement On Cooperation In Establishing China International Consumer Electronics Exhibition/Exchange Center in Shenzhen* signed by the Ministry of Industry and Information and Shenzhen Municipal Government on April 08, 2016 in order to accelerate the transformation & upgrading of the Company's physical electronics markets and construct a new electronics market operation platform with core SEG comparativeness, the Company invested RMB 9 million to establish Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd. together with Shenzhen Futian Investment Development Co., Ltd. (hereinafter referred to as "Futian Investment") and Shenzhen SHUM YIP LAND Company Limited (hereinafter referred to as "SHUM YIP LAND"), the parties will, based on their respective industrial bases and integrating with the development advantage of electronic industry in Shenzhen, and taking Shenzhen International Consumer Electronics

Exhibition/Exchange Center Co., Ltd. as the operation platform, jointly building China International Consumer Electronics Exhibition/Exchange Center that based in Shenzhen, oriented toward the global and high-end-targeted (hereinafter referred to as "trading center"), the Exhibition/Exchange Center will take Upperhills LOFT that located in central Shenzhen as the core, rely on the Pearl River Delta area, and link Huaqiangbei business circle, aimed to build a high-end international consumer electronics exhibition exchange complex.

This investment, taking Upperhills LOFT as the core, Huaqiangbei business circle as the support, is to build a world class consumer electronics Exhibition/Exchange center integrating new high-end consumer electronics product launch, exhibition, user experience, investment discussion, cooperation and transaction, create a 365-day exhibition/exchange platform, deeply dig new technologies, new products and new achievements in consumer electronics field in Shenzhen, China and even the world, and gather and exhibit high-end products and technologies in the whole chain of global electronics, especially consumer electronic industry, building the world's first rate high-end consumer electronics experience center and consumption center. Through this platform we can promote the upgrading of Huaqiangbei industries and the transformation & upgrading of the Company's physical electronics markets, endlessly extend and enrich business value chain, thus to strengthen the Company's core competitiveness and resources consolidation capacity.

(2) The Company, through establishing strategic cooperation relationships with renowned network platforms including Taobao, is dedicated to building operation platform combining with online and offline SEG electronics markets.

During the report period, the Company signed *Taobao "Enterprises Purchasing" Strategic Cooperation Agreement* with Taobao (China) Software Co., Ltd. (hereinafter referred to as "Taobao Company"), combining the physical tenants resources advantage of SEG electronics market with Taobao online resources, to provide SEG unique online and offline mixed service mode, lead the merchants of production materials including components and parts into the e-commerce field, assist merchants in market to cope with impact efficiently, thus to improve actual sales volume and acquire market share. The markets participating in these cooperation including: Shenzhen SEG market, Longgang SEG market, Suzhou SEG market, Wujiang SEG market, Wuxi SEG market, Shanghai SEG Market, Dongguan SEG Market, Bao'an SEG market, Kunshan SEG market and Xiamen SEG market. For this purpose, the Company specially sets up e-commerce business department to be especially responsible for execution and implementation of above mentioned strategic cooperation projects, assume other e-business related functions and explore new profit-making mode.

(3) Continue to build "SEG Maker" industrial ecological system

1. In order to implement the Company's development strategy, comprehensively promote "entrepreneurship and innovation", optimize the innovation and entrepreneurship environment and establish complete "SEG Maker" industrial ecological system, the Company signed *Trilateral Cooperation Agreement* with SEG Maker and Shenzhen Tencent on April 05, 2016, the three parties will utilize their respective platforms and resources advantages for strategic cooperation, jointly build comprehensive entrepreneurship service platform combining incubation with investment, hardware exhibition and sales platform where cooperation focuses on as well as the hardware laboratory platform providing actual innovation services, thus setting entrepreneurship incubation service benchmark in China combining hardware with software.

2. Circulating on establishing the business strategy of "SEG Maker Ecologic Circle", the Company signed *Strategic Cooperation Framework Agreement* with Zhejiang Tmall Technology Co., Ltd. (hereinafter referred to as "Tmall Company") on April 08, 2016. Both parties carry out strategic cooperation on directional recommendation of the Maker products and mature products, activities, marketing, media promotion, and resources complementation.

Based on the above strategic cooperation framework, in April 2016 the Company organized "Jchuang Quanqiu" series activities together with Alibaba, through giving play the resources advantages of both Alibaba and SEG, creating channel incubator for innovative businesses and building intelligent internet acceleration channel for the products of Maker and innovation businesses to flow to the market. Realize the attempt in value realization of product from "1" to "N". The aim is to form a normalization mechanism, give play the respective resources advantages of Alibaba and SEG, create channel incubator for Maker and innovative businesses, and build the intelligent internet acceleration channel for the products of Maker and innovation businesses to flow to the market.

(4) Nantong commercial real estate projects

During the report period, the various works of Nantong SEG Times Square project were fully advanced taking commercial investment, engineering reform, project application & acceptance inspection, and pre-opening as the four points of work. Main body construction and decoration for common area of the project have been basically completed; the commercial investment rate of project reaches 89.8%. Pre-opening of the project is underway in order. The Nantong animation industrial base built by Nantong SEG has been opened formally on June 18, 2016. It has signed contracts with 15 animation enterprises.

(5) For strategic upgrading, the Company achieves substantial progress in exploration of new industries.

During the report period, the Company, together with Advanced Solar Power (Hangzhou) Co., Ltd., Shenzhen Raytai Technology Photovoltaic Engineering Co., Ltd. and Shenzhen Energy Nanjing Holding Co., Ltd., jointly invested 5 million Yuan (of which the Company invested 2.5 million Yuan with a shareholding ratio of 50%) to form Shenzhen SEG Longyan New Energy Application and Development Co., Ltd. The Company will be engaged in promotion of integrated distributed CdTe thin PC power plant and construction PC (BIPV), contracting of integrated engineering and distribution of CdTe thin solar cell module. The Business License for Shenzhen SEG Longyan New Energy Application and Development Co., Ltd. has been obtained from Shenzhen Market Supervisory Authority on May 30, 2016.

(6) Major assets restructuring

3. The Company launched a major assets restructuring program in November 2015. The Company's stocks (SHEN SEG 000058, SHEN SEG B 200058) were suspended from the early trading on November 04, 2015. During the stock suspension, the Company and related parties actively pushed forward major assets restructuring, and regularly disclosed progress notices. As of the date of the report, the Company has disclosed the major assets restructuring plan. See *Plan of Shenzhen SEG Co., Ltd. on Issue of Shares, Cash Purchase of Assets, and Supporting Fund Raising & Related Transaction* (Revised Draft) released on the Cninfo Website on February 25, 2016. The Company's stocks resumed from the early trading on February 25, 2016. After trading resumption, the Company and related parties actively pushed forward major assets restructuring. Upon deliberated and passed on the third provisional meeting of the 7th session of board of directors, the Company disclosed *Restructuring Report on Issuance of Shares, Payment of Cash for Asset Acquisition and Raising of Supporting Funds & Connected Transactions* on August 04, 2016. The Company will go through the relevant examination & approval procedure according to the requirements of laws and regulations.

According to the disclosed major assets restructuring report, the Company plans to, through issuance of shares and payment of cash, purchase 100% stock right of SEG Maker, 55% stock right of Shenzhen SEG Kangle Enterprise Development Co., Ltd., 100% stock right of Shenzhen SEG Properties Development Co., Ltd. and 79.02% of Shenzhen SEG Real Estate Investment Co., Ltd. held by SEG Group; and issue shares to no more than 10 specific investors via private placement to raise the supporting funds.

III. Constitutes of main business

Unit: Yuan

	Operating income	Operating cost	Gross Profit Rate	Year-on-year increase/decrease of operating income	Year-on-year increase/decrease of operating cost	Year-on-year increase/decrease of gross profit rate
Classified by industry						
Electronics market operation and property leasing	176,252,448.85	124,730,640.84	29.23%	-10.02%	-13.23%	2.62%
Trade	161,703,245.00	160,014,455.91	1.04%	5.31%	6.18%	-0.81%
Finance	49,577,595.91	13,458,039.39	72.85%	3.15%	307.79%	-20.28%
Hotel	12,497,491.00	11,107,375.70	11.12%	-3.15%	12.11%	-12.10%
E-commerce	12,220,052.00	11,686,366.15	4.37%	-17.58%	21.07%	-30.53%
Classified by product						
Not applicable						
Region						
Shenzhen	238,194,005.01	163,802,003.66	31.23%	-25.91%	-26.62%	0.66%
Xi'an	31,026,368.81	21,342,099.26	31.21%	5.38%	3.04%	1.56%

	Operating income	Operating cost	Gross Profit Rate	Year-on-year increase/decrease of operating income	Year-on-year increase/decrease of operating cost	Year-on-year increase/decrease of gross profit rate
Suzhou	106,169,705.58	102,693,473.56	3.27%	211.46%	217.35%	-1.80%
Changsha	19,618,369.04	13,798,280.63	29.67%	9.35%	-10.26%	15.37%
Nanjing	12,390,327.70	15,798,368.65	-27.51%	-23.06%	-4.33%	-24.96%
Shunde	1,479,755.28	1,371,032.37	7.35%	31.35%	36.16%	-3.28%
Wuxi	3,372,301.34	2,032,510.86	39.73%	131.38%	-61.08%	298.08%

IV. Analysis of the core competitiveness

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

The Company directly operates Shenzhen SEG Electronics Market, which has a leading position in the industry and is the founder of the professional electronics market operation model in China. The Company has won various honorary titles such as "China Five-star Electronics Market", "Most Influential Professional Market in Shenzhen in 30 years", "2014-2015 National Integrity Model Market" (awarded by the State Administration for Industry and Commerce) and "Top 10 Brands of Professional Markets Influencing China in Shenzhen".

The Company has operated nearly 30 professional electronics markets in China in direct operation, joint operation, and entrusted operation modes. The electronics market covers the Pearl River Delta and Yangtze River Delta, with a radiation to the entire China. Through twenty-eight years of hard work in electronics market industry, the Company has rich market merchant resources and mature market operation management experience. SEG Electronics Market has successfully combined IT complex self-construction, leasing and trusted management, combined market service and value-added financial service, and combined professional market, SEG factory store and distribution channels. SEG Electronics Market stood out as the largest specialized electronics markets in China and even in Asia covering electronic components, IT products, and communications products and has great brand influence both at home and abroad.

Faced with the increasingly severe market competition environment and the impact of new business models represented by internet, the Company uses electronics market business and "O2O" of e-commerce as entry point, through cooperation with renowned internet enterprises, to create "internet+" compound business model of "entity + e-business + channel" from the three aspects of e-commerce platform construction, expansion of wholesale channels and sales via physical stores; meanwhile, the Company, based on SEG MIS system, SEG Online Hall, other backstage big data management system as well as "PC + mobile terminal", builds the resources-sharing platform integrating market merchants, suppliers, purchasers and consumers, realizes "O2O" interaction and the resources linkage across the national market.

Under the historical background of "popular entrepreneurship and innovation", the Company fully utilizes geographic advantage of Shenzhen SEG Electronics Market of being located at Shenzhen Huaqiangbei, relies on the industrial advantage of collecting and distributing center of electronic products including electronic components and parts, gives play the advantage of rich merchants resources, operation experience and industrial position that SEG Electronics Market has accumulated for the past twenty-eight years, and realize through SEG Maker platform the hierarchical progression from product end and market end to resources end, and link the information at resources end with the entrepreneurship end, forming SEG's new platform value while providing SEG Maker ecological circle with comprehensive one-stop solutions and supporting services including project stationing, experiment development, project incubation, project demonstration, channel incubation, market promotion, listing coaching. The Company will utilize its unique advantages in geographic location, market, brand, resources and channels, deeply dig and fully cater to Makers' needs, promote the capitalization and industrialization of Maker products results, stimulate the innovation vigor of electronics market, endlessly extend and enrich business value chain, finally promote the transformation, upgrading and healthy development of the Company's businesses.

V. Analysis of the investment situation

1. Foreign equity investment

(1) Forest investment

Applicable Not applicable

Investment of the Company		
Investment in the report period (RMB Yuan)	Investment over the same period of last year (RMB Yuan)	Increase/decrease (%)
135,463,224.43	126,000,000.00	7.51%
Information about the invested companies		
Company name	Main business	Equity ratio of listed company in invested company
Suzhou SEG Intelligent Technology Co., Ltd.	Integrators of relevant intelligent household products, carry out relevant household businesses.	100.00%
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Be engaged in promotion of integrated distributed CdTe thin PC power plant and construction PC (BIPV), contracting of integrated engineering and distribution of CdTe thin solar cell module.	50.00%
Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Build high-end consumer electronics exhibition/exchange center, including but not limited to high-end consumer electronics brand flagship store, high-end innovation products exhibition area, launch of new consumer electronic product, enterprise brands exhibition, Maker club, advertisement creativity exhibition service, information and data services, supporting government services, financial investment service, enterprise management & consulting, business brand management, technical services, technology consulting, results transferring and education training.	30.00%
Nantong SEG Times Square Development Co., Ltd.	Development and operation of real estate, lease and sales of self-owned house, property management, and sales of electronic products	100.00%

(2) Equity of the financing enterprises held by the Company

Applicable Not applicable

The Company does not hold the equity of the financing enterprises within the report period.

(3) Security investment

Applicable Not applicable

Stock type	Stock code	Short form of the security	Initial investment cost (Yuan)	Shares held at period beginning	Initial shareholding percentage	Shares held at period end	Share-holding proportion at period end (%)	Ending book value	Gains and losses in the report period	Accounting item	Source of shares
Share	600778	Youhao Group	90,405.00	60,683	0.04%	60,683	0.04%	588,625.10		Financial assets available for sale	Initial share
Share	000068	Huakong SEG	279,307,046.38	201,345,033	20.00%	201,345,033	20.00%	177,028,066.40	-4,715,142.77	Long-term equity investment	Initial share
Share	832770	SEG Navigations	8,275,321.43	7,500,000	11.38%	7,500,000	11.38%	13,515,392.83		Financial assets available for sale	Initial share
Total			287,672,772.81	208,905,716	--	208,905,716	--	191,132,084.33	-4,715,142.77	--	--
Disclosure date of the public notice of the Board of Directors on entrusted finance approval (if any)											
Disclosure date of the public notice of the meeting of shareholders on entrusted finance approval (if any)											

(4) Equity of other listed companies held by the Company

Applicable Not applicable

The Company does not hold the equity of other listed companies within the report period.

2. Entrusted financing, investment of derived products, and entrusted loaning

(1) Entrusted financing

Applicable Not applicable

Unit: RMB 10,000 Yuan

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
SEG Co., Ltd.	Industrial and Commercial Bank of China	No	ICBC Gong Ying Sui Xin Tian Li SZWL1560 (93 days)	2,000	December 28, 2015	March 30, 2016	Guaranteed minimum income	2,000		23.44	23.44
SEG Co., Ltd.	Industrial and Commercial Bank of China	No	ICBC Gong Ying Sui Xin Tian Li SZWL1560 (93 days)	3,800	April 07, 2016	July 09, 2016	Float income			44.54	
SEG Co., Ltd.	China Citic Bank	No	CITIC-CP cash management No.3	6,000	June 04, 2015	May 13, 2016	Float income	6,000		194.94	194.94
SEG Co., Ltd.	The Agricultural Bank of China	No	An Xin Ling Dong 20 days	3,000	December 02, 2015	January 15, 2016	Float income	3,000		11.55	11.55

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
SEG Co., Ltd.	Shanghai Pudong Development Bank	No	Liduoduo 2301137335	3,500	January 11, 2016	February 14, 2016	Float income	3,500		14.71	14.71
SEG Co., Ltd.	Shanghai Pudong Development Bank	No	Liduoduo 2301137335	6,500	April 13, 2016	May 16, 2016	Float income	6,500		23.36	23.36
Xi'an SEG	China Merchants Bank	No	China Merchants Bank Dianjin Company Li Cai Zheng Li series No. 61 Wealth Management Plan	700	January 20, 2016	May 25, 2016	Float income	700		9.67	9.67
Xi'an SEG	Bank of China	No	AMZYZH14129	500	March 01, 2016	September 20, 2016	Float income	0		11.26	
Xi'an SEG	Bank of China	No	AMZYZH14129	500	March 04, 2016	July 04, 2016	Float income	0		6.35	
Xi'an SEG	Bank of China	No	Bank of China Ji Fu Li (fixed term at head office) C	500	April 15, 2016	August 09, 2016	Float income	0		5.72	
Xi'an SEG	Bank of China	No	Bank of China Ji Fu Li (fixed term at head office) C	400	April 29, 2016	August 19, 2016	Float income	0		4.3	
Xi'an SEG	Bank of China	No	Ri Ji Yue Lei	300	May 09, 2016	May 31, 2016	Float income	300		0.44	0.44
Xi'an SEG	China Merchants Bank	No	Bu Bu Sheng Jin 8688	100	May 10, 2016	June 23, 2016	Float income	100		0.24	0.24
Xi'an SEG	China Merchants Bank	No	Bu Bu Sheng Jin 8699	100	May 10, 2016	June 23, 2016	Float income	100		0.42	0.42
Xi'an SEG	Bank of China	No	Ri Ji Yue Lei	100	May 25, 2016	May 31, 2016	Float income	100		0.04	0.04
Xi'an SEG	China Merchants Bank	No	Bu Bu Sheng Jin 8699	700	May 27, 2016	June 23, 2016	Float income	700		1.69	1.69
Xi'an SEG	Bank of China	No	Ri Ji Yue Lei	100	June 01, 2016	June 06, 2016	Float income	100		0.03	0.03
Xi'an SEG	Bank of China	No	Ri Ji Yue Lei	300	June 01, 2016	June 22, 2016	Float income	300		0.42	0.28

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYJZT (364 days)	1,300	January 05, 2015	January 04, 2016	Guaranteed minimum income	1,300		68.71	68.71
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYJZT (364 days)	1,500	March 19, 2015	March 17, 2016	Guaranteed minimum income	1,500		78.53	78.53
SEG Baohua	China Citic Bank CITIC-CP Asset Management Co., Ltd.	No	CITIC-CP cash management No.3	1,000	July 17, 2015	May 12, 2016	Float income	1,000		39.45	39.46
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYJF	1,000	July 31, 2015	July 22, 2016	Guaranteed minimum income			44.01	
SEG Baohua	CITIC-CP Asset Management Co., Ltd.	No	CITIC-CP cash management No.3	1,000	August 04, 2015	May 12, 2016	Float income	1,000		37.37	37.37
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYPW	2,100	September 24, 2015	September 27, 2016	Guaranteed minimum income			95.53	
SEG Baohua	Industrial and Commercial Bank of China Baohua Branch	No	ICBC Li Cai Gong Ying Sui Xin Tian Li	100	November 26, 2015	February 26, 2016	Guaranteed minimum income	100		1.2	1.2
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYZH14129	1,300	January 08, 2016	January 06, 2017	Guaranteed minimum income			53.8	
SEG Baohua	Bank of China Shenzhen SEG Plaza Branch	No	AMZYZH14129	1,600	March 22, 2016	March 24, 2017	Guaranteed minimum income			64.35	
SEG Baohua	Industrial and Commercial Bank of China Baohua Branch	No	ICBC Li Cai Gong Ying Sui Xin Tian Li	1,000	April 20, 2016	July 21, 2016	Guaranteed minimum income			11.72	
SEG Baohua	Industrial and Commercial Bank of China Baohua Branch	No	Li Cai Gong Ying 2012	1,000	May 23, 2016	August 23, 2016	Guaranteed minimum income			11.21	

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Nantong SEG Times Square Development Co., Ltd.	Bank of China Nantong Gangzha Branch	No	GSRJYL01	900	December 14, 2015	January 27, 2016	Guaranteed minimum income	900		1.74	1.74
Nantong SEG Times Square Development Co., Ltd.	Bank of China Nantong Gangzha Branch	No	GSRJYL01	2,000	January 12, 2016	January 27, 2016	Guaranteed minimum income	2,000		2.3	2.3
Nantong SEG Times Square Development Co., Ltd.	Bank of China Nantong Gangzha Branch	No	GSRJYL01	500	January 28, 2016	February 01, 2016	Guaranteed minimum income	500		0.15	0.15
Nantong SEG Times Square Development Co., Ltd.	Bank of China Nantong Gangzha Branch	No	GSRJYL01	1,000	May 06, 2016	December 31, 2016	Guaranteed minimum income	900			
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09
Shenzhen SEG Electronics Nanjing Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	January 08, 2016	February 16, 2016	Float income	30		0.09	0.09
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	20	January 08, 2016	February 16, 2016	Float income	20		0.06	0.06
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	March 25, 2016	June 02, 2016	Float income	30		0.16	0.16
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	March 25, 2016	June 02, 2016	Float income	30		0.16	0.16
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	March 25, 2016	June 02, 2016	Float income	30		0.16	0.16
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	WL35BBX	30	March 25, 2016	June 02, 2016	Float income	30		0.16	0.16

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	January 13, 2016	December 31, 2016	Float income	30		0.32	0.32
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	January 13, 2016	December 31, 2016	Float income	30		0.32	0.32
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	January 15, 2016	December 31, 2016	Float income	30		0.32	0.32
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	January 15, 2016	December 31, 2016	Float income	30		0.32	0.32
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	February 26, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	February 26, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	February 26, 2016	December 31, 2016	Float income				

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	February 26, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	20	February 26, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	March 22, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	March 31, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	March 31, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	March 31, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	March 31, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	April 01, 2016	December 31, 2016	Float income				

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Industrial and Commercial Bank of China Sipailou Branch	No	"Ri Sheng Yue Heng" ± incremental gains	30	April 01, 2016	December 31, 2016	Float income				
Shenzhen SEG Nanjing E-Commerce Co., Ltd.	Ping An Bank	No	AGT100002	1,200	December 12, 2015	January 21, 2016	Guaranteed minimum income	1,200		1.75	1.75
Shenzhen SEG E-Commerce Co., Ltd.	Ping An Bank	No	AGT100002	2,100	December 29, 2015	January 21, 2016	Guaranteed minimum income	2,100		3.05	3.05
Shenzhen SEG E-Commerce Co., Ltd.	Ping An Bank	No	AGT100002	1,000	December 31, 2015	February 01, 2016	Guaranteed minimum income	1,000		1.45	1.45
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	800	August 20, 2015	February 18, 2016	Guaranteed minimum income	800		17.15	17.15
Xi'an Hairong SEG	Bank of China	No	AMZYJZT-A15267	700	September 22, 2015	March 04, 2016	Guaranteed minimum income	700		13.37	13.37
Xi'an Hairong SEG	Bank of China	No	AMZYJZT-A15267	500	November 27, 2015	January 26, 2016	Guaranteed minimum income	500		3.25	3.25
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	300	January 18, 2016	May 09, 2016	Guaranteed minimum income	300		3.68	3.68
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	600	February 01, 2016	March 10, 2016	Guaranteed minimum income	600		2.34	2.34
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	750	February 22, 2016	April 07, 2016	Guaranteed minimum income	750		3.42	3.42
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	700	March 07, 2016	June 02, 2016	Guaranteed minimum income	700		6.34	6.34
Xi'an Hairong SEG	Bank of China	No	AMZYZH14129	650	March 14, 2016	June 27, 2016	Guaranteed minimum income	650		7.11	7.11

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	450	Thursday, April 14, 2016	2016.10.20	Guaranteed minimum income			8.62	
Xi'an Hairong SEG	Bank of China	No	AMZYJF	200	May 17, 2016	August 23, 2016	Guaranteed minimum income			1.88	
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	700	June 06, 2016	November 28, 2016	Guaranteed minimum income			11.91	
Xi'an Hairong SEG	Bank of China	No	AMZYZH14129	300	June 30, 2016	September 01, 2016	Guaranteed minimum income			1.81	
Xi'an Hairong SEG	Bank of China	No	AMZYPWHQ-15190	400	June 30, 2016	June 22, 2017	Guaranteed minimum income			14.87	
Wujiang SEG	Bank of China	No	AMZYPWHQ-15190	400	October 22, 2015	January 21, 2016	Float income	400		4.19	4.19
Wujiang SEG	Shanghai Pudong Development Bank	No	2301137338	400	October 28, 2015	January 25, 2016	Float income	400		4.54	4.54
Wujiang SEG	Shanghai Pudong Development Bank	No	2301137338	400	November 21, 2015	May 23, 2016	Float income	400		8.78	8.78
Wujiang SEG	Shanghai Pudong Development Bank	No	2301137338	400	December 16, 2015	January 15, 2016	Float income	400		1.46	1.46
Wujiang SEG	Shanghai Pudong Development Bank	No	2301137338	400	January 19, 2016	July 16, 2016	Float income			8.88	
Wujiang SEG	Bank of China	No	AMZYPWHQ-15190	300	January 25, 2016	July 21, 2016	Float income			6	
Wujiang SEG	Shanghai Pudong Development Bank	No	2301137338	400	February 02, 2016	July 30, 2016	Float income			7.23	

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Changsha SEG Development Co., Ltd.	Bank of Communications	No	YTCF-RZL	100	January 11, 2016	April 11, 2016	Guaranteed minimum income	100		0.93	0.93
Changsha SEG Development Co., Ltd.	Bank of Communications	No	YTCF-RZL	100	February 01, 2016	May 03, 2016	Guaranteed minimum income	100		0.92	0.92
Changsha SEG Development Co., Ltd.	Bank of Communications	No	YTCF-RZL	100	March 07, 2016	June 07, 2016	Guaranteed minimum income	100		0.86	0.86
Changsha SEG Development Co., Ltd.	Bank of Communications	No	YTCF-RZL	200	April 18, 2016	October 17, 2016	Guaranteed minimum income			3.39	
Changsha SEG Development Co., Ltd.	Bank of Communications	No	YTCF-RZL	200	May 16, 2016	August 16, 2016	Guaranteed minimum income			1.71	
Changsha SEG Development Co., Ltd.	China Merchants Bank	No	51422	150	June 21, 2016	August 16, 2016	Capital preservation			0.75	
SEG Credit	Industrial and Commercial Bank of China	No	ZQL180ZQX	31.13	January 24, 2015	January 16, 2016	Constant return	31.13		2.29	1.31
SEG Credit	Industrial and Commercial Bank of China	No	SZWL1560	72	Thursday, October 15, 2015	Saturday, January 16, 2016	Constant return	72		0.89	0.89
Wuxi SEG	Industrial and Commercial Bank of China	No	WL63BBX	200	October 30, 2015	January 01, 2016	Guaranteed minimum income	200		1.23	1.23
Wuxi SEG	Industrial and Commercial Bank of China	No	WL63BBX	200	November 24, 2015	January 26, 2016	Guaranteed minimum income	200		1.09	1.09
Wuxi SEG	Industrial and Commercial Bank of China	No	WL63BBX	230	November 26, 2015	January 28, 2016	Guaranteed minimum income	230		1.83	1.83
Wuxi SEG	The Agricultural Bank of China	No	Ben Li Feng 90 days	550	November 27, 2015	February 25, 2016	Guaranteed minimum income	550		4.41	4.41

Name of trustee	Associated Relationship	Connected Transaction or Not	Product Type	Amount of entrusted financing	Start Date	End Date	Remuneration confirmation method	Principal amount returned in the report period	Impairment provision (if any)	Projected income	Actual loss and gain amount in the report period
Wuxi SEG	The Agricultural Bank of China	No	995101010010200	550	February 29, 2016	March 14, 2016	Guaranteed minimum income	550		0.49	0.49
Wuxi SEG	The Agricultural Bank of China	No	995101010010200 phase 3	550	March 14, 2016	March 29, 2016	Guaranteed minimum income	550		0.65	0.66
Wuxi SEG	Industrial and Commercial Bank of China	No	0701CDOB Wealth Management	220	March 09, 2016	December 31, 2016	Guaranteed minimum income				
Wuxi SEG	The Agricultural Bank of China	No	995101010010200 phase 3	400	April 06, 2016	December 31, 2016	Guaranteed minimum income				
Wuxi SEG	Industrial and Commercial Bank of China	No	0701CDOB Wealth Management	200	May 10, 2016	December 31, 2016	Guaranteed minimum income				
Wuxi SEG	Industrial and Commercial Bank of China	No	701CDOB Wealth Management	100	June 12, 2016	December 31, 2016	Guaranteed minimum income				
Total				65,363.13	--	--	--	46,623.13	0	1,030.23	609.29
Source of entrusted financial funding				Self-owned capital							
Cumulative amount of capital and profit unclaimed within the due				0							
Lawsuit involvement (if applicable)				N/A							
Disclosure date of the public notice of the Board of Directors on entrusted finance approval (if any)											
Disclosure date of the public notice of the meeting of shareholders on entrusted finance approval (if any)											

(2) Investment of derived products

Applicable Not applicable

No investment in derivatives is involved within the report period.

(3) Entrusted loaning

Applicable Not applicable

No entrusted loaning is involved within the report period.

3. Use of the collected capital

Applicable Not applicable

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

4. Analysis of the main subsidiaries and joint stock companies

Applicable Not applicable

List of major subsidiaries and shareholding companies

Unit: Yuan

Company name	Entity Type	Industry	Major Products or Services	Registered Capital	Total Assets	Net Assets	Operating income	Operating Profit	Net profit
Wujiang SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,000,000.00	15,360,982.39	4,244,891.27	7,490,153.44	1,028,620.35	937,626.91
Wuxi SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,000,000.00	14,653,775.03	5,151,393.38	3,372,301.34	1,250,975.83	1,206,082.70
Nantong SEG	Subsidiary	real estate development	Development and operation of real estate	30,000,000.00	633,713,741.36	23,875,393.99		44,673.74	63,673.11
Yantai SEG	Subsidiary	real estate development	Development and operation of real estate	45,000,000.00					
Nanning SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	8,000,000.00	1,759,691.34	-881,062.28			
Shunde SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	6,000,000.00	4,828,206.55	3,210,310.98	1,479,755.28	44,640.43	51,088.43
SEG E-Commerce	Subsidiary	E-commerce	E-commerce	30,000,000.00	96,706,009.81	4,665,937.83	12,220,052.31	-3,391,465.86	-3,295,037.74
SEG Credit	Subsidiary	Finance	Micro-credit	150,000,000.00	566,348,502.92	172,606,740.92	49,577,595.91	20,248,933.14	14,098,803.25
SEG Baohua	Subsidiary	Property operation and management and hotel business	Property operation and management and hotel business	30,808,800.00	158,772,239.06	100,389,210.74	41,085,826.65	19,367,559.77	14,696,275.26
SEG Industry	Subsidiary	Property lease	Channel retail terminal of electronic products and property operation and management	25,500,000.00	86,972,566.27	39,444,963.54	97,530,940.11	783,045.33	783,045.33
Xi'an SEG	Subsidiary	Electronics	Operation and	3,000,000.00	45,023,362.78	13,610,054.28	19,958,356.63	7,062,497.62	6,062,000.88

Company name	Entity Type	Industry	Major Products or Services	Registered Capital	Total Assets	Net Assets	Operating income	Operating Profit	Net profit
		market	management of professional electronics market						
Longgang SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,000,000.00	25,118,282.61	6,488,993.99	4,578,790.18	1,165,934.08	890,007.06
Suzhou SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,000,000.00	42,108,142.18	10,622,821.25	23,521,587.85	4,391,705.29	3,182,080.71
Changsha SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	35,000,000.00	86,146,274.12	67,073,394.65	11,509,734.96	4,425,768.42	3,314,259.58
Xi'an Hairong SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	3,000,000.00	25,665,031.73	4,711,851.60	11,068,012.18	1,663,759.20	1,428,526.32
Nanjing SEG	Subsidiary	Electronics market	Operation and management of professional electronics market	20,000,000.00	29,192,873.98	5,280,662.35	12,390,327.70	-3,724,010.89	-3,708,884.10
Suzhou SEG Digital	Subsidiary	Electronics market	Operation and management of professional electronics market	8,000,000.00	26,059,011.78	-2,425,796.99	19,074,390.98	117,059.97	117,394.97
Xi'an Fengdong SEG	Subsidiary	Development and operation of real estate	Development and operation of real estate	30,000,000.00					
Nantong SEG Operation	Subsidiary	Operation of real estate	Property Operation	5,000,000.00	3,066,815.16	-171,164.78		-170,691.17	-170,691.81
Intelligent Technology	Subsidiary	Trading	Intelligent household, trading	10,000,000.00	7,651,869.14	7,273,178.56	56,083,573.31	-2,732,821.75	-2,726,821.44
SEG Longyan	Subsidiary	Energy	New energy development	5,000,000.00					

Company name	Entity Type	Industry	Major Products or Services	Registered Capital	Total Assets	Net Assets	Operating income	Operating Profit	Net profit
Huakong SEG	Shareholding company	Computer, communication and other electronic equipment manufacturing industries	Asset management under entrustment, investment consulting, enterprise management consulting, and economic information consulting	1,006,671,464.00	735,724,883.66	667,240,325.25	42,719,787.19	-27,971,553.53	-26,861,012.87
Shanghai SEG	Shareholding company	Electronics market	Operation and management of professional electronics market	5,000,000.00	22,330,879.13	10,020,932.12	3,084,877.60	-396,801.14	-318,880.23
Trade Center	Shareholding company	Exhibition and electronics market	Electronics exhibition and new product launch platform	30,000,000.00	30,000,000.00	30,000,000.00			

5. Major projects that are not invested by the collected capital

Applicable Not applicable

No major projects that are not invested by the collected capital are involved in the report period.

VI. Forecasts of operation performance from January to September, 2016

Warning and reasons for forecasts on loss of the accumulated net profit from the year beginning to the end of next period or sharp year-on-year changes in net profit

Applicable Not applicable

VII. Explanations of the Board of Directors and the Board of Supervisors to the "Non-standard Audit Report" made by the accounting firm in the report period

Applicable Not applicable

VIII. Explanations of the Board of Directors to the relative information of the "Non-standard Audit Report" of the previous year

Applicable Not applicable

IX. Distribution of profit in the reporting period

Implementation or adjustment of the profit distribution scheme, especially the cash dividend scheme and the scheme of transferring the capital reserve to shares in the report period

Applicable Not applicable

1. The Company's profit distribution scheme for 2015: statutory surplus accumulation fund amounting to 7,009,501.20 Yuan is accrued at 10% of profits attributable to shareholders; cash bonus to whole shareholders is made at 0.30 Yuan/10 shares (tax included) based on the Company's share capital 784,799,010 Yuan as at December 31, 2015. The Company made a total profit distribution of 23,543,970.30 Yuan, among which cash bonus accounts for 100% of this profit distribution. The Company decided not to transfer capital reserve into share capital.

2. The Company's profit distribution scheme for 2015 was deliberated and passed on the Company's 21th (2015) stockholders' meeting.

3. The implementation of the Company's profit distribution scheme for 2015 was completed on June 30, 2016.

Special statement on cash bonus policy	
Whether consistent with provisions of Articles of Association or requirements of the resolutions of shareholders' meeting.	Yes
Whether bonus sharing standard and proportion are clear and definite:	Yes
Whether the relevant decision-making procedure and mechanism are complete:	Yes
Whether independent directors have performed their duties and played their due functions:	Yes
Whether minority shareholders have been give the opportunity to express their opinions and claims, and whether their legitimate rights and interests are fully protected:	Yes
Where the cash bonus policy is adjusted or changed, whether the conditions and procedure are compliant with laws and regulations and transparent:	Not applicable

X. Plan of profit distribution and transferring the capital reserve to shares in the report period

Applicable Not applicable

In the first half year, the Company plans not to distribute cash dividend or shares, or transfer the capital reserve to shares.

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

Applicable Not applicable

Time	Place	Means	Type	Object	Main Content of Discussion and the Materials Provided
January 04, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.
January 07, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.

Time	Place	Means	Type	Object	Main Content of Discussion and the Materials Provided
January 08, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.
February 01, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.
February 02, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.
February 19, 2016	The Company	Phone call	Individual	Individual	Inquire about the Company's reply to the <i>Inquiry Letter on Restructuring of Shenzhen SEG Co., Ltd.</i> issued by Shenzhen Stock Exchange. The Company has expressed in reply that it has organized intermediary organs to carry out careful study, fulfill and reply the relevant problems one by one, and bring the investors' attention to the announcement to be issued.
February 20, 2016	The Company	Phone call	Individual	Individual	Inquire about the Company's reply to the <i>Inquiry Letter on Restructuring of Shenzhen SEG Co., Ltd.</i> issued by Shenzhen Stock Exchange. The Company has expressed in reply that it has organized intermediary organs to carry out careful study, fulfill and reply the relevant problems one by one, and bring the investors' attention to the announcement to be issued.
February 22, 2016	The Company	Phone call	Individual	Individual	Inquire about the time for Company's stocks to resume trading. The Company has given reply according to the actual progress status that has been disclosed.

Time	Place	Means	Type	Object	Main Content of Discussion and the Materials Provided
February 23, 2016	The Company	Phone call	Individual	Individual	Inquire about the time for Company's stocks to resume trading. The Company has given reply according to the actual progress status that has been disclosed.
February 25, 2016	The Company	Phone call	Individual	Individual	Inquire about the assets injection related information in this major assets restructuring. The Company has given reply according to the major assets restructuring plan that has been disclosed.
February 26, 2016	The Company	Phone call	Individual	Individual	Inquired whether the Company will disclose important public notice. The Company replied no information that needs to be disclosed is undisclosed.
February 27, 2016	The Company	Phone call	Individual	Individual	Inquired whether the Company will disclose important public notice. The Company replied no information that needs to be disclosed is undisclosed.
March 01, 2016	The Company	Phone call	Individual	Individual	Inquired the number of shareholders till February 29. The Company provided the information released by the Securities Depository and Clearing Corporation.
Tuesday, March 15, 2016	The Company	Phone call	Individual	Individual	Inquired the number of shareholders till March 15. The Company provided the information released by the Securities Depository and Clearing Corporation.
March 22, 2016	The Company	Phone call	Individual	Individual	Inquired the time for disclosing the annual report. The Company answered that the annual report was to be disclosed on Wednesday, March 30, 2016.
March 31, 2016	The Company	Phone call	Individual	Individual	Inquired the Company's financial data for 1st quarter. The Company suggested the investor to focus on the 2016 Q1 Report to be disclosed soon.

Time	Place	Means	Type	Object	Main Content of Discussion and the Materials Provided
April 20, 2016	The Company	Phone call	Individual	Individual	Inquire about the assets injection related information in this major assets restructuring. The Company has given reply according to the major assets restructuring plan that has been disclosed.
April 30, 2016	The Company	Phone call	Individual	Individual	Inquired the number of shareholders till May 29. The Company provided the information released by the Securities Depository and Clearing Corporation.
May 19, 2016	The Company	Phone call	Individual	Individual	Inquire about the progress status of major assets restructuring. The Company has given reply according to the actual progress status that has been disclosed.
June 15, 2016	The Company	Phone call	Individual	Individual	Inquired the number of shareholders till May 15. The Company provided the information released by the Securities Depository and Clearing Corporation.
June 30, 2016	The Company	Phone call	Individual	Individual	Inquired the specific operating conditions in Q2. The Company suggested the investor to focus on the 2016 Semi-annual Report to be disclosed soon.

Chapter 5 Important Matters

I. Governance of the Company

In the report period, the Company has constantly improved the governance structure and internal control structure and standardize the governance level 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*, and other laws and regulations stipulated by China Securities Regulatory Commission. However, 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 corporation in Shenzhen and Shenzhen State-owned Assets Supervision and Administration Bureau is the controlling shareholder of SEG Group. It must implement the Property Right Representatives Report System for state-owned assets management according to the management methods of Shenzhen for state-owned assets.
2. In 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 shareholders and the actual controller.

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

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

Serial 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 <i>State-owned Asset Management Information System</i> .	Monthly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council</i> (SASAC [2003]23)	Approved by the Board of Directors Agree to the submission.

Serial 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
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 <i>State-owned Asset Management Information System</i> .	Monthly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.
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 <i>State-owned Asset Management Information System</i> .	Monthly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.
4	SEG Group	Controlling shareholder (30.24%)	Summary sheet of deposits, financing, and loans of the Headquarters	The financial personnel at the Headquarters prepare the sheet that is reported through the <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.
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 <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.
6	SEG Group	Controlling shareholder (30.24%)	Summary sheet of quarterly information on investment properties of the Company registered in Shenzhen	It has been reported since June 2009. The invested corporation of the Company and the financial staff at the Headquarters prepare the sheet and consolidate the statements, which are reported through the <i>State-owned Asset Management Information System</i> .	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.

Serial 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
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 <i>State-owned Asset Management Information System</i> . They have been reported on line from July 2008.	Monthly	<i>The Notice of Shenzhen SEG Co., Ltd on Submitting of Monthly Statements</i>	Approved by the Board of Directors Agree to the submission.
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 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.	Approved by the Board of Directors Agree to the submission.
	Shenzhen Statistics Bureau	Government branch					

Serial 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
9	SEG Group	Controlling shareholder (30.24%)	Summary sheet of quarterly financial assets	Sealed by the Company	Quarterly	The document <i>Notice about Formulation of the Monthly Flash Report of Enterprises Supervised by Stated-owned Assets Supervision and Administration Commission of the State Council (SASAC [2003]23)</i>	Approved by the Board of Directors Agree to the submission.
10	Shenzhen SASAC	Actual controller	Analysis of investor relations in 2016 Q1 and Q2	The list of the top 100 shareholders and the trading information of each quarter should be provided by the Securities Depository and Clearing Corporation.	Quarterly	The requirements from 2013 Shenzhen state-owned enterprise capital operation conference	The Board of Directors agrees to report.

II. Litigation issues

Major Lawsuits and Arbitrations

√ Applicable □ Not applicable

Basic Information About Lawsuits and Arbitrations	Amount (RMB: ten thousand Yuan)	Whether Estimated Liabilities Occurred	Progress	Judgment Result and Impact	Judgment Execution	Disclosure Date	Disclosure Index
(1) In March 2013, Nanning SEG leased the house located on 1F and 2F of podium building of Nanning Zhidi Square at 158 East Renmin Road, Xingning District, Nanning as the electronics market. The agreed term of tenancy is from March 18, 2013 to March 17, 2025. Due to a large area of water seepage and leaking existing with the house leased, Nanning SEG lodged a lawsuit at Xingning District People's Court after negotiation with Haiqi Company for several times with no solution achieved. As Nanning SEG failed to pay the rental and breached the contract, Nanning SEG was also accused by Haiqi Company	1,200	Yes	The case was called in court on September 28, 2015, and the court given first-instance judgment on June 28, 2016. The Company has decided not to lodge an appeal as at the disclosure date of this report.	Xingning District People's Court has refused Nanning SEG's claim via (2015) Xingmin Yi Chu Zi Di Civil Judgment No. 1590, the (2015) Xingmin Yi Chu Zi Di Civil Judgment No. 1393 involves in approximately 12 million Yuan, the Company has decided not to lodge any appeal. In addition, considering the Company has accrued in 2015 estimated liabilities of 7 million Yuan for the issue, Nanning SEG has estimated a due rent of 2.3 million Yuan, the remaining amount of compensation has minor effect on net profit of the Company for 2016 and does not exceed 1% of	Being implemented...		

Basic Information About Lawsuits and Arbitrations	Amount (RMB: ten thousand Yuan)	Whether Estimated Liabilities Occurred	Progress	Judgment Result and Impact	Judgment Execution	Disclosure Date	Disclosure Index
at the same court. The court tried these two cases combination.				unaudited net assets of the Company at the end of last year, therefore the issue will not generate great effect on the Company's production and operation.			
(2) On February 4, 2013, Suzhou SEG signed <i>Commercial Lease Contract for Underground Space under Guangji South Road on Suzhou Rail Transit Line No.1</i> with Suzhou Rail Transit Group Co., Ltd. (hereinafter referred to as "Rail Transit Group" whereby Suzhou SEG leases the underground space under Guangji South Road on Suzhou Rail Transit Line No.1 for a term of ninety-six months. After signing of contract, due to difficulty in project operation caused by market change, both parties held repeated negotiations on change of cooperation conditions with no agreement reached on new conditions of cooperation, the project finally enters the liquidation stage. On January 26, 2015 Suzhou Rail Transit Group submitted a case to the court requesting to rule Suzhou SEG to assume the liquidated damages 2.1 million Yuan, rent during decoration period 800,000 Yuan, and water & electricity fee 364,200 Yuan.	284.19	Yes	The trial of second instance court in the case was completed on February 07, 2016. The judgment of second instance dismissed the appeal of Suzhou SEG and upheld the first-instance judgment on March 21, 2016.	Ruling Suzhou SEG to pay the other party the amount of compensation prior to April 05, 2016.	Has been fulfilled.		

Other lawsuits and arbitrations

 Applicable Not applicable

III. Matters questioned by media

Applicable Not applicable

The Company did not have any matters commonly questioned by media in the report period.

IV. Bankruptcy and reorganization

Applicable Not applicable

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

V. Transaction in assets

1. Information on Asset Acquisition

Applicable Not applicable

No asset acquisition is involved in the report period.

2. Asset sales

Applicable Not applicable

No asset sales are involved in the report period.

3. Business combination

Applicable Not applicable

No business combination is involved in the report period.

VI. Implementation and impact of the stock incentive plan

Applicable Not applicable

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

VII. Major relevant transactions

1. Transactions concerning routine operation

√ Applicable □ Not applicable

Related Party Transaction	Associated Relationship	Transaction Type	Associated Transactions	Pricing Principles of Associated Transactions	Transaction price	Transaction Amount (RMB ten thousand Yuan)	Amount Proportion Occupied in the Transactions of the Same Kind	Transaction limit approved (10,000 Yuan)	Whether Exceeding the Approved Quota	Transaction Clearing Form	Available similar market price	Disclosure Date	Disclosure Index
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Property lease	The warehouse with its area of 809.26 square meters on the 8th floor of SEG Plaza	Determined by the market	65.77 (Yuan/square meters/month)	32.81	0.09%	100	No	According to the agreement	60-125 (Yuan/square meters/month)	March 28, 2015	(Cninfo Website)
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Trusteeship management	Controlling shareholder entrusts its invested enterprises SEG Communications Market to the Company for management.	Determined by the market	RMB 200,000.00		0.00%	20	No	According to the agreement	--		(Cninfo Website)
Shenzhen SEG Real Estate Investment Co., Ltd.	Subsidiary of shareholders	Property lease	F4 West Building No.4 of SEG Technology Park	Determined by the market	76.58 (Yuan/square meters/month)	41.14	0.12%	140	No	According to the agreement			(Cninfo Website)
Total				--	--	73.95	--	260	--	--	--	--	--
Detailed information about wholesale return inward				Not applicable									
The actual implementation of transactions concerning routine operation in the report period (if any), whose aggregate amounts were forecast per category.				Not applicable									
Reasons for the disparity between the transaction price and market				Not applicable									

price (if applicable)	
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2. Relevant transactions due to asset sales and acquisition

Applicable Not applicable

No relevant transaction due to asset sales and acquisition is involved in the report period.

3. Relevant transactions due to joint external investment

Applicable Not applicable

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

4. Creditor's rights and liabilities of related parties

Applicable Not applicable

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

5. Other related transactions

Applicable Not applicable

No other major related transactions are involved in the report period.

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

Applicable Not applicable

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

IX. Important contracts and implementation

1. Trusteeship, contracting, and leasing issues

(1) Trusteeship issues

Applicable Not applicable

Explanations to trusteeship

The controlling shareholder SEG Group entrusts the Company to manage the controlled SEG Communications Market.

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

Applicable Not applicable

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

(2) Contracting issues

Applicable Not applicable

No contracting issue is involved within the report period.

(3) Leasing issues

Applicable Not applicable

No leasing issue is involved within the report period.

2. Guarantee issues

Applicable Not applicable

No leasing issue is involved within the report period.

3. Other important contracts

√ Applicable □ Not applicable

Lender	Borrower	Contract object	Contract signing date/Contract Period	Book value of contract involved assets (10,000 Yuan) (if any)	Appraisal value of contract involved assets (10,000 Yuan) (if any)	Name of appraisal agency (if any)	Base date of assets evaluation (if any)	Pricing principle	Transaction price (10,000 Yuan)	Connected transaction or not	Associated relationship	Execution by the end of the report period
Shenzhen SEG Co., Ltd.	Shenzhen SEG E-Commerce Co., Ltd.	financial assistance	October 11, 2013			N/A		Fair value	6,000	No	Not applicable	On October 14, 2013, the 3rd special meeting of the 6th Board of Directors discussed and approved the <i>Proposal about Offering Shenzhen SEG E-Commerce Co., Ltd. with Financial Assistance</i> . The Company offers the 51% share controlled SEG E-commerce with the financial assistance of 60,000,000 Yuan for one year (from September 15, 2013 to September 14, 2014) and pays based on the requirements of the e-commerce business. SEG E-Commerce pays expenses for using the funds to the Company based on its actual loan amount and period. The expenses for using the funds is charged with the benchmarking interest rate of the one-year

Lender	Borrower	Contract object	Contract signing date/Contract Period	Book value of contract involved assets (10,000 Yuan) (if any)	Appraisal value of contract involved assets (10,000 Yuan) (if any)	Name of appraisal agency (if any)	Base date of assets evaluation (if any)	Pricing principle	Transaction price (10,000 Yuan)	Connected transaction or not	Associated relationship	Execution by the end of the report period
												bank loan in the same period and should be paid on due date. As of the end of the report period, SEG e-commerce business has paid off the above amounts and the corresponding accrued expenses for using funds.
Shenzhen SEG Co., Ltd.	Shenzhen SEG Industrial Investment Co., Ltd.	Financial assistance	August 07, 2014			N/A		Interest not accrued	4,200	No	Not applicable	The 15th special meeting of the 6th Board of Directors held on July 29, 2014 reviewed and approved the <i>Proposal on the Current Fund Loan of RMB 10,000,000 Yuan by Shenzhen SEG Industry Investment Co., Ltd from Shenzhen SEG Co., Ltd</i> . The Company provides RMB 10,000,000 Yuan as cash flow for the wholly-owned subsidiary SEG Industry. Till now, the Company has loaned a total of RMB 42,000,000 Yuan for SEG Industry. No interest is accrued for the

Lender	Borrower	Contract object	Contract signing date/Contract Period	Book value of contract involved assets (10,000 Yuan) (if any)	Appraisal value of contract involved assets (10,000 Yuan) (if any)	Name of appraisal agency (if any)	Base date of assets evaluation (if any)	Pricing principle	Transaction price (10,000 Yuan)	Connected transaction or not	Associated relationship	Execution by the end of the report period
												above funds.
Shenzhen SEG Co., Ltd.	Suzhou SEG Digital Plaza Management Co., Ltd.	Financial assistance	June 08, 2015			N/A		Fair value	1,000	No	Not applicable	The 23rd special meeting of the 6th Board of Directors held on May 27, 2015 reviewed and approved the <i>Proposal on the Financial Aid of RMB 10,000,000 Yuan for Suzhou SEG Digital Square Management Co., Ltd.</i> The Company provides RMB 10,000,000 Yuan for the wholly-owned subsidiary Suzhou SEG Digital for helping the business development of Suzhou SEG Digital. No interest is accrued for the above funds. The loan term is from June 8, 2015 to June 07, 2017.
Shenzhen SEG Co., Ltd.	Shenzhen SEG Group Co., Ltd.	The Company plans to, through issuance of shares and payment of cash, purchase 100% stock right of SEG	February 03, 2016			N/A		Fair value	450,417.46	Yes	Controlling shareholder	Being implemented according to the agreement

Lender	Borrower	Contract object	Contract signing date/Contract Period	Book value of contract involved assets (10,000 Yuan) (if any)	Appraisal value of contract involved assets (10,000 Yuan) (if any)	Name of appraisal agency (if any)	Base date of assets evaluation (if any)	Pricing principle	Transaction price (10,000 Yuan)	Connected transaction or not	Associated relationship	Execution by the end of the report period
		Maker, 55% stock right of Shenzhen SEG Kangle Enterprise Development Co., Ltd., 100% stock right of Shenzhen SEG Properties Development Co., Ltd. and 79.2% of Shenzhen SEG Real Estate Investment Co., Ltd. held by SEG Group; and issue shares to no more than 10 specific investors via private placement to raise the supporting funds.										

4) Other important transactions

Applicable Not applicable

No important transaction is involved in the report period.

X. Commitments made by the Company or the shareholders holding more than 5% shares, which were made in or lasted into the report period

Applicable Not applicable

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
Commitment for share reform	Not applicable				

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
Commitments in the Acquisition Report and the Report of Changes on Equity	Not applicable				
Commitments made at the time of restructuring of major assets	Shenzhen SEG Co., Ltd.	<p>1. The Company is a limited liability company established according to law and existing validly, there exists no bankruptcy, dissolution, liquidation and other situations requiring termination according to current laws, regulations, normative documents and its articles of association. The Company has issued shares and been listed publicly according to law, as a listed company, it has the subject qualification of issuer to purchase assets via private placement and payment of cash and asset purchaser as specified by Chinese laws, regulations and normative documents.</p> <p>2. The Company has in recent three years complied with the relevant industrial and commercial administration laws and regulations, running enterprises abiding by the law, and has no record of receiving administrative punishments with serious cases due to breach of industrial and commercial administration laws and regulations; the Company does not exist any situations requiring termination according to relevant laws, regulations, normative documents and articles</p>	February 03, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>of association. The Company does not have any legal impediments in going-concern.</p> <p>3. The Company's holding of general meeting, board of directors meeting, board of supervisors meeting, contents of resolutions and their signing in recent three years are legal, effective and consistent with the provisions of relevant laws, regulations, normative documents and articles of association; the Company's stockholders' meeting's authorization to board of directors in recent three years are legal, effective and consistent with the provisions of relevant laws, regulations, normative documents and articles of association; the Company's major decisions since being listed are legal, compliant with regulations, true and effective.</p> <p>4. The Company does not exist any situations of receiving administrative penalty or criminal punishment from China Securities Regulatory Commission due to breach of securities laws, administrative laws & regulations or rules, or any situations of receiving administrative penalty or criminal punishment with serious cases due to breach of industrial and commercial, tax,</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>land, environmental protection, customs laws, administrative laws or regulations. 5. Not any pending or foreseeable significant lawsuit, arbitration or administrative penalty cases exists in the Company. The Company's directors, supervisors and senior executives do not have any pending or foreseeable significant lawsuit, arbitration or administrative penalty cases. 6. There does not exist any situation of the Company's interests being serious damaged by controlling shareholder or actual controller which has not been eliminated. 7. Not any situation of illegal external guarantee exists in the Company and its affiliated companies, which has not been eliminated yet. 8. The Company's current directors, senior executives do not have any situation of receiving administrative penalty from CSRC in recent thirty-six months, or receiving public censure from stock exchange during recent twelve months. 9. The Company and its current directors and senior executives do not have any situations of being investigated by judicial authorities due to alleged crimes or being investigated by CSRC due to alleged irregularities. 10.</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Before this restructuring, the connected transactions carried out by the Company fulfilled fair policy-making procedure as necessary and are legal and effective. 11.</p> <p>Not any situation of seriously damaging investor's legitimate rights and interests and public interests exists in the Company. 12.</p> <p>The Company's implementation of this major assets restructuring complies with the substantial conditions for listed companies restructuring as required by the relevant laws, regulations and normative documents, including but not limited to: (1) Being consistent with national industrial policy and environmental protection, land administration, anti-monopoly and other laws and administrative regulations; (2) Will not cause the Company not to meet the stock listing conditions; (3) The assets involved with major assets restructuring are fairly priced and do not exist any situations of damaging the legitimate rights and interests of the Company and shareholders; (4) Being conducive to the Company's strengthening of its going-concern</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>capability, and there exists no situations which will lead to the result that the Company's main assets after restructuring are cash or there are no specific business running; (5) Being conducive to the Company's keeping independence with actual controller and its connected persons in business, assets, finance, personnel, institution and other aspects, complying with the relevant CSRC regulations concerning independence of listed companies; (6) Being conducive to the Company's maintenance of sound and effective legal governance structure; (7) This restructuring follows the principle of being conducive to improving the Company's asset quality, improving financial situation and enhancing sustained profitability; (8) This restructuring follows the principle of being conducive to reducing connected transactions and avoiding horizontal competition. 13.</p> <p>After completion of this restructuring, the Company is committed to continue to maintain independence with controlling shareholders and the connected parties under their control in business, asset, finance, personnel, institution and other aspects, so as</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>to comply with relevant CSRC regulations concerning independence of listed companies. 14. This restructuring will not cause significant adjustment to the structure of board of directors, board of supervisors, senior executives of the Company, and also will not involve any adjustment in major business decision-making rule & procedure, information disclosure mechanism. After completion of this restructuring, the Company will strictly run and continuously improve legal person governance structure according to the requirements of <i>Company Law</i>, <i>Securities Law</i>, and <i>Corporate Governance Standards for Listed Companies</i> and other laws, regulations and articles of association. 15. The <i>Framework Agreement for Issuance of Shares and Payment of Cash for Assets Acquisition</i> (attached with entry-into-force conditions) and its relevant formal transaction agreement signed by the Company with Shenzhen SEG Co., Ltd. as regarding this restructuring are reached by different parties to this transaction of restructuring on an equally basis following fair and reasonable</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>principle; these agreements are attached with precedent conditions and are binding on above parties only after these precedent conditions are fully satisfied; the agreement is legal and effective and does not contain any contents inconsistent with the relevant laws, regulations and normative documents.</p> <p>16. The Company undertakes and guarantees that the calling and convening procedure and voting procedure of the board of directors meeting and shareholders' meeting are consistent with the regulations of the relevant laws, regulations, normative documents and articles of association, and the contents of resolutions are legal and effective.</p> <p>17. The final price of this restructuring will be determined through consultations based on pricing principle commonly determined by all parties in accordance with the appraisal result issued by appraisal agency with qualification of carrying out securities business, which is the expression of true meaning of various parties.</p> <p>18. The information disclosure made by the Company for this restructuring complies with the regulations of relevant laws, regulations, rules</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>and normative documents, and there exists no contract, agreement or arrangement which shall be disclosed but not disclosed. 19. The Company's current directors, supervisors, senior executives and shareholders with more than 5% shareholding and other insiders carried out self-inspection on the sales and purchases of Shenzhen SEG stocks within six months (from May 04, 2015 to November 04, 2015) prior to the date of trading suspension of this restructuring and issued self-inspection report, except Liu Zhijun, Zheng Dan, Zhu Longqing, Tian Jiliang, Ying Huadong and Xuning as disclosed in self-inspection reports who have purchased and sold the Company's stocks, no other directors, supervisors, senior executives and shareholders have purchased or sold any stocks of Shenzhen SEG, and there exists no situation that the relevant personnel making use of inside information of this restructuring in purchasing and selling stocks of the Company during self-inspection period. 20. After completion of this restructuring, the Company will continue to perform necessary connected transaction</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>deliberation procedure according to law, regulations, normative documents and articles of association, the legitimate rights and interests of Shenzhen SEG and the whole shareholders. 21. After completion of this restructuring, the Company's controlling shareholder is still Shenzhen SEG Co., Ltd., and the actual controller is still the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality. This restructuring will not lead to change of controlling shareholder and actual controller of the Company.</p>			
	SEG Group: Shenzhen SEG Group Co., LTD	<p>1. The subject company is a limited liability company or stock-limited company established and validly existing according to law with legitimate business qualification; the subject company has obtained all approvals, permission, authorization and permits required for its setting up and operation of business, all such approvals, permission, authorization and permits are valid and there exists no reasons or situations which may cause the above approvals, permission, authorization and permits invalid.</p> <p>2. The subject company</p>	February 03, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>does not experience any major lawbreaking or irregularity behaviors in production operation, nor any situations where termination is required according to the requirements of relevant laws, regulations, normative documents and the <i>Articles of Association</i>. As of the date of issuance of this commitment letter, the subject company has no pending or predictable significant lawsuit, arbitration or administrative penalty with amount of subject of more than one million or which will generate adverse impact on its operation.</p> <p>3. The subject company will independently and fully fulfill the labor contracts it signed with employees. 4. If the subject company is subject to any recovery of fees or penalty from the relevant competent organization in industrial and commerce, tax, employee salaries, social insurance, housing fund, business qualification or competent authorities due to any facts existing before this restructuring, the Company will fully indemnify the subject company for all fees owned by subject company and assume all losses occurred by subject company and Shenzhen SEG as a result of this. 5. The subject company</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		legally possesses the ownership and/or right of usage of office space, office equipment, trademark and other assets as necessary to guarantee normal production operation, has independent and complete assets and business structure, has legal ownership to its main assets with independent, complete and clear indication of ownership. 6. The subject company does not have lawsuit, arbitration, judicial mandatory enforcement and other situations which interferes with the transfer of company ownership, and has not incurred any external guarantee that is against laws and articles of association of the Company. After completion of this restructuring, if any loss is caused to Shenzhen SEG and the subject company due to the Company's breach of the above commitment, the Company agrees to assume the abovementioned liability of indemnity/compensation to Shenzhen SEG/subject company.			
	Shenzhen SEG Group Co., Ltd.	1. Guarantee the independence of personnel of Shenzhen SEG and subject company (1) guarantee that after completion of this restructuring the labor, personnel and compensation	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>management of Shenzhen SEG are independent from the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company.</p> <p>(2) Guarantee that after completion of this restructuring, the senior executives of Shenzhen SEG and the subject company hold full-time position at Shenzhen SEG and the subject company and receive compensation, and will not assume any duties other than director and supervisor in the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company.</p> <p>(3) Guarantee not to interfere with the shareholders' meeting and board of directors meeting's exercise of power in appointment/dismissal of personnel after completion of this restructuring.</p> <p>2. Guarantee the independence of institutions of Shenzhen SEG and subject company (1) guarantee that after completion of this restructuring Shenzhen SEG and subject company will have sound corporate governance structure and independent, complete organization.</p> <p>(2) Guarantee that after completion of this</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>restructuring the shareholders' meeting, board of directors meeting and board of supervisors meeting of Shenzhen SEG and subject company will exercise duties and powers according to laws, regulations and articles of association of Shenzhen SEG and subject company. 3. Guarantee the assets of Shenzhen SEG and subject company are independent and complete (1) guarantee that after completion of this restructuring Shenzhen SEG and subject company has independent and complete assets relating to production and operation. (2) Guarantee that after completion of this restructuring the site for business operation of Shenzhen SEG and subject company are independent of the Company and other companies, enterprises or other economic organizations and other connected parties under control of the Company. (3) Except normal operational intercourse, guarantee that after completion of this restructuring Shenzhen SEG and subject company do not have any situation that funds or assets are possessed by the Company and other companies, enterprises or other economic organizations and other connected</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>parties under control of the Company. 4. Guarantee the businesses of Shenzhen SEG and subject company are independent (1) guarantee that after completion of this restructuring Shenzhen SEG and subject company have relevant qualification for independently carrying out operational activities, and possess independent, sustainable market-oriented operational capability. (2) Except the assets owned and business operated before validity date of commitment, during the period as controlling shareholder of Shenzhen SEG, in order to guarantee sustainable development of Shenzhen SEG, the Company will exercise supervisory and restriction on operating activities of its own and the affiliated enterprises under its control, and will not establish new or acquire any assets or businesses same or similar with its main businesses within the operation area of Shenzhen SEG, and will also not be engaged in any activities which may damage the interests of Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG; if in future there exists any business</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>opportunity same or similar with other main businesses within Shenzhen SEG operation area, such opportunity will preferentially recommended to Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG.</p> <p>However, those meeting one of the following conditions are excluded:</p> <p>(1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate development projects administratively appropriated or allocated through oriented protocols by government to SEG Group and any enterprises invested by it; or (2) when the general conditions of tender, transfer or assignment of specific commercial properties and real estate development projects have specific requirements on bidder or assignee, Shenzhen SEG does not possess but SEG Group possesses such conditions. For any commercial properties and real estate development projects obtained due to meeting the above exclusion conditions which are same with or have horizontal competition</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>relationship with Shenzhen SEG's main businesses, beforehand investment and construction may be carried out by SEG Group, if in the opinion of Shenzhen SEG that these projects have possessed the conditions for injection into Shenzhen SEG, SEG Group will, after receipt of the written notice of acquisition from Shenzhen SEG, immediately negotiate with Shenzhen SEG on the matter of acquisition so as to transfer such projects to Shenzhen SEG. (3) Guarantee that after completion of this restructuring, the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company will reduce connected transactions with Shenzhen SEG and subject company and other companies, enterprises, other economic organizations or other connected parties under their control; for any connected transactions which are indeed necessary and unavoidable, guarantee to carry out fair operation following market principle at fair price and fulfill relevant approval procedure and information disclosure obligations according to the provisions of relevant laws,</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>regulations and normative documents.</p> <p>5. Guarantee the financial independence of Shenzhen SEG and subject company (1) Shenzhen SEG and the subject company will after completion of this restructuring establish independent financial department and independent and standardized financial accounting system. (2) Guarantee Shenzhen SEG and the subject company will after completion of the restructuring independently open bank accounts, and will not share bank accounts with the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company. (3) Guarantee that after completion of this restructuring the accountants of Shenzhen SEG and the subject company will not assume part-time jobs in the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company. (4) Guarantee that after completion of this restructuring the accountants of Shenzhen SEG and subject company will be able to independently make financial decisions, and the</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Company will not interfere with the use of funds of Shenzhen SEG and subject company.</p> <p>(5) Guarantee that after completion of this restructuring Shenzhen SEG and the subject company will pay tax independently according to law. If the Company is in breach of any of above commitments, the Company will assume all losses caused to Shenzhen SEG and subject company as a result thereof.</p>			
	Shenzhen SEG Group Co., Ltd.	<p>1. The Company does not exist any of the following situations as specified in Clause 6, <i>Administrative Measures On Acquisition Of Listed Companies</i>: (1) Damage legitimate rights and interests of the Company acquired and its shareholders utilizing acquisition of listed company; (2) With large amount of outstanding debts and this in-debt status has lasted for a certain period of time; (3) Has actual or alleged serious illegal activities in recent three years; (4) Has serious behaviors of breaching promises in securities market in recent three years; (5) Other situations in which no acquisition of listed companies are allowed according to laws and administrative regulations and in the opinions of CSRC. 2. The Company and main executives of the</p>	February 03, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Company have not received any administrative penalties (those obviously unrelated with securities market excluded), criminal punishment or be involved with any serious civil lawsuit or arbitration related with economic disputes in recent five years. If the Company is in breach of any of above commitments, the Company will assume all losses caused to Shenzhen SEG and subject company as a result thereof.</p>			
	Shenzhen SEG Group Co., Ltd.	<p>1. The Company is registered in the People's Republic of China with full capacity for civil conduct, and possesses legal subject qualification to participate in this restructuring, sign agreement with Shenzhen SEG, and perform rights and obligations under the agreement. 2. The Company has performed the obligation of capital contribution to subject company according to law, and has no behaviors of feigned capital contribution, deferred capital contribution, withdrawal of capital and other behaviors in breach of the obligations and responsibilities it shall assume as a shareholder, and there are no situations which may affect the legal existence of subject</p>	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>company. 3. There exist no actual or potential dispute over ownership of shareholding of the subject company, and there exists no situations which may affect the legal existence of subject company.</p> <p>4. The shareholding held by the Company in subject company is actually legally owned, and there exists no actual or potential dispute over ownership of shareholding, no trust, shareholding on entrustment or similar arrangement, no commitment or arrangement of forbidden transfer or limited transfer, no pledge, freezing, seals up, property preservation or other limitation of rights, and also no lawsuit, arbitration or other forms of dispute which would affect this restructuring. Meanwhile, the Company guarantees that the shareholding it held in subject company will maintain the status until it is registered through change of registration under Shenzhen SEG.</p> <p>5. The shareholding held by the Company in subject company are assets with clear ownership, the Company guarantees that there exists no legal obstacles to stock transfer after the restructuring of</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Shenzhen SEG is approved by CSRC, and there exist no credit and debt disputes, and promises to complete formalities for ownership transfer of these shareholding within the agreed period. 6. Before modified registration for the shareholding held by the Company in subject company under Shenzhen SEG, the Company will guarantee to maintain the subject company in normal, order and lawful operation status, and guarantee the subject company will not carry out assets disposal, external guarantee or addition of major debts which are unrelated with normal production operation, or any behaviors of illegal transfer, assets and business hiding. If it is indeed necessary to carry out any behaviors related the abovementioned matters, it shall be implemented only after written permission from Shenzhen SEG is obtained under the precondition of not in breach of national laws, regulations and normative documents. 7. The Company guarantees that there exist no ongoing or potential lawsuit, arbitration or dispute which will affect the Company's transfer of the shareholding held by it in subject company,</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>and guarantee that there are no restrictive provisions in agreements or contracts signed by the Company which may hinder the Company's transfer of shareholding it holds in subject company. The articles of association, documents of internal management rules of subject company and the contract or agreement signed by it do not have any restrictive provision which may hinder the Company's transfer of shareholding it holds in subject company. In case of violation of its commitments, the Company will assume all losses caused to Shenzhen SEG thereof.</p>			
	Shenzhen SEG Group Co., Ltd.	<p>1. In this restructuring, the relevant assets including part of commercial electronics markets under SEG Group which constitute horizontal competition have not been injected in the listed company, and SEG Group will, after completion of this major assets restructuring, entrust these assets to Shenzhen SEG or any subsidiary of Shenzhen SEG. 2. Within five years after completion of this restructuring, SEG Group will adopt all necessary measures to resolve the defects existing with these house properties, and according to the business needs of</p>	February 19, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Shenzhen SEG and the completion status of ownership of these assets, integrate the relevant assets including the abovementioned professional electronics markets which constitute horizontal competition owned by SEG Group into Shenzhen SEG or transfer them to a third party via sales, transfer and other feasible ways. If SEG Group fails to complete the above matters on time, before the injection of relevant assets by SEG Group into Shenzhen SEG, SEG Group will handle via the way of lease the relevant assets to Shenzhen SEG for direct external operation, and is entitled to the corresponding income from this part of properties. The annual rent for lease of this part of properties by Shenzhen SEG from SEG Group is the corresponding depreciation of this part of property assets. The relevant profit and loss from leasing management of this part of property assets will be assumed and enjoyed by Shenzhen SEG, by which time both parties will separately sign relevant leasing agreement. 2. Except the assets owned and business operated before validity date of the commitments, during the period acting as the controlling</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>shareholder/actual controller of Shenzhen SEG, in order to guarantee continuous development of Shenzhen SEG, the Company will exercise supervisory and restriction on operating activities of its own and the affiliated enterprises under its control, and will not establish new or acquire any assets or businesses same or similar with its main businesses within the operation area of Shenzhen SEG, and will also not be engaged in any activities which may damage the interests of Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG; if in future there exists any business opportunity same as or similar to other main businesses within Shenzhen SEG operation area, such opportunity will preferentially recommended to Shenzhen SEG and other companies, enterprises or other economic organizations under control of Shenzhen SEG.</p> <p>However, those meeting one of the following conditions are excluded: (1) Due to national laws, regulations and policies and other reasons, any commercial properties and real estate</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>development projects administratively appropriated or allocated through oriented protocols by government to SEG Group and any enterprises invested by it; or (2) when the general conditions of tender, transfer or assignment of specific commercial properties and real estate development projects have specific requirements on bidder or assignee, Shenzhen SEG does not possess but SEG Group possess such conditions. For any commercial properties and real estate development projects obtained due to meeting the above exclusion conditions which are same with or have horizontal competition relationship with Shenzhen SEG's main businesses, beforehand investment and construction may be carried out by SEG Group, if in the opinion of Shenzhen SEG that these projects have possessed the conditions for injection into Shenzhen SEG, SEG Group will, after receipt of the written notice of acquisition from Shenzhen SEG, immediately negotiate with Shenzhen SEG on the matter of acquisition so as to transfer such projects to Shenzhen SEG. In case of violation of its commitments, the</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		Company will assume all losses caused to Shenzhen SEG and the subject company and other companies, enterprises or other economic organizations under their control.			
	Shenzhen SEG Group Co., Ltd.	1. During the period that the Company acts as controlling shareholder of Shenzhen SEG, the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company will reduce as far as possible connected transactions with Shenzhen SEG and subject company and other companies, enterprises, other economic organizations or other connected parties under their control. 2. After completion of this restructuring, for any connected transactions with Shenzhen SEG or subject company which are indeed necessary and unavoidable, the Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company will carry out these transactions following market principle at fair price and fulfill relevant approval procedure, perform information disclosure obligations and handle relevant application and approval procedure according to	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>the provisions of relevant laws, regulations and normative documents, and will not damage the legitimate rights and interests of Shenzhen SEG and other shareholders utilizing the dominant position of controlling shareholder.</p> <p>3. The Company and other companies, enterprises, other economic organizations or other connected parties under control of the Company will not utilize their owned rights as shareholder of listed company or actual control capacity to manipulate and instigate any director, supervisor and senior executive of listed company to provide or accept funds, commodities, service or other assets based on unfair conditions, or carry out any actions damaging the interest of listed company. In case of violation of its commitments, the Company will assume all losses caused to Shenzhen SEG and subject company and other companies, enterprises or other economic organizations under their control.</p>			
	Shenzhen SEG Group Co., Ltd.	<p>Not any situation of leaking inside information relating to this restructuring and utilize such side information in inside trading exists in the Company. In case of violation of its</p>	February 03, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		commitments, the Company will assume all losses caused to Shenzhen SEG thereof.			
	Shenzhen SEG Group Co., Ltd.	1. The Shenzhen SEG shares subscribed by the Company through this restructuring has a lockup period of thirty-six months starting from the date of listing of the shares subscribed; the Shenzhen SEG shares obtained due to this restructuring shall not be listed for transactions, or transferred to external, or be entrusted to others for management & operation, or repurchased by Shenzhen SEG (compensation in shares for the necessary of performance compensation excluded) within a period of thirty-six months since the date of completion of issuance of Shenzhen SEG shares. After completion of this restructuring, the Company's shares increased due to bonus shares distribution, share capital increase by the Company and other reasons shall also abide by the above provisions. Upon expiration of above lockup period, the transfer and transaction of corresponding shares shall carried out according to the current effective laws, regulations as well as the regulations, rules and requirements of	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>CSRC and Shenzhen Stock Exchange.</p> <p>2. Within six months after completion of this restructuring, if the closing price of Shenzhen SEG stocks is lower than issuing price for a continuous period of twenty trading days, or if the closing price is lower than the issuing price at the end of the six months period after completion of this restructuring, the Shenzhen SEG stocks obtained by the Company through this restructuring will automatically have its lockup period extend by six months.</p> <p>3. If this restructuring is investigated after case filling by judiciary authorities or CSRC due to alleged provision or disclosure of false recording, misleading statement or major emissions, before the conclusion of investigation is given, the transfer of the shares having rights and interests in Shenzhen SEG will be suspended.</p> <p>4. Before this restructuring, all Shenzhen SEG stocks held by the Company shall not be transferred within twelve months after completion of this restructuring.</p> <p>5. Where the relevant laws, regulations and normative documents have special requirements on lockup period of shares, these relevant laws,</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>regulations and normative documents will prevail. 6. If the above lockup period is inconsistent with the latest supervision requirements of security supervision agencies, the Company agrees to make corresponding adjustment according to the latest supervisory opinions of security supervision agencies, upon expiration of lockup period it shall be implemented according to CSRC and Shenzhen Stock Exchange.</p>			
	Shenzhen SEG Group Co., Ltd.	<p>1. SEG group legally possesses the ownership of land, house properties and stock rights allocated to SEG Maker free of charge before this restructuring, there exists no dispute or controversy over ownership of allocated assets, except part of house properties the establishment of pledge on which shall obtain the permission from pledgee, there exists no legal obstacles to the modified registration of ownership of allocated assets. 2. The Company commits to complete the ownership modification registration formalities for modified registration of allocated assets under SEG Maker before the listed company holds board of directors meeting to review the draft of this restructuring. If SEG Maker is investigated</p>	February 03, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		and affixed the responsibility for, receives penalty or suffer any other losses due to violation of above commitments or any defect existing with allocation of assets, the Company will assume full compensation responsibility for SEG Maker.			
	Shenzhen SEG Group Co., Ltd.	1. As of the date of issuance of this commitment letter, SEG Kongle has nine house properties with a total building area of 12,941.28 square meters. The actual obligee of house property of 902 square meters on ground floor, Building no.1 in Kongle Industrial Building is SEG Group, due to the regulations restricting whole transfer of industrial building in Shenzhen, the division and transfer registration formalities failed to be went through all the way. The actual obligee of house property no.508 in Building No.04 in SEG residential building is SEG Kongle, and the house property is registered under the name of SEG Group and no transfer formalities has been handled. The Company commits that the parties has no dispute or controversy over the ownership of the house property the obligee of which in abovementioned registration is SEG	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Kongle but the actual obligee is SEG Kongle as well as the house property the actual obligee of which is SEG Kongle and is registered under the name of SEG Group, SEG Group will fully assist SEG Kongle in completing division & transfer registration formality of abovementioned properties. After this restructuring, if any loss is caused to Shenzhen SEG due to the ownership of such house properties, SEG Group will make full compensation to Shenzhen SEG.</p> <p>2. The assembly workshop factory building under construction which was used by SEG Group as capital contribution to SEG real estate is located on F4 Building No.2, SEG Industrial Building (property ownership certificate no.: Shen Fang Di Zi Di No. 3000759297) with a total building area of 1,936.71 square meters, which was delivered to SEG real estate for use since the time of capital contribution, however, as no certificate is applied and approved at the time of capital contribution, the transfer formality cannot be went through; thereafter due to the negligence of working personnel, the house property, together with other SEG Industrial Building properties, was registered under the</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>name of SEG Group, thereafter due to the restriction of whole transfer of industrial building, the transfer registration formality has not been handled all the way. The house property has always been occupied and used and the operating revenue of which is obtained by SEG real estate since the time of capital contribution till now. After this restructuring, if any loss is caused to Shenzhen SEG due to the ownership of such house properties, SEG Group will make full compensation to Shenzhen SEG.</p> <p>3. The Company will fully assist, promote and urge subject company and its subsidiaries to complete property ownership registration in land, real estate and other assets, and standardize usage of land.</p> <p>4. If the subject company and its subsidiaries have the following situations due to the land usage right and house property assets existing before completion of this restructuring: (1) the land usage right and house property of which the ownership certificates are being processed failed to be processed in time (those caused by force majeure events, law, policy, government administration action, change of planned land</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		usage and other reasons other than that of subject company and its subsidiaries excluded); or (2) the relevant land usage right and house property ownership certificate cannot be handled (those caused by force majeure events, law policy, government administration action, change of planned land usage and other reasons other than that of subject company and its subsidiaries excluded) and be subject to actual losses including but not limited to compensation, penalty, expenses, damage of interests, the Company will make timely and full compensation to subject company and its subsidiaries.			
	Shenzhen SEG Group Co., Ltd.	SEG Group will, before Shenzhen SEG's issuance of restructuring report, complete the formality of transfer registration to SEG real estate of the property located at F/4 Building No.2 SEG Industrial Building, if it is completed on time, SEG Group agrees to immediately complement in currency in the amount of capital contribution of 1.5 million at that time, and agrees to provide free of charge the house property to SEG real estate for use till the house property is transferred to SEG real estate; in case of any operating loss or other	February 19, 2016	Before completion of restructuring	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		economic loss caused to SEG real estate due to failure in completing transfer formality on time, SEG Group agrees to make full compensation to SEG real estate.			
	Shenzhen SEG Group Co., Ltd.	<p>1. The Company commits that as of October 31, 2015, the funds of Shenzhen SEG or subject company occupied by controlling shareholder and other connected persons of Shenzhen SEG for non-operational matters will be paid off before the holding of Shenzhen SEG shareholders' meeting reviewing the restructuring plan; 2. After this restructuring, maintain financial independence of listed company and ensure there is no behavior of illegal occupation of funds of listed company; 3. Abide by and urge the listed company to abide by <i>Corporate Governance Standards for Listed Companies, Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties, Listing Rules of the Shenzhen Stock Exchange</i> and other laws, administrative laws & regulations, departmental rules, normative documents and business rules at</p>	February 03, 2016	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		<p>Shenzhen Stock Exchange, and improve the consciousness of law and regulation compliance; 4. Exercise rights of shareholders according to law, and do not abuse shareholder's rights to damage the interests of listed company and other shareholders; 5. Optimize governance structure of listed company, complete internal control system, standardize the operation of three meetings, give full play of the functions and supervisory roles of the independent directors and the board of supervisors, and restrict the decision-making and operational behaviors of controlling shareholder and actual controller; 6. Perform information disclosure obligation in strict accordance with the relevant regulations, actively cooperate with the listed companies in information disclosure work, and timely inform the occurred and potential big events, and ensure the information disclosure to be true, accurate, complete, in time and fair. In case of violation of its commitments, the Company will assume all losses caused to Shenzhen SEG and subject company and other companies, enterprises or other economic organizations under their control.</p>			

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
	Shenzhen SEG Group Co., Ltd.	The Company will spare no efforts in assisting, urging and advance enterprises affiliated to subject company conducting improper operation due to problems left over by history and other reasons (including but not limited to enterprises whose business license have been revoked, having stopped operation) to handle corresponding cancellation procedures. After completion of this restructuring, if subject company is investigated and affixed the responsibility for, receives penalty or suffer any other losses due to abnormal operation, not handling cancellation procedure on time and other reasons, SEG Group will assume full legal and compensation responsibilities for listed company and subject company.	February 03, 2016	Long-term	Commitments were fulfilled in the report period.
Commitment made at the time of initial public offerings or refinancing	Shenzhen SEG Group Co., Ltd.	According to the Article Five of the <i>Equity Transfer Agreement</i> signed by the Company with SEG Group when the Company was listed, SEG Group agreed that the Company and its subsidiaries and associated companies to use the eight trademarks registered by SEG Group at the National Trademark Bureau; SEG Group agreed that the Company used the aforesaid trademarks or similar signs as the	July 01, 1996	Long-term	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		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.			
	Shenzhen SEG Group Co., Ltd.	For the problem that there remained competition in the same trade between the Company and SEG Group indicated in spot inspection by Shenzhen Securities Supervisory Bureau, the Company received written <i>Commitment Letter</i> from SEG Group on September 14, 2007 and the content was as follows: our Group has similar business in Shenzhen electronics market with Shenzhen SEG Co., Ltd. (Shenzhen SEG), and the business was resulted by history and it has objective market development background. Our Group hereby promises that we will not individually operate a market in a same city whose business is similar with that of Shenzhen SEG.	September 14, 2007	Long-term	Commitments were fulfilled in the report period.
	Shenzhen SEG Group Co., Ltd.	The 6th interim meeting of the 5th 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	January 26, 2011	From February 1, 2011 to January 31, 2016, totally five years, and the contract was expired within this the report period. As of the end of report period, renewal of above contracts has	Commitments were fulfilled in the report period.

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		entrust the Company to operate and manage with full authority SEG Communications Market under direct management of SEG Group. Therefore, the two parties have signed the entrustment operation and management contract, and SEG Group will pay the Company RMB 200,000 as the expenses for entrustment management.		been completed with term of validity from February 01, 2016 to January 31, 2017.	
Other commitments made to the medium and small shareholders of the Company	Shenzhen SEG Group Co., Ltd.	Based on the full confidence in prospect of Chinese economic development and the Company's future development, in order to jointly safeguard the stability of capital market and promote the sustainable, steady and healthy development, the Company's controlling shareholder Shenzhen SEG Co., Ltd commits not to reduce the Company's stocks it hold within twelve months since the date of announcement issuance, namely July 09.	July 09, 2015	Twelve months	Commitments were fulfilled in the report period.
	Board of Directors, Board of Supervisors, and Senior Executives of the Company	Based on the confidence on future development prospect of the Company and the reasonable judgment on value of the Company's stocks, in order to promote the Company's sustainable, steady and healthy development and safeguard the medium and small investors' interests, the Company's directors, supervisors and senior executives commit to	July 09, 2015	Six months	Fulfilled

Commitments	Promiser	Content	Commitment date	Commitment term	Performance
		purchase or increase the Company's stocks with its own funds from secondary market within six months after the resumption of trading of the stocks on July 14, and not reduce its holding of the Company's shares within the stipulated term, commit not to carry out inside trading, or purchase/sell the Company's shares or carry out short-swing trading during the sensitive period.			
Whether commitments were fulfilled on time	Yes				
Reason for not fulfilling the commitments and future plan (if applicable)	N/A				

XI. Engagement and dismissal of the accounting firm

Whether the semi-annual financial report is audited?

Yes No

The Semi-annual Report of the Company has not been audited.

XII. Punishment and rectification issues

Applicable Not applicable

No punishment and rectification is involved in the report period.

XIII. Disclosure of illegal issues and delisting risks

Applicable Not applicable

No illegal issue and delisting risk is involved in the report period.

XIV. Notes on other important matters

Applicable Not applicable

Overview of Important Events	Disclosure Date	Inquiry Index for the Websites Disclosing the Temporary Reports
1. Establishment of Suzhou SEG Intelligent Technology Co., Ltd.	January 13, 2016	<i>Announcement of Establishment of Suzhou SEG Intelligent Technology Co., Ltd.</i> disclosed on www.cninfo.com.cn
2. Strategic cooperation agreement with Taobao (China) Software Co., Ltd.	January 28, 2016	<i>Announcement of Strategic Cooperation Agreement with Taobao (China) Software Co., Ltd.</i> disclosed on www.cninfo.com.cn

Overview of Important Events	Disclosure Date	Inquiry Index for the Websites Disclosing the Temporary Reports
3. Major asset restructuring plan	February 4, 2016	<i>Announcement of the Resolution at the 8th Meeting of the 6th Board of Directors</i> disclosed on www.cninfo.com.cn
	February 4, 2016	<i>Reminder Announcement of No Resumption of Trading</i> disclosed on www.cninfo.com.cn
	February 4, 2016	<i>General Risk Warning Announcement of Major Asset Restructuring</i> disclosed on www.cninfo.com.cn
	February 4, 2016	<i>Announcement of Non-Diluted EPS in Issue of Shares, Asset Purchase in Cash, and Supporting Fund Raising & Related Transaction</i> disclosed on www.cninfo.com.cn
4. Strategic cooperation agreement with Shanghai Wangyu Information Technology Co., Ltd.	March 15, 2016	<i>Announcement of Strategic Cooperation Agreement with Shanghai Wangyu Information Technology Co., Ltd.</i> disclosed on www.cninfo.com.cn
5. Strategic cooperation agreement with Fujian Babycat Animation Technology Co., Ltd.	March 24, 2016	<i>Announcement of strategic cooperation agreement with Fujian Babycat Animation Technology Co., Ltd.</i> disclosed on www.cninfo.com.cn
6. Strategic cooperation agreement with Related Parties and Tencent Computer System Co., Ltd.	April 6, 2016	<i>Announcement of strategic cooperation agreement with Related Parties and Tencent Computer System Co., Ltd.</i> disclosed on www.cninfo.com.cn
7. Strategic cooperation agreement with Zhejiang Tmall Technology Co., Ltd.	April 9, 2016	<i>Announcement of strategic Cooperation Agreement with Zhejiang Tmall Technology Co., Ltd.</i> disclosed on www.cninfo.com.cn
8. Establishment of the investment management company and Shenzhen Hongtu SEG intelligent industry investment foundation (limited partnership) by a SEG subsidiary and Shenzhen Venture Capital Management Counseling Co., Ltd. (subsidiary of Shenzhen Capital Group)	April 19, 2016	<i>Announcement of Establishment of the Investment Management Company and Shenzhen Hongtu SEG Intelligent Industry Investment Foundation (Limited Partnership) by a SEG subsidiary and Shenzhen Venture Capital Management Counseling Co., Ltd. (subsidiary of Shenzhen Capital Group)</i> disclosed on www.cninfo.com.cn
9. Application for RMB loan credit line	April 26, 2016	<i>Announcement of the Resolution at the 34th Interim Meeting of the 6th Board of Directors</i> disclosed on www.cninfo.com.cn
10. Investment and establishment of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	May 10, 2016	<i>Announcement of the Investment and Establishment of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.</i> disclosed on www.cninfo.com.cn
	June 1, 2016	<i>Announcement of Acquisition of Business License of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.</i> disclosed on www.cninfo.com.cn
11. Equity investment and establishment of Shenzhen International Consumer Electronics Exhibition and Trade Center	May 12, 2016	<i>Announcement of Equity Investment and Establishment of Shenzhen International Consumer Electronics Exhibition and Trade Center</i> disclosed on www.cninfo.com.cn
12. Alteration of the registered capital of Shenzhen Hongtu SEG Investment Management Co., Ltd.	June 25, 2016	<i>Announcement of the Resolution at the 37th Interim Meeting of the 6th Board of Directors</i> disclosed on www.cninfo.com.cn

XV. Issue of corporate bond

Does the Company have corporate bonds that are issued and listed on the stock exchange, and not due on the approved release date of the semi-annual report, or due but not cashed in full?

No

Chapter 6 Changes in Share Capital and Information on Shareholders

I. Information on changes in share capital

Unit: Share

	Before the change		Increase/decrease by (+)					After the change	
	Quantity	Percentage	Issue of new shares	Bonus share	Capitalization of public reserve	Others	Subtotal	Quantity	Percentage
I. Restricted shares	71,689	0.01%	0	0	0	0	0	71,689	0.01%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	71,689	0.00%	0	0	0	0	0	71,689	0.00%
Including: Shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	71,689	0.00%	0	0	0	0	0	71,689	0.00%
4. Shares held by foreign units	0	0.00%	0	0	0	0	0	0	0.00%
Including: Shares held by foreign legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	784,727,321	99.99%	0	0	0	0	0	784,727,321	99.99%
1. RMB common shares	538,266,003	68.59%	0	0	0	0	0	538,266,003	68.59%
2. Domestically listed foreign shares	246,461,318	31.40%	0	0	0	0	0	246,461,318	31.40%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	784,799,010	100.00%	0	0	0	0	0	784,799,010	100.00%

Reasons for change

 Applicable Not applicable

Approval of changes in share capital

 Applicable Not applicable

Share transfer

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

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

□ Applicable √ Not applicable

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

Unit: Share

Total number of ordinary shareholders at the end of the report period	81,615		Total number of preferred shareholders restored with the voting rights (if any) (see Note 8)	0				
Information on the shareholders holding more than 5% shares or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of ordinary shares held at the end of the report period	Share increase/decrease in the report period	Quantity of restricted ordinary shares held	Quantity of unrestricted ordinary shares held	Information on pledged or frozen shares	
							Share status	Quantity
Shenzhen SEG Group Co., Ltd.	State-owned legal person	30.24%		Unchanged	0	237,359,666		
Liu Guocheng	Domestic natural person	0.85%	6,739,002	+47,700	0	6,739,002		
Liu Guohong	Domestic natural person	0.42%	3,326,858	-27,700	0	3,326,858		
Gong Qianhua	Overseas natural person	0.37%	2,940,000	Unchanged	0	2,940,000		
Zeng Ying	Domestic natural person	0.35%	2,800,000	-500,000	0	2,800,000		
Tan Shujian	Domestic natural person	0.31%	2,419,073	+2,419,073	0	2,419,073		
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	0.29%	2,271,900	Unchanged	0	2,271,900		
NORGES BANK	Foreign legal person	0.24%	1,890,226	Unchanged	0	1,890,226		
Hu Chunwan	Domestic natural person	0.18%	1,385,200	-41,800	0	1,385,200		
China Merchants Securities (Hong Kong) Co., Ltd.	State-owned legal person	0.17%	1,324,469	-115,200	0	1,324,469		
Strategic investors or general legal entities who became one of the top ten ordinary shareholders by participating in rights issue (if any) (see Note 3)		N/A						

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 specified in 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 or not.		
Information on top ten ordinary shareholders of non-restricted shares			
Name of shareholder	Ordinary shares held at the period end	Type of share	
		Type of share	Quantity
Shenzhen SEG Group Co., Ltd.	237,359,666	RMB ordinary shares	237,359,666
Liu Guocheng	6,739,002	Domestically listed foreign shares	6,739,002
Liu Guohong	3,326,858	Domestically listed foreign shares	3,326,858
Gong Qianhua	2,940,000	Domestically listed foreign shares	2,940,000
Zeng Ying	2,800,000	Domestically listed foreign shares	2,800,000
Tan Shujian	2,419,073	RMB ordinary shares	2,419,073
China Securities Finance Corporation Limited	2,271,900	RMB ordinary shares	2,271,900
NORGES BANK	1,890,226	Domestically listed foreign shares	1,890,226
Hu Chunwan	1,385,200	Domestically listed foreign shares	1,385,200
China Merchants Securities (Hong Kong) Co., Ltd.	1,324,469	Domestically listed foreign shares	1,324,469
Explanations on the association relationship or concerted action among the top ten shareholders of unrestricted ordinary shares, and between the top ten shareholders of unrestricted ordinary shares and the top ten ordinary shareholders	Shenzhen SEG Group Co., Ltd has no associated relationship with other shareholders, nor is a concerted action unit as specified in 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 or not.		
Information of top ten ordinary shareholders participating in financing business (if any) (see Note 4)	N/A		

Whether the top ten ordinary shareholders of the Company or top ten ordinary shareholders of non-restricted shares conducted agreed repurchase transactions in the report period

Yes No

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

III. Information on changes in controlling shareholders and actual controllers

Changes of the controlling shareholders in the report period

Applicable Not applicable

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

Changes of the actual controllers in the report period

Applicable Not applicable

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

IV. Share-holding overweighting plan proposed or implemented by the Company shareholders and persons acting in concert in the reporting period

Applicable Not applicable

No share-holding overweighting plan proposed or implemented by the Company shareholders and persons acting in concert in the report period is involved in the report period according to the learned information.

Chapter 7 Preferred Shares

Applicable Not applicable

No preferred share is involved in the report period.

Chapter 8 Information on Directors, Supervisors, and Senior Executives

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

Applicable Not applicable

No changes of shares held by directors, supervisors, and senior executives are involved in the report period. For details, refer to 2015 Annual Report.

II. Changes of directors, supervisors, and senior executives

Applicable Not applicable

No changes of directors, supervisors, and senior executives are involved in the report period. For details, refer to 2015 Annual Report.

Chapter 9 Financial Report

I. Auditor's report

Is the semi-annual report audited?

Yes No

The Semi-Annual Report of the Company has not been audited.

II. Financial statements

Unit: RMB Yuan.

1. Consolidated Balance Sheet Statement

Prepared by: Shenzhen SEG Co., Ltd.

June 30, 2016

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	143,304,754.16	276,863,429.10
Deposit reservation for balance		
Loans to other banks	40,000,000.00	40,000,000.00
Financial assets measured by fair value with changes included in current gains and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable	79,456,363.98	98,212,422.87
Advances	89,712,712.41	129,044,887.26
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance deposit receivable		
Interest receivable		
Dividends receivable		
Other receivables	46,250,769.24	27,352,784.33
Redemptory monetary capital for resale		
Inventory	568,759,249.94	450,809,934.72
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	236,291,113.24	339,430,419.74
Total current assets	1,203,774,962.97	1,361,713,878.02

Item	Closing balance	Opening balance
Non-current assets:		
Loans and advances issued	505,950,062.08	475,520,822.08
Financial assets available for sale	34,384,017.93	34,539,973.24
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	189,295,871.13	185,122,573.88
Investment properties	434,510,747.94	443,851,726.40
Fixed assets	36,910,218.56	37,524,425.25
Construction in progress		140,810.00
Engineering materials		
Disposal of fixed assets	4,577.55	
Productive biological assets		
Oil & gas assets		
Intangible assets	977,176.99	1,143,762.11
Development expenses		
Goodwill	10,328,927.82	10,328,927.82
Long-term expenses to be amortized	52,277,089.32	49,235,999.86
Deferred income tax assets	10,433,814.57	10,433,814.57
Other non-current assets	848,593.64	5,103,811.14
Total non-current assets	1,275,921,097.53	1,252,946,646.35
Total assets	2,479,696,060.50	2,614,660,524.37
Current liabilities:		
Short-term borrowing	311,438,652.00	367,759,630.48
Loans from central bank		
Deposits from customers and interbank		
Loans from other banks		
Financial liabilities measured by fair value with changes included in current gains and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	24,526,663.69	89,908,781.98
Advances from customers	155,307,062.02	190,430,121.05
Financial assets sold for repurchase		

Item	Closing balance	Opening balance
Service charges and commissions payable		
Payroll payable	7,529,491.72	21,849,134.16
Taxes payable	24,265,012.33	34,645,030.07
Interest payable	698,717.58	516,758.34
Dividends payable	18,966,398.39	2,218,224.58
Other payables	227,540,409.09	194,329,885.69
Reinsurance accounts payable		
Insurance deposit		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	770,272,406.82	901,657,566.35
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Preferred stock		
Perpetual capital securities		
Long-term payables		
Payroll payable		
Special payables		
Estimated liabilities	9,700,000.00	7,000,000.00
Deferred income	9,598,486.65	9,634,114.77
Deferred income tax liabilities	15,430,650.70	16,024,102.35
Other non-current liabilities		
Total non-current liabilities	34,729,137.35	32,658,217.12
Total liabilities	805,001,544.17	934,315,783.47
Owners' equity:		
Share capital	784,799,010.00	784,799,010.00
Other equity instruments		
Preferred stock		

Item	Closing balance	Opening balance
Perpetual capital securities		
Capital reserve	506,553,643.41	506,545,831.11
Less: Treasury shares		
Other comprehensive income	248,834.30	326,662.48
Special reserve		
Surplus reserve	109,922,336.87	109,922,336.87
General risk provision		
Undistributed profits	76,719,244.65	73,532,388.70
Total owners' equity attributable to the parent company	1,478,243,069.23	1,475,126,229.16
Minority shareholders' equity	196,451,447.10	205,218,511.74
Total owners' equity	1,674,694,516.33	1,680,344,740.90
Total liabilities and owners' equity	2,479,696,060.50	2,614,660,524.37

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

2. Balance Sheet Statement of the Parent Company

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	59,736,832.79	186,369,470.58
Financial assets measured by fair value with changes included in current gains and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Advances	101,760.00	418,544.10
Interest receivable		
Dividends receivable	24,259,680.00	
Other receivables	652,724,525.27	570,671,617.38
Inventory	747,902.23	112,715.50
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	386,000,000.00	393,166,401.54
Total current assets	1,123,570,700.29	1,150,738,749.10

Item	Closing balance	Opening balance
Non-current assets:		
Financial assets available for sale	33,515,392.83	33,515,392.83
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	469,279,397.37	455,106,100.12
Investment properties	279,140,304.72	284,399,860.14
Fixed assets	19,358,807.19	19,458,584.25
Construction in progress		140,810.00
Engineering materials		
Disposal of fixed assets	4,577.55	
Productive biological assets		
Oil & gas assets		
Intangible assets	523,881.18	622,054.24
Development expenses		
Goodwill		
Long-term expenses to be amortized	7,798,575.53	7,000,181.66
Deferred income tax assets	8,242,045.89	8,242,045.89
Other non-current assets		
Total non-current assets	817,862,982.26	808,485,029.13
Total assets	1,941,433,682.55	1,959,223,778.23
Current liabilities:		
Short-term borrowing	290,000,000.00	315,000,000.00
Financial liabilities measured by fair value with changes included in current gains and losses	0.00	
Derivative financial liabilities	0.00	
Notes payable	0.00	0.00
Accounts payable	79,596.00	36,075.52
Advances from customers	22,875,183.88	42,704,620.99
Payroll payable	2,701,632.12	13,652,201.42
Taxes payable	12,214,863.56	10,033,418.41
Interest payable	0.00	477,402.78
Dividends payable	119,803.29	119,803.29
Other payables	98,655,804.06	95,119,560.37

Item	Closing balance	Opening balance
Held-for-sale liabilities	0.00	
Non-current liabilities due within one year	0.00	0.00
Other current liabilities	0.00	0.00
Total current liabilities	426,646,882.91	477,143,082.78
Non-current liabilities:		
Long-term borrowing	0.00	0.00
Bonds payable	0.00	0.00
Preferred stock	0.00	0.00
Perpetual capital securities	0.00	0.00
Long-term payables	0.00	0.00
Payroll payable	0.00	0.00
Special payables	0.00	0.00
Estimated liabilities	9,700,000.00	7,000,000.00
Deferred income	9,500,000.00	9,500,000.00
Deferred income tax liabilities	0.00	0.00
Other non-current liabilities		
Total non-current liabilities	19,200,000.00	16,500,000.00
Total liabilities	445,846,882.91	493,643,082.78
Owners' equity:		
Share capital	784,799,010.00	784,799,010.00
Other equity instruments	0.00	0.00
Preferred stock	0.00	0.00
Perpetual capital securities	0.00	0.00
Capital reserve	507,781,650.13	507,773,837.83
Less: Treasury shares	0.00	0.00
Other comprehensive income	48.10	0.00
Special reserve	0.00	0.00
Surplus reserve	109,922,336.87	109,922,336.87
Undistributed profits	93,083,754.54	63,085,510.75
Total owners' equity	1,495,586,799.64	1,465,580,695.45
Total liabilities and owners' equity	1,941,433,682.55	1,959,223,778.23

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

3. Consolidated Profit Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Total operating revenue	412,250,832.76	425,219,054.09
Including: Operating revenue	362,673,236.85	374,555,135.61
Interest income	47,373,095.91	47,553,384.48
Earned premiums	0.00	
Service charges and commissions income	2,204,500.00	3,110,534.00
II. Total operating cost	344,919,889.29	358,714,002.72
Including: Operating cost	320,996,877.99	317,303,931.44
Interest expenses	465,888.89	3,159,048.64
Commissions	0.00	
Surrender value	0.00	
Net compensation pay-outs	0.00	
Net insurance deposit accrued	0.00	
Insurance dividends	0.00	
Reinsurance expenses	0.00	
Operating tax and surcharges	10,129,674.14	13,748,030.14
Sale expenses	818,331.16	941,405.12
Management expenses	15,716,402.51	16,004,563.26
Financial cost	755,340.12	843,057.23
Loss from asset impairment	-3,962,625.52	6,713,966.89
Income from change of fair value (enter "-" for loss)	0.00	
Income from investment (enter "-" for loss)	1,266,453.02	5,451,963.64
Including: Income from investment in joint ventures or associates	-4,826,750.85	-4,892,855.94
Income from exchange (enter "-" for loss)	0.00	
III. Operating profit (enter "-" for loss)	68,597,396.49	71,957,015.01
Add: Non-operating revenue	418,388.36	1,045,979.11
Including: Gains on disposal of non-current assets	0.00	18,693.10
Less: Non-operating expenses	2,758,885.34	815,788.94
Including: Loss from disposal of non-current assets	9,316.22	196,424.21

Item	Amount incurred in the current period	Amount incurred in the previous period
IV. Total profit (enter "-" for total loss)	66,256,899.51	72,187,205.18
Less: Income tax	22,038,716.72	20,121,370.92
V. Net profit (enter "-" for net loss)	44,218,182.79	52,065,834.26
Net profit attributable to owners of the parent company	26,856,270.42	34,906,133.61
Profit and loss of minority shareholders	17,361,912.37	17,159,700.65
VI. Net of tax of other comprehensive incomes	-116,918.38	316,765.26
Total owners' net of tax of other comprehensive income attributable to the parent company	-77,828.18	210,902.31
1. Other comprehensive income not to be reclassified into gains and losses		
(1) Changes of net liabilities or net assets of the re-measured defined benefit plans		
(2) Shares of the investee of other comprehensive income not to be reclassified into gains and losses under the equity method		
2. Other comprehensive income to be reclassified into gains and losses	-77,828.18	210,902.31
(1) Shares of the investee of other comprehensive income to be reclassified into gains and losses under the equity method	48.10	
(2) Gains and losses from changes of fair value of the available-for-sale financial assets	-77,876.28	210,902.31
(3) Held-to-maturity investments categorized as gains and losses from the available-for-sale financial assets	0.00	
(4) Effective gains or loss from cash flows	0.00	
5. Foreign currency translation differences	0.00	
(6) Others	0.00	
Net of tax of other comprehensive income attributable to minority shareholders	-39,090.20	105,862.95
VII. Total comprehensive income	44,101,264.41	52,382,599.52
Total comprehensive income attributable to shareholders of the parent company	26,778,442.24	35,117,035.92
Total comprehensive income attributable to minority shareholders	17,322,822.17	17,265,563.60
VIII. Earnings per share		
1. Basic earnings per share	0.0342	0.0445

Item	Amount incurred in the current period	Amount incurred in the previous period
2. Diluted earnings per share	0.0342	0.0445

During the merger of the enterprises under the control of a same entity in the report period, the net profit of the acquired party realized before the merger was: RMB 0.00 Yuan, and net profit of the purchased party realized before the merger in the previous period was: RMB 0.00 Yuan.

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

4. Profit Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Operating revenue	51,626,681.87	66,577,264.42
Less: Operating cost	36,890,488.44	44,695,244.80
Operating tax and surcharges	2,004,366.35	3,724,403.75
Sale expenses		
Management expenses	6,516,831.79	6,176,205.10
Financial cost	-13,065,151.38	-7,698,774.31
Loss from asset impairment		-400,000.00
Income from change of fair value (enter "-" for loss)		
Income from investment (enter "-" for loss)	45,762,330.76	37,619,081.12
Including: Income from investment in joint ventures and associates	-4,826,750.85	-4,892,855.94
II. Operating profit (enter "-" for loss)	65,042,477.43	57,699,266.20
Add: Non-operating revenue	7,300.00	214,230.19
Including: Gains on disposal of non-current assets		
Less: Non-operating expenses	2,707,915.25	21,350.50
Including: Loss from disposal of non-current assets	7,915.25	4,100.50
III. Total profit (enter "-" for total loss)	62,341,862.18	57,892,145.89
Less: Income tax	8,674,203.92	10,111,975.20
V. Net profit (enter "-" for net loss)	53,667,658.26	47,780,170.69
V. Net of tax of other comprehensive incomes	48.10	
1. Other comprehensive income not to be reclassified into gains and losses		
(1) Changes of net liabilities or net assets of the re-measured defined benefit plans		
(2) Shares of the investee of other		

Item	Amount incurred in the current period	Amount incurred in the previous period
comprehensive income not to be reclassified into gains and losses under the equity method		
2. Other comprehensive income to be reclassified into gains and losses	48.10	
(1) Shares of the investee of other comprehensive income to be reclassified into gains and losses under the equity method	48.10	
(2) Gains and losses from changes of fair value of the available-for-sale financial assets		
(3) Held-to-maturity investments categorized as gains and losses from the available-for-sale financial assets		
(4) Effective gains or loss from cash flows		
(5) Foreign currency translation differences		
(6) Others		
VI. Total comprehensive income	53,667,706.36	47,780,170.69
VII. Earnings per share		
1. Basic earnings per share		
2. Diluted earnings per share		

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

5. Consolidated Cash Flow Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	480,116,657.74	713,661,591.72
Net increase in deposits from customers and interbank	0.00	
Net increase in loans from central bank	0.00	
Net increase in borrowing from other financial institutions	0.00	
Cash received from premiums of primary insurance contracts	0.00	
Net cash received from reinsurance business	0.00	
Net increase in deposits from policyholders and investment	0.00	
Net increase in financial assets measured by fair value with changes included in current	0.00	

Item	Amount incurred in the current period	Amount incurred in the previous period
gains and losses		
Cash received from interest and commissions	49,594,029.07	48,000,243.60
Net increase in loans from other banks	0.00	
Net increase in redemption capital	0.00	
Tax refunds	76,897,672.19	88,433,998.57
Other cash received related to operating activities	111,085,187.92	230,075,360.61
Subtotal of cash inflow from operating activities	717,693,546.92	1,080,171,194.50
Cash paid for goods and service	553,514,232.23	824,078,559.71
Net increase in loans to customers and advances	34,265,000.00	48,372,311.47
Net increase in deposits with central bank and interbank	0.00	
Cash paid for compensation pay-outs of primary insurance contracts	0.00	
Cash paid for interest, service charges, and commissions	24,273.94	24,453.96
Cash paid as insurance dividends	0.00	
Cash paid to and on behalf of employees	56,950,190.52	51,910,984.07
Taxes paid	58,072,566.51	62,553,032.06
Other cash paid related to operating activities	114,181,312.12	191,819,686.85
Subtotal of cash outflow in operating activities	817,007,575.32	1,178,759,028.12
Net cash flow from operating activities	-99,314,028.40	-98,587,833.62
II. Cash flows from investment activities:		
Cash received from withdrawal of investment	434,200,000.00	1,318,877,729.90
Cash received from investment income	6,093,203.87	10,137,874.16
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000.00	28,493.50
Net cash received from disposal of subsidiaries and other business units	0.00	
Other cash received related to investment activities	0.00	
Subtotal of cash inflow from investment activities	440,303,203.87	1,329,044,097.56
Cash paid for purchase and construction of fixed assets, intangible assets and other	3,992,387.70	9,058,685.65

Item	Amount incurred in the current period	Amount incurred in the previous period
long-term assets		
Cash paid for investment	371,804,260.00	1,243,610,000.00
Net increase in mortgage loans	0.00	
Net cash paid for acquisition of subsidiaries and other business units	0.00	
Other cash paid related to investment activities	0.00	
Subtotal of cash outflow in investment activities	375,796,647.70	1,252,668,685.65
Net cash flow from investment activities	64,506,556.17	76,375,411.91
III. Cash flow from financing activities:		
Cash received by absorbing investment	0.00	
Including: Cash received by subsidiaries from investment of minority shareholders	0.00	
Borrowings received	230,220,000.00	295,000,000.00
Cash received from bond issue	0.00	
Other cash received related to financing activities	7,812.30	
Subtotal of cash inflow from financing activities	230,227,812.30	295,000,000.00
Cash repayments of amounts borrowed	286,540,978.48	409,246,687.38
Cash paid for dividend and profit distribution or interest payment	39,573,361.82	31,895,839.49
Including: Dividends and profit paid by subsidiaries to minority shareholders	8,280,567.52	10,728,693.04
Other cash paid related to financing activities	1,524,692.51	58,429,722.92
Subtotal of cash outflow in financing activities	327,639,032.81	499,572,249.79
Net cash flow arising from financing activities	-97,411,220.51	-204,572,249.79
IV. Influence of exchange rate fluctuation on cash and cash equivalents	17.80	1.27
V. Net increase in cash and cash equivalents	-132,218,674.94	-226,784,670.23
Add: Opening balance of cash and cash equivalents	275,523,429.10	382,056,680.70
VI. Closing balance of cash and cash equivalents	143,304,754.16	155,272,010.47

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

6. Cash Flow Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	45,134,847.16	46,077,293.80
Tax refunds		
Other cash received related to operating activities	55,639,989.51	134,093,553.11
Subtotal of cash inflow from operating activities	100,774,836.67	180,170,846.91
Cash paid for goods and service	32,266,487.97	27,279,852.92
Cash paid to and on behalf of employees	23,691,555.31	18,281,258.17
Taxes paid	15,076,625.42	27,836,566.09
Other cash paid related to operating activities	113,721,306.86	224,334,962.62
Subtotal of cash outflow in operating activities	184,755,975.56	297,732,639.80
Net cash flow from operating activities	-83,981,138.89	-117,561,792.89
II. Cash flows from investment activities:		
Cash received from withdrawal of investment	543,000,000.00	1,258,100,000.00
Cash received from investment income	26,512,734.94	41,546,585.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000.00	
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	569,522,734.94	1,299,646,585.40
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		251,207.00
Cash paid for investment	555,000,000.00	1,160,600,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of cash outflow in investment activities	555,000,000.00	1,160,851,207.00
Net cash flow from investment activities	14,522,734.94	138,795,378.40

Item	Amount incurred in the current period	Amount incurred in the previous period
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Borrowings received	190,000,000.00	215,000,000.00
Cash received from bond issue		
Other cash received related to financing activities	7,812.30	
Subtotal of cash inflow from financing activities	190,007,812.30	215,000,000.00
Cash repayments of amounts borrowed	215,000,000.00	350,000,000.00
Cash paid for dividend and profit distribution or interest payment	32,182,063.94	20,043,250.00
Other cash paid related to financing activities		
Subtotal of cash outflow in financing activities	247,182,063.94	370,043,250.00
Net cash flow arising from financing activities	-57,174,251.64	-155,043,250.00
IV. Influence of exchange rate fluctuation on cash and cash equivalents	17.80	1.27
V. Net increase in cash and cash equivalents	-126,632,637.79	-133,809,663.22
Add: Opening balance of cash and cash equivalents	186,369,470.58	204,395,253.65
VI. Closing balance of cash and cash equivalents	59,736,832.79	70,585,590.43

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

7. Consolidated Statement of Changes in Owners' equity

Amount incurred in the current period

Unit: Yuan

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
	Preferred Shares	Perpetual capital securities	Others										
I. Closing balance of the previous year	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90
Plus: Change of accounting													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
policies													
Correction to errors of the previous period													
Merger of enterprises under common control													
Others													
II. Opening balance of the current year	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90
III. Increase and decrease of the current year (enter "-" for decrease)					7,812.30		-77,828.18				3,186,855.95	-8,767,064.64	-5,650,224.57
1. Total comprehensive income							-77,828.18				26,856,270.42	17,322,822.17	44,101,264.41
2. Capital invested or decreased by owners													
(1) Ordinary shares invested by the shareholders													
(2) Capitals invested by other equity instrument holders													
(3) Amount of share-based payment included in owners' equity													
(4) Others													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
3. Profit distribution											-23,669,414.47	-26,089,886.81	-49,759,301.28
(1) Accrual of surplus public reserve													
(2) Accrual of general risk provision													
(3) Amount distributed to owners (or shareholders)											-23,669,414.47	-26,089,886.81	-49,759,301.28
(4) Others													
4. 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													
5. Special reserve													
(1) Accrual of the current year													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
(2) Amount utilized in the current period													
6. Others				7,812.30									7,812.30
IV. Closing balance of the current period	784,799,010.00			506,553,643.41		248,834.30		109,922,336.87			76,719,244.65	196,451,447.10	1,674,694,516.33

Amount of the previous year

Unit: Yuan

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
I. Closing balance of the previous year	784,799,010.00			404,727,257.72		231,817.05		102,912,835.67			6,299,799.41	196,398,356.76	1,495,369,076.61
Plus: Change of accounting policies													
Correction to errors of the previous period													
Merger of enterprises under common control													
Others													
II. Opening balance of the current year	784,799,010.00			404,727,257.72		231,817.05		102,912,835.67			6,299,799.41	196,398,356.76	1,495,369,076.61
III. Increase and decrease of the current year (enter "-" for decrease)				101,816,219.19		210,902.31					34,906,133.61	4,611,870.56	141,545,125.67

Item	Previous period													
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits			
	Preferred Shares	Perpetual capital securities	Others											
1. Total comprehensive income							210,902.31					34,906,133.61	17,265,563.60	52,382,599.52
2. Capital invested or decreased by owners														
(1) Ordinary shares invested by the shareholders														
(2) Capitals invested by other equity instrument holders														
(3) Amount of share-based payment included in owners' equity														
(4) Others														
3. Profit distribution													-12,653,693.04	-12,653,693.04
(1) Accrual of surplus public reserve														
(2) Accrual of general risk provision														
(3) Amount distributed to owners (or shareholders)													-12,653,693.04	-12,653,693.04
(4) Others														
4. Internal carrying forward of owners' equity														

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Preferred Shares		Perpetual capital securities	Others										
(1) 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													
5. Special reserve													
(1) Accrual of the current year													
(2) Amount utilized in the current period													
6. Others					101,816,219.19								101,816,219.19
IV. Closing balance of the current period	784,799,010.00				506,543,476.91		442,719.36		102,912,835.67		41,205,933.02	201,010,227.32	1,636,914,202.28

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

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

Amount incurred in the current period

Unit: Yuan

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less:	Other	Special	Surplus reserve	Undistributed	Total owners'

		Preferred Shares	Perpetual capital securities	Others		Treasury shares	comprehensive income	reserve		profits	equity
I. Closing balance of the previous year	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
Plus: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Opening balance of the current year	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
III. Increase and decrease of the current year (enter "-" for decrease)					7,812.30		48.10			29,998,243.79	30,006,104.19
1. Total comprehensive income							48.10			53,667,658.26	53,667,706.36
2. Capital invested or decreased by owners											
(1) Ordinary shares invested by the shareholders											
(2) Capitals invested by other equity instrument holders											
(3) Amount of share-based payment included in owners' equity											
(4) Others											
3. Profit distribution										-23,669,414.47	-23,669,414.47
(1) Accrual of surplus public reserve											
(2) Amount distributed to owners (or shareholders)										-23,669,414.47	-23,669,414.47
(3) Others											
4. Internal carrying forward of owners' equity											

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
(1) 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											
5. Special reserve											
(1) Accrual of the current year											
(2) Amount utilized in the current period											
6. Others					7,812.30						7,812.30
IV. Closing balance of the current period	784,799,010.00				507,781,650.13		48.10		109,922,336.87	93,083,754.54	1,495,586,799.64

Amount of the previous year

Unit: Yuan

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

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
of the current year											
III. Increase and decrease of the current year (enter "-" for decrease)					101,816,219.19					47,780,170.69	149,596,389.88
1. Total comprehensive income										47,780,170.69	47,780,170.69
2. Capital invested or decreased by owners											
(1) Ordinary shares invested by the shareholders											
(2) Capitals invested by other equity instrument holders											
(3) Amount of share-based payment included in owners' equity											
(4) Others											
3. Profit distribution											
(1) Accrual of surplus public reserve											
(2) Amount distributed to owners (or shareholders)											
(3) Others											
4. 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											

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
share capital)											
(3) Surplus public reserve compensating losses											
(4) Others											
5. Special reserve											
(1) Accrual of the current year											
(2) Amount utilized in the current period											
6. Others					101,816,219.19						101,816,219.19
IV. Closing balance of the current period	784,799,010.00				507,771,483.63				102,912,835.67	25,570,181.07	1,421,053,510.37

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

III. Company Profile

Shenzhen SEG Co., Ltd. (hereinafter referred to as "the Company") was incorporated on July 16, 1996 through public offering with Shenzhen SEG Group Co., Ltd. as the sole initiator upon the approval of relevant departments of Shenzhen and the state in accordance with the *Company Law of the People's Republic of China*. With approval of the securities administration departments of Shenzhen and the state, the Company's B shares and A shares were listed and traded on Shenzhen Stock Exchange respectively in July 1996 and December 1996.

On June 7, 2006, the Company passed a resolution at the general meeting of shareholders concerning the equity division reform. According to the transfer plan of capital reserve into common shares, the Company distributed 4.6445 shares to tradable A share shareholders for each 10 shares, which totaled 40,233,322 transferred shares. As a result, its non-tradable A shares were qualified for listing and circulating. Among the converted and increased capital share obtained by the tradable A-share shareholders, 6,997,054 shares were received due to the Company's share capital expansion and the rest of 33,236,268 shares were the consideration paid to the tradable A-share shareholders by non-tradable A-share holders under fixed arrangements.

As of June 30, 2016, the total capital share of the Company amounts to 784,799,010 shares, including 26,689 restricted shares and 784,772,321 unrestricted shares. The registered capital is 784,799,010 Yuan. The registered address is 31F, Tower A, Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen.

1. Business Scope

General items: Domestic commerce, goods supply and sales (excluding commodities under special operation, control and sales), business development (specific projects shall be further declared), economic information consulting, property lease, real estate agency, and operation of SEG special the electronics markets (the license for the special market shall be further applied for).

2. Business Property and Business Operations

The Company engages in business service industry, involving products and service mainly in operation and management of special the electronics markets, lease business and other tertiary industries. 22 entities are included in the current consolidated financial statements, namely:

Subsidiary name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Holding subsidiary	I	66.58	66.58
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Holding grandson company	II	66.58	66.58
Shenzhen SEG Industrial Investment Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Changsha SEG Development Co., Ltd.	Holding subsidiary	I	46.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	70.00	70.00
Suzhou SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	45.00	45.00
Xi'an SEG Electronics Market Co., Ltd.	Holding subsidiary	I	65.00	65.00
Shenzhen SEG Credit Co., Ltd.	Holding subsidiary	I	53.02	53.02
Shenzhen SEG E-Commerce Co., Ltd.	Holding subsidiary	I	51.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Hairong SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wujiang SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wuxi SEG Electronics Market Co., Ltd	Holding subsidiary	I	51.00	51.00
Foshan Shunde SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nanning SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nantong SEG Times Square Development Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Yantai SEG Times Square Development Co., Ltd.	Holding subsidiary	I	90.00	90.00
Nantong SEG Commercial Operation Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Digital Plaza Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Fengdong New Town SEG Times Square Properties Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Intelligent Technology Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Holding subsidiary	I	50.00	50.00

For the cause for difference between the proportion of shareholding and the proportion of voting rights and the basis for control of the invested entity even with half of voting rights or less, see "Note 8: Equities in other entities – (1) Equities in subsidiaries".

Compared with the previous period, two subsidiaries are added to entities included in the consolidated financial statements of the current period.

IV. Basis of preparation of the financial statements

1. Basis of preparation

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

2. Sustainable operation ability

There is no concern on sustainable operation ability of the Company within 12 months since the end of the report period.

V. Important accounting policies and accounting estimates

1. Statement on compliance with ASBE

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

2. Accounting period

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

3. Recording currency

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

4. Accounting treatment method for the merger of the enterprises under the control of a same entity and those not under the control of a same entity

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

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

ii. Business merger under common control

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

If contingent consideration exists and the estimated liabilities and assets have to be recognized, the capital reserve (capital surplus or capital stock premium) is adjusted based on the difference between the estimated liabilities and assets and the subsequent contingent consideration. The retained earnings are adjusted if the capital reserve is not sufficient for writing off.

For business merger through several deals, deals in a package will be treated as one deal with control right acquired for accounting treatment; for deals not in a package, the capital reserve is adjusted based on the difference between the initial cost of long-term equity investment and the sum of book value of long-term equity investment before merger and book value of consideration payment for new shares. The retained earnings are adjusted if the capital reserve is not sufficient for writing off. For equity investment held before merger, other comprehensive income recognized by the equity method, financial instruments or calculation standards will not be subject to accounting treatment, and until the

disposal of such investment such accounting treatment is carried out on the same basis as the direct disposal of related assets and liabilities by the invested party; other changes in owners' equity excluding net profit and loss, other comprehensive income and profit distribution in the net assets of the invested party recognized by the equity accounting method will not be subject to accounting treatment and is transferred to current profit and loss after the disposal of such investment.

iii. Business merger not under common control

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

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

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

iv. Expenses incurred due to merger

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

5. Preparation method of the consolidated financial statements

i. Consolidation scope

The scope of the consolidated financial statements of the Company is determined based on share-holding status, and all subsidiaries (including single entities controlled by the Company) are included in the scope.

ii. Consolidation procedure

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

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

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

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

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

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

(1) Expansion of subsidiaries or business

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

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

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

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

(2) Disposal of subsidiaries or business

1) General disposal method

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

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

2) Disposal of subsidiaries by steps

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

- A. Those deals are made at the same time or in consideration of mutual influences;
- B. A complete business result can be achieved only with the deals as integrity;

C. The occurrence of one deal depends on the occurrence of at least one deal.

D. A single deal is uneconomical but the integration with other deals is economical.

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

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

(3) Acquisition of minority shares of subsidiary

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

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

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

6. Classification of joint arrangement and accounting treatment method of joint operation

i. Classification of joint arrangement

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

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

(1) The legal form of joint arrangement shows that joint ventures share rights and obligations for assets and liabilities in such arrangement.

(2) It is agreed in the terms of joint arrangement that joint ventures share rights and obligations for assets and liabilities in such arrangement.

(3) Other facts and condition show that joint ventures share rights and obligations for assets and liabilities in such arrangement. For example, joint ventures enjoy nearly all output relevant to such arrangement and settlement of liabilities in such arrangement constantly depends on the support of joint ventures.

ii. Accounting treatment method of joint operation

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

(1) Recognizing assets held separately and assets shared based on shares;

(2) Recognizing liabilities undertaken separately and liabilities shared based on shares;

(3) Recognizing the income from sales of the share in joint operation output;

(4) Recognizing the income from sales of joint operation output based on shares;

(5) Recognizing the expenses individually incurred and expenses incurred by joint operation based on shares.

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

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

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

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 of the Company are recognized as cash. The investments that meet four conditions at the same time, i.e. short term (due within 3 months since the date of purchase), strong liquidity, easiness in being converted into known cash, fairly small risk of value fluctuation are recognized as cash equivalents.

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

Foreign currency business

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

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

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

Translation of foreign currency financial statements

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

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

9. Financial instruments

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

i. Classification of financial instruments

According to the contract terms and economic nature of financial instruments rather than in the legal form only, in combination of the purposes of acquisition and holding of financial assets and undertaking of financial debts, the management classifies financial assets and liabilities as follows: financial assets (or liabilities) measured based on fair

value with changes included in current profit and loss, held-to-maturity securities, accounts receivable, financial assets available for sales, and other financial liabilities.

ii. Confirmation basis for and measurement method of financial instruments

(1) Financial assets (liabilities) measured by fair value and with changes included in the current gains and losses

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

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

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

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

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

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

(2) Accounts receivable

For credit receivable due to the commodities sold or labor services provided by the Company and credit of other enterprises held by the Company other than the credit of debt tools with quotes in an active market, including accounts receivable and other receivables, the amount receivable in contracts or agreements from the purchaser is treated as the initial recognition amount. For those of a financing nature, the current value is treated as the initial recognition amount.

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

(3) Held-to-maturity investment

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

For held-to-maturity investment, the Company treats the sum of fair value at the time of acquisition (deducting bond interests matured but not collected) and relevant transaction expenses as the initial recognition amount. During the period of share-holding, the interest income is calculated and confirmed in accordance with the amortized and the actual interest rate, which is recorded into the investment income. The actual interest rate is determined at the time of acquisition and

remains unchanged within the anticipated existence period or a shorter period applicable. At the time of disposal, the difference between the price of acquisition and the book value of such investment is included in investment income.

If the amount of the held-to-maturity investment disposed of or re-classified as other financial assets is larger than the total amount of all held-to-maturity investment before sale or reclassification, the remaining held-to-maturity investment shall be re-classified as available-for-sale financial assets immediately after disposal or reclassification. On the reclassification date, the difference between the book value and fair value of such investment is included in other comprehensive income, which is transferred out at depreciation or recognition end of such available-for-sale financial assets and included in the current profit and loss. The following cases can be excluded:

- 1) The sale or reclassification date is close to the expiry or redemption date of such investment (for example within three months before the expiry date), and changes in interest rate have no significant impacts on the fair value of such investment.
- 2) The enterprise has recovered nearly all original principal with the repayment method specified in the contract.
- 3) Sale or reclassification arises from independent events that are beyond the control of the enterprise, expected not to recur, and hard to be predicated.

(4) Available-for -sale financial assets

Available-for -sale financial assets refer to non-derivative financial assets designated at initial recognition and financial assets other than other financial assets category.

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

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

(5) Other financial liabilities

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

iii. Recognition basis and measurement method of financial assets transfer

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

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

(1) Book value of the transferred financial assets;

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

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

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

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

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

iv. Conditions for termination of recognition of financial liabilities

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

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

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

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

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

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

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

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

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

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

Specific impairment methods of financial assets are as follows:

(1) Impairment provision for financial assets available for sale

The Company shall appraise the impairment loss of each financial asset with the specific identification method at the balance sheet date. Where the fair value of the equity instrument investment drops significantly or not temporarily, it is an objective evidence for impairment of equity instruments available for sale. In terms of the specific quantitative criterion, if the fair value of such equity instrument investment is lower than over 50% (including 50%) of its cost or is lower than its cost for over 12 months (including 2 months) consecutively, it indicates that such asset is impaired.

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

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

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

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

vii. Counteraction of financial assets and liabilities

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

(1) The Company has the legal right to counteract the recognized amount which is currently enforceable.

(2) The Company plans to settle in net amount or realize such financial assets and liquidate such financial liabilities at the same time.

10. Accounts receivable

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

Criterion or amount limit for determining a significant single amount	Top five accounts receivable
Accounts receivable with significant single amount and single provision for bad liabilities	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 liabilities which will be included in the current profit and loss. Accounts receivable with no impairment by test shall be included in the bad debt provision for a certain combination.

(2) Other receivables with bad debt provision accrued based on credit risk feature combinations

Name of combination	Accrual method for making bad debts provision
Combination of aging analysis method	Aging analysis method
Combination of specific object	Other method

Bad debt provision made using the aging analysis method

Applicable Not applicable

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

Accounts receivable in the portfolio, for which the bad debt provision was accrued by the Percentage of Total Accounts Receivable Outstanding method.

Applicable Not applicable

Accounts receivable in the portfolio, for which the bad debt provision was accrued by other methods.

Applicable Not applicable

(3) Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued

Reason of making bad debts provision for a single amount	The reason for single provision for bad debts is that any objective evidence indicates that the Company is unable to recover the accounts receivable according to the original terms.
Accrual method for making bad debts provision	Accrual method for bad debt provision: The difference between the expected future cash flow and its book value is accrued for bad debt provision.

11. Inventory

i. Classification of inventory

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

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

ii. Pricing method of inventory

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

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

After a complete check on the inventory at the end of the period, the inventory depreciation provision is accrued or adjusted based on the lower one between the inventory cost and the net realizable value. The net realizable value of commodity inventory directly for sale including finished products, stock goods and materials for sale is determined by the estimated selling price of such inventory minus estimated selling expenses and relevant taxes during production and operation. The net realizable value of material inventory to be processed is determined by the estimated selling price of the finished product minus estimated cost to be incurred until completion, estimated selling expenses and relevant taxes during production and operation. The net realizable value of inventory held for fulfilling sales contract or labor service contract is calculated based on the contract price. If quantity of inventories held is more than the ordered quantity in the sales contract, the net realizable value of the inventory for the excess part is calculated based on general selling price.

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

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

iv. Inventory system

The perpetual inventory system is adopted.

v. Amortization method of low-value consumables and packages

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

(2) For packaging materials, the one-off amortization method is adopted

vi. Accounting method of land for development

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

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

vii. Accounting method of public facility expenses

For public facilities that cannot be transferred with compensation, the allocation standard is determined based on the benefit ratio and the facilities are included in the cost of the commodity house.

For public facilities that can be transferred with compensation, the supporting facilities are cost accounting objects and included in the cost incurred.

viii. Accounting method of the maintenance fund

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

ix. Accounting method of the warranty deposit

According to provisions in the construction contract, the warranty deposit is retained from the project fund of the construction organization. Maintenance expenses incurred in the warranty period of a developed product can be used to offset the warranty deposit. When the warranty period expires, the balance shall be returned to the construction organization.

12. Held-for-sale assets

i. Recognition standard for held-for-sale assets

The corporate integral part (or non-current asset) that satisfies the following conditions is recognized as an integral part of held-for-sale assets.

(1) The integral part must be available for sale under its current status only according to conventional terms on sale of such integral part.

(2) The enterprise has made resolutions concerning disposal of such integral part. For those requiring approval of shareholders, approval of the general meeting of shareholders or other power organs has been gained.

(3) The enterprise and the transferee have entered into an irrevocable transfer agreement.

(4) Such transfer will be completed within one year.

ii. Accounting method of held-for-sale assets

For a fixed asset held for sale, the Company adjusts the estimated net residual value of such fixed asset which reflects the balance between the fair value and disposal expense. If a fixed asset does not satisfy held-for-sale conditions, the balance between the original book value of such fixed asset and the estimated net residual value after adjustment shall be treated as asset depreciation and included in the current profit and loss. The fixed asset held for sale is not subject to accrual of depreciation or amortization, and is measured by the lower one between the book value and the result after the disposal expense is deducted from the fair value.

The foregoing method also applies to equity investment, intangible assets, and other non-current assets that satisfy held-for-sale conditions. However, deferred tax assets, financial assets regulated in the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement*, investment properties and biological assets measured by the fair value, and contract rights conferred by the insurance contract are excluded.

13. Long-term equity investment

i. Determination of the investment cost

(1) For the specific accounting policy for long-term equity investment arising from business merger, see Note 4 (4) accounting method for business merger under or not under common control.

Long-term equity investment obtained in other ways

(2) The actual payment is taken as the initial investment cost of the long-term equity investment obtained by cash. The initial investment cost includes expenses, taxes, and other necessary expenditure directly related to long-term equity investment.

The fair value of the issued equity securities is taken as the initial investment cost of the long-term equity investment obtained by issue of equity securities. For issue or acquisition of the enterprise's own equity instruments that are directly attributable to equity transaction, transaction expenses are deducted from the equity.

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.

ii. Measurement after recognition and profit and loss recognition

(1) Cost method

The Company conducts accounting with the cost method for long-term equity investment controlled by the investee, enter the initial investment cost to the account book, and add or recover investment to adjust the cost of long-term equity investment.

Under equity 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.

(2) Equity method

The Company conducts accounting with the equity method for long-term equity investment of joint ventures or associates. The equity investment part of associated enterprises held indirectly via the venture capital organization, mutual fund, trust company, or similar entities including the unit-linked insurance foundation is measured by fair value and its changes are included in the profit and loss.

If the initial cost of long-term equity investment is larger than the fair value of identifiable net assets of the investee to be enjoyed by the Company at investment, the initial investment cost of the long-term equity investment is not adjusted. If the former is smaller than the latter, the difference is included in the current profit and loss.

After the Company obtains long-term equity investment, the investment income and other comprehensive income are recognized respectively based on the net profit and loss and other comprehensive income of the investee to be enjoyed by the Company, and the book value of long-term equity investment is adjusted. The part to be enjoyed by the Company is calculated based on the profit or cash dividend declared by the investee, and the book value of long-term equity investment is reduced accordingly. For other changes in owner's equity excluding net profit and loss, other comprehensive income, and profit distribution related to equity investment, the book value of long-term equity investment adjusted and included in owner's equity.

When recognizing the net profit and loss of the investee to be enjoyed, the Company shall adjust the net profit of the investee before recognition based on the fair value of identifiable net assets of the investee at investment. The unrealized profit or loss of internal transactions between the Company and the joint venture or associate is calculated based on the

ratio to be enjoyed, and the part attributable to the Company is offset. The profit or loss from investment is recognized on this basis.

Where the Company recognizes the due share of the losses incurred by the investee under the equity method, the following sequence is adopted: First, the book value of the long-term equity investment is offset. Second, if the book value of the long-term equity investment is not sufficient for the offsetting, 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 in the investee and the book values of long-term accounts receivable and others are offset. 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 in the investee and the book value of the long-term equity investment, and recognize investment income at the same time.

iii. Conversion of accounting methods of long-term equity investment

(1) Conversion from fair value method to equity method

The equity investment originally held by the Company that involves no control, common control, or significant influence over the investee is recognized based on the financial instrument and subject to accounting treatment according to accounting standards. If due to additional investment, the equity investment involves significant influence or common control rather than control over the investee, the sum of the fair value of the original equity investment calculated according to the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement* and the new investment cost is treated as the original investment cost subject to accounting with the equity method.

The difference between the fair value and book value of the original equity investment (classified as the available-for-sale asset) and accumulative changes in fair value originally included in other comprehensive income are transferred to the current profit and loss subject to accounting with the equity method.

The original investment cost is less than the fair value of the identifiable net asset of the investee to be enjoyed by the Company calculated based on the new shareholding ratio after additional investment. The book value of long-term equity investment is adjusted based on the difference, and included in the current non-operating income.

(2) Conversion from fair value method or equity method to cost method

The equity investment originally held by the Company that involves no control, common control, or significant influence over the investee or long-term equity investment in joint ventures or associates is recognized based on the financial instrument and subject to accounting treatment according to accounting standards. If due to additional investment, the equity investment involves significant control over the investee not under common control, the sum of the fair value of the original equity investment calculated and the new investment cost is treated as the original investment cost subject to accounting with the cost method when the Company prepares some financial statements.

If other comprehensive income of the equity investment held before the purchase date is subject to accounting with the equity method, such investment is subject to accounting treatment on the same basis where the investee directly disposes of related assets or liabilities.

If the equity investment held before the purchase date is subject to accounting treatment according to the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement*, accumulative changes in fair value originally included in other comprehensive income are transferred to the current profit and loss subject to accounting with the cost method.

(3) Conversion from equity method to fair value method

If the Company loses common control or significant influence over the investee due to disposal of partial equity investment, the residual equity after disposal is subject to accounting according to the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement*. The difference between the fair value and book value on the date of loss of common control or significant influence is included in the current profit and loss.

If other comprehensive income of the original equity investment is subject to accounting with the equity method, when the equity method is abandoned, such investment is subject to accounting treatment on the same basis where the investee directly disposes of related assets or liabilities.

(4) Conversion from cost method to equity method

If the Company loses control of the investee due to disposal of partial equity investment, the residual equity after disposal with common control or significant influence over the investee is subject to accounting with the equity method, and such residual equity is deemed to have adjusted subject to the equity method upon acquisition.

(5) Conversion from cost method to fair value method

If the Company loses control on the investee due to disposal of partial equity investment, the residual equity after disposal is subject to accounting according to the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement*. The difference between the fair value and book value on the date of loss of control is included in the current profit and loss when the Company prepares some financial statements.

iv. Disposal of long-term equity investment

The difference between the book value and actual price of long-term equity investment is included in the current profit and loss. If long-term equity investment is subject to accounting with the equity method, the part originally included in other comprehensive income is subject to accounting treatment pro rata on the same basis where the investee directly disposes of related assets or liabilities.

If the terms and conditions or economic influences of deals involved in disposal of the equity investment in a subsidiary are consistent with the following case(s), several deals will be processed as a package deal for accounting treatment.

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

If the Company loses control of a subsidiary due to disposal of partial equity investment or other reasons which does not belong to a package deal, accounting treatment of the individual financial statement and consolidated financial statement is handled through differentiation.

(1) In the individual financial statement, the difference between the book value and actual price of the equity investment disposed of is included in the current profit and loss. The residual equity after disposal with common control or significant influence over the investee is subject to accounting with the equity method, and such residual equity is deemed to have adjusted subject to the equity method upon acquisition. The residual equity after disposal without common control or significant influence over the investee is subject to accounting treatment according to the *Enterprise Accounting Standard No. 22 - Financial Instrument Recognition and Measurement*. The difference between the fair value and book value on the date of loss of control is included in the current profit and loss.

(2) In the consolidated financial statement, for deals before the Company loses control of a subsidiary, based on the difference between the consideration acquired due to disposal of party of long-term equity investment in a subsidiary and net assets to be enjoyed from such subsidiary since the date of acquisition or merger, the capital reserve (share premium) is adjusted. The retained earnings are adjusted if the capital reserve is not sufficient for writing off. The residual equity is re-measured based on the fair value on the date of loss of control. (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 loses 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 loses control of the subsidiary.

If deals incurred for disposal of equity investment in a subsidiary until the loss of control belong to a package deal, the Company treats all deals as one deal for accounting treatment. Accounting treatment of the individual financial statement and consolidated financial statement is handled through differentiation.

(1) In the individual financial statement, the difference between the consideration acquired from each disposal and the book value of long-term equity investment before loss of control is recognized as other comprehensive income and transferred to the current profit and loss at the time of loss of control.

(2) In the consolidated financial statement, the difference between the consideration acquired from each disposal and the net asset of the subsidiary to be enjoyed by the Company before loss of control is recognized as other comprehensive income and transferred to the current profit and loss at the time of loss of control.

Criteria for common control and significant influence

If the Company and the other participants jointly control an arrangement and decision-making with significant influences over the returns of such arrangement as agreed, joint control exists only with unanimous consent from participants

sharing control. The Company and other participants shares control of the arrangement, and such arrangement is joint arrangement.

If a joint arrangement is achieved through a single entity. If the Company has rights to the net asset of the single entity according to related agreement, the single entity is a joint venture and the equity method applies. If the Company has no rights to the net asset of the single entity according to related agreement, the single entity belongs to joint operation. The Company confirms items related to the share of interests in the joint operation and conduct accounting treatment according to provisions of the *Enterprise Accounting Standard*.

Significant influence refers to the case where the investor has the power to participate in financial and operating policy decisions of an investee but cannot control or jointly control of those polices). The existence of significant influence by the Company is evidenced in one or more of the following ways based on all facts and circumstances: (1) representation on the board of directors or equivalent governing body of the investee; (2) participation in the financial and operating policy-making process; (3) material transactions between the Company and the investee; (4) interchange of managerial personnel; (5) provision of essential technical information.

14. Investment properties

Measurement mode of investment properties

Measurement of cost method

Depreciation and amortization

Investment property refers to the property held for earning rental or increasing the value of capital, including the right to use of the rented land, the right to use of the land held for transfer after the value increases, and the rented building.

The Company uses the cost of investment properties as entry value. The cost of purchased investment properties 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 properties using the cost pattern, and makes accrual depreciation or amortization for buildings and land use rights based on their expected service life and salvage value. The following table lists the expected service life, net salvage value, and annual depreciation (amortization) rate of investment properties:

Class	Expected service life	Expected salvage value	Annual depreciation (amortization) rate
Houses and buildings	20-40	5%	4.75%-2.38%

When the purpose of investment properties changes to self-use, the Company shall convert the investment properties 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 assets to investment properties since the day of change. The book value of the real estate prior to the conversion shall be entry value after conversion.

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

15. Fixed assets

(1) Identification conditions

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. Fixed assets can be identified when meeting the following conditions: A. Economic interest relevant to the fixed assets is likely to flow into the enterprise; B. The cost of the fixed assets can be reliably measured.

(2) Depreciation method

Class	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20-40	5	4.75-2.38
Machinery equipment	Straight-line method	5-10	5	19.00-9.50
Electronic equipment	Straight-line method	5-10	5	19.00-9.50
Transportation equipment	Straight-line method	5-10	5	19.00-9.50
Other equipment	Straight-line method	5-10	5	19.00-9.50

(3) Recognition basis and pricing method of the fixed assets acquired under finance leases

The Fixed assets rented by the Company can be identified as the fixed assets under financing lease when meeting one or several criteria as follows: A. When the lease term is due the proprietary of the leased property is transferred to the Company. 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 smaller 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 and stamp duties directly attributable 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 service 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 service life.

16. Construction in progress

i. Type of construction in progress

The construction in progress carried out 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, borrowing costs eligible for capitalization, and indirect expenses eligible for amortization. Cost accounting for the construction in progress of the Company shall be performed based on projects.

ii. 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 recorded 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.

17. Borrowing costs

i. Recognition principle 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 occurrence and included in current profit and loss.

The assets that meet the conditions of capitalization refer to the assets such as fixed assets, investment property 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:

(1) 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.

(2) The borrowing costs have already been incurred.

(3) The construction or production activities necessary for putting the assets into a usable or salable status have already started.

ii. 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 cannot 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.

iii. 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.

iv. 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

(1) Method of costing, service life and devaluation test

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.

i. Initial measurement of intangible assets

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

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

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

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

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

2. Subsequent measurement of intangible assets

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

1) Intangible assets with limited service life

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

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

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

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

(2) Accounting policy for internal R&D expenditure

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

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

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

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

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

- (1) The completion of such intangible assets makes it usable or its sale technically feasible.
- (2) There is an intention to complete such intangible assets and use or sell it.
- (3) The way that the intangible assets generate economic interests can prove that the product using such intangible assets or the intangible assets itself have market. If the intangible assets are to be used internally, its usefulness is proved.

(4) The Company has sufficient technical and financial resources and other resources to support the completion of the development of such intangible assets and the capacities to use or sell such intangible assets.

(5) The expenditure attributed to the development stage of such intangible assets can be reliably measured.

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

19. Long-term impairment of assets

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

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

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

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

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

During impairment 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. When impairment test is performed for relevant asset groups or asset group combinations that include goodwill, for example, if the sign of impairment exists for asset groups or asset group combinations relevant to goodwill, the impairment test is first performed for the asset groups or asset group combinations that do not include goodwill and the recoverable amount is calculated and is compared with the relevant book value to confirm the corresponding impairment loss. Then the impairment test is first performed for the asset groups or asset group combinations that include goodwill and the book value (including the book value of amortized goodwill) of the relevant asset groups or asset group combinations is compared with the recoverable amount. If the recoverable amount of relevant asset groups or asset group combinations is lower than the book value, the impairment loss of goodwill is confirmed.

20. Long-term expenses to be apportioned

i. Method of amortization

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

21. Payroll

(1) Accounting treatment method of payroll

Short-term remuneration refers to the payroll that needs to be paid completely within 12 months in the annual the report period when employees provide relevant services, excluding welfare after leave and dismissal welfare. In the accounting period when employees provide services, the Company identities short-term remuneration as liabilities and includes it in relevant asset costs and fees according to the benefit objects of services provided by employees.

(2) Accounting treatment method of welfare after leave

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

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

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

(3) Accounting treatment method of dismissal welfare

Dismissal welfare refers to the compensation for employees to terminate the labor relationship with employees before the labor contracts expire or encourage employees to accept downsizing. On the earlier one between the time when the Company cannot unilaterally withdraw the labor relationship termination plan and the time when restructuring costs and expenses related to payment of dismissal welfare, the liabilities incurred due to compensation for termination of the labor relationship is recognized and included in the current profit and loss.

The Company offers early retirement welfare to employees who accept the early retirement arrangement. Early retirement welfare refers to salaries and social insurances expenses paid for employees that have not reached the statutory retirement age and are willing to retire with approval of the management of the Company. The Company offers early retirement welfare from the date of the early retirement arrangement to the date when an employee reaches the statutory retirement age. The Company shall conduct accounting treatment for early retirement welfare by referring to dismissal welfare. When recognition conditions for dismissal welfare are satisfied, salaries and social insurance premiums to be paid for employees from the date when employees retire to the statutory retirement date are recognized as liabilities and included in the current profit and loss. The difference arising from changes in actuarial assumptions of early retirement welfare and welfare standards is included in the current profit and loss at occurrence.

(4) Accounting treatment methods of other long-term employees' welfare

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

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

22. Estimated liabilities

i. Recognition standards for estimated liabilities

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

The obligation is a current obligation undertaken by the Company;

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

The amount of the obligation can be measured reliably.

ii. 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.

23. Share-based payment

i. Types of share-based payment

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

ii. 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.

iii. 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.

iv. 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 reserved by reference to the grant-date fair value of equity instruments based on the best estimate of the number of vested equity instruments on each balance sheet date during the vesting period. The Company shall not adjust the recognized cost or expense and total equity amount after the vesting date.

The cash-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 the current profit and loss.

v. Modifications to the terms and conditions on which equity instruments were granted

If a grant of an equity instrument is canceled during the vesting period, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore include immediately the amount that would otherwise have been 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.

24. Other financial instruments such as preferred stock and sustainable debt

Based on the rules of financial instruments, the Company classifies financial instruments or their components into financial liabilities or equity instruments during initial recognition according to the contract terms of financial instruments such as preferred stock and sustainable debt and economic essence they reflect rather than legal form, in combination with definitions of financial liabilities and equity instruments.

i. When one of the following conditions is met, the issued financial instrument is classified into financial liabilities:

- (1) Contractual obligation to deliver cash or other financial assets to other parties;
- (2) Contractual obligation to exchange financial assets or financial liabilities under potential adverse conditions;
- (3) Non-derivative instrument contract that must or may use equity instruments of an enterprise for settlement in the future (the enterprise delivers a variable number of equity instruments according to the contract);
- (4) Derivative instrument contract that must or may use equity instruments of an enterprise for settlement in the future (except derivative instrument contracts that use a fixed number of equity instruments to exchange a fixed amount of cash or other financial assets).

ii. When the following conditions are met at the same time, the issued financial instruments are classified into equity instruments:

- (1) The financial instruments do not include the contractual obligation to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities under potential adverse conditions;
- (2) For the financial instruments that must or may use equity instruments of an enterprise for settlement in the future, if the financial instruments are non-derivative instruments, the contractual obligation to deliver a variable number of equity instruments for settlement is not included; if the financial instruments are derivative instruments, the enterprise can only settle the financial instruments by exchanging a fixed number of equity instruments with the fixed amount of cash or other financial assets.

iii. Accounting treatment method

For financial instruments that belong to equity instruments, the interest expenditure or dividend distribution shall be used as profits of the enterprise for distribution, the buy-back and write-off are treated as changes of equity, and transaction expenses such as handling charge and commission shall be deducted from the equity.

For financial instruments that belong to financial liabilities, the interest expenditure or dividend distribution shall be treated as borrowing costs in principle, the gain or loss generated due to buy-back or redemption are included in the current profit and loss, and transaction expenses such as handling charge and commission are included in the initial amount of measurement of the issues instruments.

25. Income

i. Standards for recognition time of sales income

The realization of the income from the sale of commodities is recognized when the Company has already transferred the main risks and consideration in the ownership right of the commodities to the purchaser, the Company has not retained any further management right connected to the ownership right nor implement effective control over the sold commodities, the amount of the revenue can be reliably measured, relevant economic interests are likely to flow into the enterprise, and relevant costs incurred or to be incurred can be measured reliably.

The Company mainly runs the leasing business in the electronics market. It identifies received rental as rental income in the term of lease by using the method of line and the income of other business is identified when the risk premium is transferred according to contract provisions.

The price of a contract or agreement is collected through deferral. In the case of actual financial nature, the amount of income from sales commodities shall be determined according to the fair value of the price of the contract or agreement.

ii. Basis for recognition of income from transfer of asset use right

When economic interests relevant to transaction probably flow into the enterprise and the amount of income can be reliably measured, the amount of income from transfer of asset use right is determined in the following circumstances:

- (1) The amount of interest income is determined according to the time and actual interest rate of other people using the monetary fund of the enterprise.
- (2) The amount of the income from use fee is determined in accordance with the time and method of charges as agreed in relevant contract or agreement.

iii. Basis and method for confirmation of income from rendering of services

Where the results of the labor services provided on the balance sheet date can be estimated reliably, the income from the provision of labor services is recognized with the percentage of completion method. The completion progress of a labor service transaction is determined by surveying the work completed.

When the following conditions are met at the same time, the result of rendering of services can be reliably estimated:

- (1) The amount of income can be measured reliably.
- (2) Relevant economic interests probably flow into the enterprise.
- (3) The completion progress of transactions can be reliably determined.
- (4) The costs that have been incurred or will be incurred in transactions can be reliably measured.

The total amount of the income from the provision of labor services is determined according to the price money received or receivable of a relevant contract or agreement, unless the price money received or receivable of a relevant contract or agreement is unfair. The labor services income of the current period is recognized on the balance sheet date according to the resulted amount of the total amount of income from provision of labor services times the completion percentage and deducted by the accumulative amount of the recognized income from provision of labor services in previous accounting periods. At the same time, the labor cost of the current period is carried forward according to the estimated total cost of the provision of labor services times the completion percentage and deducted by the accumulative amount of the recognized labor cost in previous accounting periods.

Where the results of the provision of labor services on the balance sheet date cannot be estimated reliably, such results are processed respectively according to the following conditions:

- (1) Where it is estimated that the labor services cost incurred can be compensated, the income from provision of labor services is recognized according to the amount of the labor services cost incurred and the same amount is transferred into the labor cost.
- (2) Where it is estimated that the labor services cost incurred cannot be compensated, the labor services cost incurred is included in current profit and loss and no income is recognized.

When the contracts or agreements 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.

iv. Basis and method for confirmation of income from construction contracts

(1) When the results of construction contracts can be reliably estimated, relevant income from contracts and costs of contracts are confirmed based on the method of completion percentage. The method of completion percentage refers to the method for confirming income from contracts and costs of contracts according to the completion progress of contracts. The completion progress of a contract is determined according to the ratio of actual accumulated cost of the contract to estimated total costs of the contract.

When the following conditions are met at the same time, the result of a fixed construction contract can be reliably estimated:

- 1) The total income from the contract can be reliably measured;
- 2) Economic interests relevant to the contract probably flow into the enterprise.
- 3) The actual costs of the contract can be clearly distinguished and reliably measured.
- 4) The completion progress of the contract and the costs needed for completing the contract can be reliably determined.

When the following conditions are met at the same time, the result of a cost-plus contract can be reliably estimated:

- 1) Economic interests relevant to the contract probably flow into the enterprise.

2) The actual costs of the contract can be clearly distinguished and reliably measured.

On the balance sheet date, the amount of total contractual income multiplied by the completion progress, deducting the accumulated confirmed income in the previous accounting period, is identified as the current contractual income; the amount of estimated total contract cost multiplied by the completion progress, deducting the accumulated confirmed cost in the previous accounting period, is identified as the current costs of contract. The change of contract engineering, claim and bonus is included in the total income of contract based on the amount that may be brought and can be reliably calculated.

(2) If the result of a construction contract cannot be reliably estimated, the contract is processed as follows:

1) If the contract cost can be recovered, the income from the contract is identified according to the actual recovered contract cost and the contract cost is identified as the current costs of contract.

2) If the contract cost cannot be recovered, the cost is immediately identified as the costs of contract in the current period when the cost is incurred and the income from the contract is not identified.

(3) If the total cost of contract probably exceeds the total income from the contract, the expected loss is immediately identified as costs.

v. Transfer of the assets with repurchase conditions

If the Company signs a repurchase agreement when selling products or transferring other assets, whether the products sold meet the conditions for income recognition is judged according to the articles of the agreement. If the repurchase is a financing transaction, the Company does not recognize sales income when delivering products or assets. If the repurchase price is higher than the selling price, interests are accrued for the difference during repurchase period and included in financial expenses.

26. Government subsidies

(1) Basis for determining government subsidies relevant to assets and accounting treatment methods

The government subsidies relevant to assets are identified as deferred income and are included in non-operating income according to the service life of the built or purchased assets.

(2) Basis for determining government subsidies relevant to income and accounting treatment methods

The government subsidies that are related to income and are used to compensate for relevant expenses or losses in later periods are identified as deferred income when they are obtained; the subsidies used to compensate for relevant expenses or losses that have been incurred are identified as the current non-operating income when they are obtained.

When identified government subsidies need to be returned and the balance of relevant deferred income exists, the book balance of relevant deferred income is offset and the excess part is included in the current profit and loss; when relevant deferred income does not exist, the government subsidies are directly included in the current profit and loss.

27. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and identified according to the difference (temporary difference) between the taxable basis of the assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and liabilities are measured based on the tax rate applicable to the period when the assets are expected to be recovered or the liabilities are expected to be paid off.

i. Basis for the recognition of deferred incomes tax assets

The Company confirms the deferred income tax assets generated due to deductible temporary difference based on the amount of taxable income that is probably obtained to deduct deductible temporary difference and can carry over deductible loss and tax deduction. However, the deferred income tax assets generated due to initial confirmation of assets or liabilities in a transaction that has the following features at the same time: (1) the transaction is not business merger; (2) the transaction does not affect the accounting profit, taxable income or deductible loss.

For the deductible temporary difference relevant to investment in associates, when the following conditions are met at the same time, corresponding deferred income tax assets are confirmed; the temporary difference is probably reversed in the foreseeable future and taxable income used to deduct the deductible temporary difference will probably be obtained in the future.

ii. Basis for recognition of deferred income tax liabilities

The temporary difference between the tax payable not paid in the current period and that in the previous period is recognized by the Company as deferred income tax liabilities, excluding:

- (1) Temporary difference formed due to initial confirmation of goodwill;
- (2) Transaction or matter formed due to factors rather than business merger (the transaction or matter does not affect the accounting profit or the temporary difference formed due to taxable income or deductible loss);
- (3) For the taxable temporary difference relevant to investment of subsidiaries and associates, the reversal time of the temporary difference can be controlled and may not be reversed in the foreseeable future.

iii. An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (1) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (2) 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.

28. Lease

(1) Accounting treatment method 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 included in current expenses. The initial direct expenses related to lease transactions, paid by the Company, are included in current expenses.

In case that the 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 included in 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 included in the lease income. The initial direct expenses related to lease transactions, paid by the Company, are included in current expenses. Those with significant amounts are capitalized and 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 method of financing lease

A. Assets acquired under financing lease: Between the fair 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 included in 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 included in the initial calculation of financing lease payment receivable and the amount of profits recognized in the lease term is reduced.

29. Changes of important accounting policies and accounting estimates

(1) Changes of important accounting policies

Applicable Not applicable

(2) Changes of important accounting estimates

Applicable Not applicable

VI. Taxes

1. Main tax categories and tax rates

Tax Category	Taxation Basis	Tax Rate
Value-added tax	Taxable income	5, 6, 17
Business tax	Revenue from rental and interest on loans	5
Urban maintenance and construction tax	Turnover tax payable	7
Corporate income tax	Taxable income	25, 15
Education surtax	Turnover tax payable	3
Education surtax	Turnover tax payable	2

Tax payers when different enterprise income tax rates exist

Name of tax payer	Income tax rate
Xi'an SEG Electronics Market Co., Ltd.	15
Xi'an Hairong SEG Electronics Market Co., Ltd.	15

2. Tax preference

According to the *Letter of Confirmation* Doc. No.[2014] 134 issued by Shaanxi Development and Reform Commission, Xi'an SEG Electronics Market Co., Ltd., a subsidiary of the Company, is engaged in projects encouraged by the nation and complies with the corporate income tax preference policy for development of the west regions. Therefore, the corporate income tax shall be paid at the rate of 15%.

According to the *Letter of Confirmation* Doc. No.[2014] 060 issued by Shaanxi Development and Reform Commission, Xi'an Hairong SEG Electronics Market Co., Ltd., a subsidiary of the Company, is engaged in projects encouraged by the nation and complies with the corporate income tax preference policy for development of the west regions. Therefore, the corporate income tax shall be paid at the rate of 15%.

Except for the foregoing two subsidiaries, the enterprise income tax rate of all other subsidiaries is 25%.

VII. Notes on items of consolidated financial statements

1. Monetary capital

Unit: Yuan

Item	Closing balance	Opening balance
Cash on hand	532,393.65	526,467.72
Bank deposit	142,717,238.17	274,816,839.04
Other monetary capital	55,122.34	1,520,122.34
Total	143,304,754.16	276,863,429.10

Other note

Details of other restricted monetary fund:

Item	Closing balance	Opening balance
Performance bond		340,000.00

Item	Closing balance	Opening balance
Cash deposit for credit card repayment		1,000,000.00
Total		1,340,000.00

2. Accounts receivable

(1) Accounts receivable disclosed by type

Unit: Yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	79,482,537.58	87.81%	26,173.60	0.24%	79,456,363.98	98,238,596.47	89.91%	26,173.60	0.03%	98,212,422.87
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	11,029,908.51	12.19%	11,029,908.51	99.76%	0.00	11,029,908.51	10.09%	11,029,908.51	100.00%	
Total	90,512,446.09	100.00%	11,056,082.11	100.00%	79,456,363.98	109,268,504.98	100.00%	11,056,082.11	10.12%	98,212,422.87

Accounts receivable with a significant amount individually, for which bad debt provision is separately accrued at the end of period:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Percentage
Sub-item within one year			
Subtotal of accounts aged under 1 year	78,959,065.58	0.00	0.00%
1-2 years	523,472.00	26,173.60	5.00%
2-3 years	0.00	0.00	
Over 3 years	0.00	0.00	
3-4 years	0.00	0.00	
Total	79,482,537.58	26,173.60	0.03%

Note to basis for confirming the combination:

Accounts receivable in a combination, for which bad debt provisions are made using the Percentage of Total Accounts Receivable Outstanding method

□ Applicable √ Not applicable

i. Among the combination, accounts receivable for which bad debt provision is computed by adopting other methods:

Accounts receivable with no significant single amount but with single provision for bad debts at the end of period

Name of company	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reason for provision
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Shuangxionghui Industrial Co., Ltd	2,160,725.63	2,160,725.63	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Liyuanshun Industrial Co., Ltd.	1,906,865.35	1,906,865.35	100.00	Unable to be recovered for aging of over 5 years
Zhejiang Financial Information Co., Ltd	786,000.00	786,000.00	100.00	Unable to be recovered for aging of over 5 years
Shanghai Tianci Industrial Co., Ltd.	899,000.00	899,000.00	100.00	Unable to be recovered for aging of over 5 years
Other companies	2,185,306.44	2,185,306.44	100.00	Unable to be recovered for long aging
Total	11,029,908.51	11,029,908.51	100.00	-

(2) Accounts receivable with top 5 closing balance collected based on arrears party

Name of company	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Shenzhen Runneng Digital Co., Ltd.	20,165,776.97	22.28	-
Xinjiang Zhongdi Communications Equipment Co., Ltd.	13,241,726.56	14.63	-
Shenzhen Wonder Industry Co., Ltd.	7,955,493.47	8.79	-
Shenzhen Comnet Technology Co., Ltd.	5,216,504.81	5.76	-
Shenzhen Nanfang Yunhe Technology Co., Ltd.	3,941,752.87	4.35	-
Total	50,521,254.68	55.82	-

3. Advances**(1) Advances listed according to different durations**

Unit: Yuan

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	89,712,712.41	100.00%	129,044,887.26	100.00%

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Total	89,712,712.41	-	129,044,887.26	-

(2) Advances with top 5 closing balance collected based on advance object

Name of company	Period-end amount	Percentage in the total amount of accounts receivable (%)	Prepayment date	Reason for non-settlement
Xi'an Gaoke (Group) New West China Industrial Development Co., Ltd	20,000,000.00	22.29	Within 1 year	Advance rental payment
Shenzhen Must Energy Technology Co., Ltd.	17,823,353.29	19.87	Within 1 year	Prepayment for goods
Tonmac International Electronics (Suzhou) Co., Ltd	17,500,000.00	19.51	Within 1 year	Advance rental payment
Shenzhen Must Power Co., Ltd.	9,337,733.44	10.41	Within 1 year	Prepayment for goods
Suzhou SEG Digital Plaza Management Co., Ltd.	5,696,597.95	6.35	Within 1 year	Advance rental payment
Total	70,357,684.68	78.43	-	-

4. Other receivables**(1) Other receivables disclosed by type**

Unit: Yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Other receivables with single significant amount and single bad debt provision	14,434,547.87	15.95%	14,434,547.87	100.00%		14,434,547.87	24.12%	14,434,547.87	100.00%	
Other receivables with bad debt provision accrued based on credit risk feature combinations	46,573,648.87	51.46%	322,879.63	0.69%	46,250,769.24	27,674,049.48	46.25%	321,265.15	1.16%	27,352,784.33
Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued	17,731,257.04	19.59%	17,731,257.04	100.00%		17,731,257.04	29.63%	17,731,257.04	100.00%	
Total	78,739,453.78	87.00%	32,488,684.54	41.26%	46,250,769.24	59,839,854.39	100.00%	32,487,070.06	54.29%	27,352,784.33

Other receivables with a significant amount individually, for which bad debt provision is separately accrued

√ Applicable □ Not applicable

Unit: Yuan

Other receivables (by company)	Closing balance			
	Other receivables	Bad debt provision	Percentage	Reason for provision
Yangjiang Yuntong Grease Co., Ltd.	8,530,276.35	8,530,276.35	100.00%	Unable to be recovered for aging of over 5 years
Creditor's right transferred in by SEG Communications	5,904,271.52	5,904,271.52	100.00%	Unable to be recovered for aging of over 5 years
Total	14,434,547.87	14,434,547.87	-	-

Among the combinations, accounts receivable for which bad debt provision is computed by aging method:

Applicable Not applicable

Unit: Yuan

Aging	Closing balance		
	Other receivables	Bad debt provision	Percentage
Sub-item within one year			
Within 1 year	40,180,552.52	0.00	0.00%
Subtotal of accounts aged under 1 year	40,180,552.52	0.00	0.00%
1-2 years	6,355,437.60	317,771.88	5.00%
2-3 years	24,240.00	2,424.00	10.00%
Over 3 years	13,418.75	2,683.75	20.00%
Total	46,572,034.39	321,265.15	0.69%

Note to basis for confirming the combination:

Other receivables in a combination, for which bad debt provisions are made using the Percentage of Total Receivables Outstanding method

Applicable Not applicable

Among the combination, accounts receivable for which bad debt provision is computed by adopting other methods:

Applicable Not applicable

(2) Current accrued, recovered or reversed bad debt provision

The amount of the current accrued bad debt provision is RMB 1,614.48 Yuan and the amount of the current recovered or reversed bad debt provision is RMB 0.00 Yuan.

(3) Classification of other receivables by nature

Unit: Yuan

Nature of receivables	Period-end book balance	Period-end book balance
Creditor's right transfer cost	32,165,804.91	32,165,804.91
Imprest	1,636,672.31	831,185.54
Deposit and security deposit	23,173,739.64	23,342,863.94
Others	21,763,236.92	3,500,000.00
Total	78,739,453.78	59,839,854.39

(4) Other receivables with top 5 closing balance collected based on arrears party

Unit: Yuan

Name of company	Nature of payables	Closing balance	Aging	Percentage in the total amount of closing balance of other receivables	Closing balance of bad debt provision
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	10.83%	8,530,276.35
Nantong Construction Engineering Administration	Salary deposit for peasant workers	6,200,000.00	1-2 years	7.87%	310,000.00
Creditor's right transferred in by SEG Communications	Debt restructuring of SEG Communications	5,904,271.52	Over 5 years	7.50%	5,904,271.52
Shenzhen Lianjing Trade Co., Ltd.	Creditor's incomings and outgoings	5,697,287.51	Over 5 years	7.24%	5,697,287.51
Shenzhen Top Industry Co., Ltd.	Creditor's incomings and outgoings	3,281,387.96	Over 5 years	4.17%	3,281,387.96
Total	-	29,613,223.34	-	37.61%	23,723,223.34

5. Inventory**(1) Classification of inventory**

Unit: Yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for loss for decline in value of inventories	Book value	Book balance	Provision for loss for decline in value of inventories	Book value
Raw materials			0.00	149,186.66		149,186.66
Commodity stocks	3,209,971.90		3,209,971.90	1,579,916.40		1,579,916.40
Low-cost consumables	227,302.70		227,302.70	222,080.75		222,080.75
Development cost	565,321,975.34		565,321,975.34	448,858,750.91		448,858,750.91
Total	568,759,249.94		568,759,249.94	450,809,934.72		450,809,934.72

(2) Note to capitalization amount of borrowing costs included in closing balance of inventory

Inventory item name	Opening balance	Increase in the current period	Decrease in the current period		Closing balance	Capitalization rate of capitalization amount recognized in the current period (%)
			Decrease in sales	Others		
Nantong SEG Times Square	13,915,097.17	6,576,579.00			20,491,676.17	5.30
Total	13,915,097.17	6,576,579.00			20,491,676.17	-

(3) Development cost

Project name	Commencement time	Expected completion date	Expected investment amount	Closing balance	Opening balance
Nantong SEG Times Square	2013.5	2015.12	600,000,000.00	565,321,975.34	448,858,750.91
Total	-	-	-	565,321,975.34	448,858,750.91

6. Other current assets

Unit: Yuan

Item	Closing balance	Opening balance
Bank financial products	187,400,000.00	259,831,270.00
Tax to be deducted and withheld	41,330,588.65	79,402,305.52
Others	7,560,524.59	196,844.22
Total	236,291,113.24	339,430,419.74

7. Available-for-sale financial assets

(1) Financial assets available for sale

Unit: Yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	34,399,017.93	15,000.00	34,384,017.93	34,554,973.24	15,000.00	34,539,973.24
Measured by fair value	588,625.10		588,625.10	744,580.41		744,580.41
Measured by cost	33,810,392.83	15,000.00	33,795,392.83	33,810,392.83	15,000.00	33,795,392.83
Total	34,399,017.93	15,000.00	34,384,017.93	34,554,973.24	15,000.00	34,539,973.24

(2) Available-for-sale financial assets measured by fair value at the end of the period

Unit: Yuan

Financial assets available for sale	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Cost of equity instruments/amortized cost of debt instruments	90,405.00			90,405.00
Fair value	588,625.10			588,625.10
Accumulative changes in fair value included in other comprehensive income	498,220.10			498,220.10

(3) Available-for-sale financial assets measured by cost at the end of the period

Unit: Yuan

Investee	Book balance				Impairment provision				Shareholding proportion	Cash dividends of the current period
	Period beginning	Increase in the current period	Decrease in the current period	Period end	Period beginning	Increase in the current period	Decrease in the current period	Period end		
Kashgar Shenzhen City Co., Ltd.	20,000,000.00			20,000,000.00						
Shenzhen SEG GPS Scientific Navigations Co., Ltd.	13,515,392.83			13,515,392.83						
Nanjing Shangsha Co., Ltd	280,000.00			280,000.00						
Anshan Yibai Co., Ltd	15,000.00			15,000.00	15,000.00			15,000.00		
Total	33,810,392.83			33,810,392.83	15,000.00			15,000.00		-

(4) Changes in impairment of available-for-sale financial assets in the report period

Unit: Yuan

Financial assets available for sale	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Accrued impairment balance at the beginning of period	15,000.00			15,000.00
Accrued impairment balance at the end of period	15,000.00			15,000.00

8. Long-term equity investment

Unit: Yuan

Investee	Opening balance	Increase/Decrease of the year								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment gains and losses confirmed under the equity method	Adjustment of other comprehensive income	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
1. Cooperative enterprise											
2. Associate											
Shanghai SEG	3,379,412.81			-111,608.08						3,267,804.73	

Investee	Opening balance	Increase/Decrease of the year								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment gains and losses confirmed under the equity method	Adjustment of other comprehensive income	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
Electronics Market Co., Ltd.											
Shenzhen Huakong SEG Co., Ltd.	181,743,161.07			-4,715,142.77	48.10					177,028,066.40	
Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.		9,000,000.00								9,000,000.00	
Subtotal	185,122,573.88	9,000,000.00	0.00	-4,826,750.85	48.10					189,295,871.13	
Total	185,122,573.88	9,000,000.00	0.00	-4,826,750.85	48.10					189,295,871.13	

9. Investment real estate

(1) Investment properties using cost measurement model

√ Applicable □ Not applicable

Unit: Yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	718,281,629.05	5,237,512.49		723,519,141.54
2. Amount of increase in the current period				
(1) Outsourcing				
(2) Transfer-in of inventory/fixed assets/construction in progress				
(3) Business merger increase				
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	718,281,629.05	5,237,512.49		723,519,141.54

Item	Houses and buildings	Land use right	Construction in progress	Total
II. Accumulated depreciation or accumulated amortization				
1. Opening balance	277,694,588.74	1,972,826.40		279,667,415.14
2. Amount of increase in the current period	9,295,757.78	45,220.68	0.00	9,340,978.46
(1) Provision or amortization	9,295,757.78	45,220.68		9,340,978.46
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	286,990,346.52	2,018,047.08	0.00	289,008,393.60
III. Impairment provision				
1. Opening balance				
2. Amount of increase in the current period				
(1) Provision				
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value				
1. Closing book value	431,291,282.53	3,219,465.41	0.00	434,510,747.94
2. Opening book value	440,587,040.31	3,264,686.09	0.00	443,851,726.40

10. Fixed assets

(1) Information on fixed assets

Unit: Yuan

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
I. Original book value						
1. Opening balance	35,694,847.73	30,744,844.49	5,470,881.82	32,437,022.84	3,717,659.88	108,065,256.76

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
2. Amount of increase in the current period	0.00	3,000.00	0.00	1,122,111.47	778,244.00	1,903,355.47
(1) Purchase		3,000.00		1,117,611.47	778,244.00	1,898,855.47
(2) Transfer-in of construction in progress						
(3) Business merger increase						
Other transfer-in				4,500.00		4,500.00
3. Amount of decrease in the current period	0.00	0.00	291,551.00	186,324.31	0.00	477,875.31
(1) Disposal or scrap			291,551.00	186,324.31		477,875.31
4. Closing balance	35,694,847.73	30,747,844.49	5,179,330.82	33,372,810.00	4,495,903.88	109,490,736.92
II. Accumulated depreciation						
1. Opening balance	14,788,585.07	29,586,623.96	3,630,627.47	20,012,581.46	2,522,413.55	70,540,831.51
2. Amount of increase in the current period	436,930.80	826,192.94	252,348.96	687,629.82	290,565.87	2,493,668.39
(1) Provision	436,930.80	826,192.94	252,348.96	687,629.82	290,565.87	2,493,668.39
3. Amount of decrease in the current period	0.00	0.00	276,973.45	177,008.09	0.00	453,981.54
(1) Disposal or scrap			276,973.45	177,008.09		453,981.54
4. Closing balance	15,225,515.87	30,412,816.90	3,606,002.98	20,523,203.19	2,812,979.42	72,580,518.36
III. Impairment provision						
1. Opening balance						
2. Amount of increase in the current period						
(1) Provision						
3. Amount of decrease in the current period						
(1) Disposal or scrap						

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
4. Closing balance						
IV. Book value						
1. Closing book value	20,469,331.86	335,027.59	1,573,327.84	12,849,606.81	1,682,924.46	36,910,218.56
2. Opening book value	20,906,262.66	1,158,220.53	1,840,254.35	12,424,441.38	1,195,246.33	37,524,425.25

(2) Fixed assets not obtaining a property right certificate

Unit: Yuan

Item	Book value	Reason for not obtaining the property right certificate
Houses and buildings	1,260,353.07	Qualification procedures not complete

11. Construction in progress**(1) Construction in progress**

Unit: Yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
LCD in the lobby of SEG Plaza				140,810.00		140,810.00
Total				140,810.00		140,810.00

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

Unit: Yuan

Item	Land use right	Patent right	Non-patented technology	Outsourced software	Total
I. Original book value					
1. Opening balance	159,759.24			3,042,853.00	3,202,612.24
2. Amount of increase in the current period					
(1) Purchase					
(2) Internal R&D					
(3) Business merger increase					
3. Amount of decrease in the current period					
(1) Disposal					

Item	Land use right	Patent right	Non-patented technology	Outsourced software	Total
4. Closing balance	159,759.24			3,042,853.00	3,202,612.24
II. Accumulated amortization					
1. Opening balance	57,514.55			2,001,335.58	2,058,850.13
2. Amount of increase in the current period	1,379.88			165,205.24	166,585.12
(1) Provision	1,379.88			165,205.24	166,585.12
3. Amount of decrease in the current period					
(1) Disposal					
4. Closing balance	58,894.43			2,166,540.82	2,225,435.25
III. Impairment provision					
1. Opening balance					
2. Amount of increase in the current period					
(1) Provision					
3. Amount of decrease in the current period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	100,864.81			876,312.18	977,176.99
2. Opening book value	102,244.69			1,041,517.42	1,143,762.11

Proportion of intangible assets formed not through internal R&D of the Company to the balance of intangible assets

13. Goodwill

(1) Original book value of goodwill

Unit: Yuan

Name of the investee or the item contributing to a goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Changsha SEG Development Co., Ltd.	10,328,927.82			10,328,927.82
Total	10,328,927.82			10,328,927.82

(2) Goodwill impairment provision

Unit: Yuan

Name of the investee or the item contributing to a goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance

Goodwill impairment testing process, parameters, and recognition method for goodwill impairment provision

Other note

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

The goodwill calculation process is as follows:

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
Fair value of the net assets of the investee	127,545,809.08
Shareholding 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 were 57,508,384.14 Yuan in the current month while the net assets in fair value of Changsha SEG Development Co., Ltd after the evaluation for the added value was carried out. Thus, a goodwill amounting to 10,328,927.82 was formed.

The goodwill impairment testing was conducted at the end of the period and there was no sign of impairment, so no provision was accrued for impairment.

14. Long-term expenses to be apportioned

Unit: Yuan

Item	Opening balance	Increase in the current period	Amount of current period amortization	Amount of other decrease	Closing balance
Decoration expenses	44,225,335.11	9,536,846.70	5,634,707.68		48,127,474.13
Firefighting renovation	4,318,931.80		404,738.70		3,914,193.10
Market supporting fee of Tower B	691,732.95		456,310.86		235,422.09

Item	Opening balance	Increase in the current period	Amount of current period amortization	Amount of other decrease	Closing balance
Total	49,235,999.86	9,536,846.70	6,495,757.24		52,277,089.32

15. Deferred income tax assets and liabilities

(1) Deferred income tax assets not offset

Unit: Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	32,235,258.25	8,058,814.57	32,235,258.25	8,058,814.57
Government subsidies included in deferred income	9,500,000.00	2,375,000.00	9,500,000.00	2,375,000.00
Total	41,735,258.25	10,433,814.57	41,735,258.25	10,433,814.57

(2) Deferred income tax liabilities not offset

Unit: Yuan

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset evaluation increment for merger of not the same controlling enterprise	61,146,303.68	15,286,575.92	63,442,234.08	15,860,558.49
Gains and losses from changes of fair value of the available-for-sale financial assets	576,299.13	144,074.78	654,175.41	163,543.86
Total	61,722,602.81	15,430,650.70	64,096,409.49	16,024,102.35

(3) Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Closing balance	Opening balance
Deductible losses	56,411,415.84	46,691,048.83
Asset impairment provision	11,322,893.92	11,322,893.92
Total	67,734,309.76	58,013,942.75

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

Unit: Yuan

Year	Period-end amount	Period-beginning amount	Remarks
2016	12,973,257.02	12,973,257.02	
2017	7,431,196.64	7,431,196.64	

Year	Period-end amount	Period-beginning amount	Remarks
2018	9,231,815.77	9,295,488.88	
2019	6,429,382.30	6,546,777.27	
2020	10,444,329.02	10,444,329.02	
2021	9,901,435.09		
Total	56,411,415.84	46,691,048.83	-

16. Other non-current assets

Unit: Yuan

Item	Closing balance	Opening balance
Prepayment for software		
Prepayment for engineering in the electronics market	848,593.64	5,103,811.14
Total	848,593.64	5,103,811.14

17. Short-term loans

(1) Classification of short-term loans

Unit: Yuan

Item	Closing balance	Opening balance
Pledge loans	21,438,652.00	42,759,630.48
Mortgage loans	290,000,000.00	315,000,000.00
Borrowing on credit		10,000,000.00
Total	311,438,652.00	367,759,630.48

Notes on the classification of short-term loans:

i. The collateral of the pledge loan is the export tax rebate of Shenzhen SEG E-Commerce Co., Ltd., a subsidiary of the Company.

18. Accounts payable

(1) List of accounts payable

Unit: Yuan

Item	Closing balance	Opening balance
Payment for goods	23,663,551.07	84,158,671.54
Others	863,112.62	5,750,110.44
Total	24,526,663.69	89,908,781.98

19. Advance receipts

(1) List of advance receipts

Unit: Yuan

Item	Closing balance	Opening balance
Advance brand royalty	8,906,055.45	11,452,476.85
Advance rental payment	87,715,324.08	111,836,641.23
Advance payment for goods	48,518,993.35	53,693,141.53
Advance advertising payment	5,287,090.98	8,013,712.80
Others	4,879,598.16	5,434,148.64
Total	155,307,062.02	190,430,121.05

20. Wages payable

(1) List of payroll payable

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term payroll	21,780,103.03	29,772,242.45	44,092,156.09	7,460,189.39
2. Welfare after leave - defined contribution plan	69,031.13	1,390,690.75	1,390,419.55	69,302.33
3. Dismissal welfare		24,503.00	24,503.00	0.00
Other welfare due within one year		0.00	0.00	0.00
Total	21,849,134.16	31,187,436.20	45,507,078.64	7,529,491.72

(2) List of short-term payroll

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages, bonuses, allowances and subsidies	19,480,254.22	26,026,240.24	39,872,167.53	5,634,326.93
2. Employee welfare		401,274.44	401,274.44	0.00
3. Social insurance premiums	89,152.51	1,283,936.64	1,363,936.64	9,152.51
Work injury insurance		27,123.44	27,123.44	0.00
Maternity insurance		49,903.10	49,903.10	0.00
Basic medical insurance	88,756.51	803,191.60	880,191.60	11,756.51
Supplementary medical insurance	396.00	5,720.00	5,720.00	396.00
4. Housing fund	1,265,986.46	1,466,082.22	1,569,641.43	1,162,427.25
5. Labor union expenditure and employee education fund	944,709.84	399,481.91	716,337.55	627,854.20
Other short-term payroll		195,227.00	168,798.50	26,428.50

Total	21,780,103.03	29,772,242.45	44,092,156.09	7,460,189.39
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(3) Defined contribution plan

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Pension insurance	68,043.51	799,048.10	798,776.90	68,314.71
Unemployment insurance premium	987.62	591,642.65	591,642.65	987.62
3. Supplementary pension payment				0.00
Total	69,031.13	1,390,690.75	1,390,419.55	69,302.33

21. Taxes payable

Unit: Yuan

Item	Closing balance	Opening balance
Value-added tax	1,486,940.24	169,594.16
Business tax	-3,095,394.16	1,424,420.92
Corporate income tax	21,351,544.22	28,476,563.20
Individual income tax	1,439,614.04	805,153.42
Urban maintenance and construction tax	-9,965.70	178,371.98
Education surtax	-58,358.39	102,484.34
Housing property tax	2,158,907.17	2,939,568.67
Stamp tax and water fund	38,840.51	532,994.96
Others	952,884.40	15,878.42
Total	24,265,012.33	34,645,030.07

22. Interest payable

Unit: Yuan

Item	Closing balance	Opening balance
Interest payable on short-term loans	698,717.58	516,758.34
Total	698,717.58	516,758.34

23. Dividends payable

Unit: Yuan

Item	Closing balance	Opening balance
Common stock dividends	18,966,398.39	2,218,224.58
Total	18,966,398.39	2,218,224.58

24. Other payables

(1) Other payables listed based on nature

Unit: Yuan

Item	Closing balance	Opening balance
Deposit and security deposit	129,468,386.91	117,687,835.08
Central air conditioner maintenance cost and special maintenance fund	13,288,284.61	12,975,174.61
Receipts under custody	10,788,431.53	16,469,845.49
Funds from related parties	2,110,695.41	2,753,679.48
Water and electricity charges, rental, and others payable of the electronics market	71,884,610.63	44,443,351.03
Total	227,540,409.09	194,329,885.69

25. Estimated liabilities

Unit: Yuan

Item	Closing balance	Opening balance	Cause
Pending litigation	9,700,000.00	7,000,000.00	
Total	9,700,000.00	7,000,000.00	-

Note to important assumption and estimation related to important estimated liabilities

In March 2013, Nanning SEG leased the house located on 1F and 2F of podium building of Nanning Zhidi Square at 158 East Renmin Road, Xingning District, Nanning as the electronics market. The agreed term of tenancy is from March 18, 2013 to March 17, 2025. Due to a large area of water seepage and leaking existing with the house leased, Nanning SEG lodged a lawsuit at Xingning District People's Court after negotiation with Haiqi Company for several times with no solution achieved. As Nanning SEG failed to pay the rental and breached the contract, Nanning SEG was also accused by Haiqi Company at the same court.

On June 28, 2016, the lawsuit was dismissed by Nanning Xingning District People's Court in the (2015) X. M. Y. C. Zi. Civil Judgment No. 1590. In the (2015) X. M. Y. C. Zi. Civil Judgment No. 1393, RMB 12,000,000 was involved in the case, and the Company decided not to file an appeal. The Company accrued the estimated liabilities RMB 7,000,000 for the case in 2015. Nanning SEG has estimated the rental payable RMB 2,300,000. According to the judgment, the Company additionally accrued the compensation RMB 2,700,000.

26. Deferred income

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Cause
Government subsidies	9,634,114.77		35,628.12	9,598,486.65	
Total	9,634,114.77		35,628.12	9,598,486.65	-

Items involving government subsidies:

Unit: Yuan

Liability item	Opening balance	Amount of new subsidies in the current period	Amount of non-operating income in the current period	Other changes	Closing balance	Relevant to assets/relevant to income

Liability item	Opening balance	Amount of new subsidies in the current period	Amount of non-operating income in the current period	Other changes	Closing balance	Relevant to assets/relevant to income
Subsidies for online SEG projects	88,110.37		35,628.12		52,482.25	Relevant to assets
Subsidies for project funds	46,004.40				46,004.40	Relevant to income
Support project for construction of Nantong SEG Electronics Market	9,500,000.00				9,500,000.00	Relevant to assets
Total	9,634,114.77		35,628.12		9,598,486.65	-

27. Share capital

Unit: Yuan

	Opening balance	Increase/decrease of the change (+)					Closing balance
		Issue of new shares	Bonus share	Capitalization of public reserve	Others	Subtotal	
Sum of shares	784,799,010.00						784,799,010.00

28. Capital reserves

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (capital share premium)	322,339,973.81			322,339,973.81
Other capital reserves	184,205,857.30	7,812.30		184,213,669.60
Total	506,545,831.11	7,812.30		506,553,643.41

29. Other comprehensive income

Unit: Yuan

Item	Opening balance	Amount incurred in the report period					Closing balance
		Pre-tax amount obtained in the current period	Less: gains and losses transferred in from other comprehensive income in the current period	Less: Income tax	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholders	
II. Other comprehensive income that can be categorized as gains and losses	326,662.48	-155,907.21		-38,988.83	-77,828.18	-39,090.20	248,834.30

Item	Opening balance	Amount incurred in the report period					Closing balance
		Pre-tax amount obtained in the current period	Less: gains and losses transferred in from other comprehensive income in the current period	Less: Income tax	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholders	
Including: Shares of the investee of other comprehensive income to be reclassified into gains and losses under the equity method		48.10			48.10		48.10
Gains and losses from changes of fair value of the available-for-sale financial assets	326,662.48	-155,955.31		-38,988.83	-77,876.28	-39,090.20	248,786.20
Held-to-maturity investments classified as gains and losses from the available-for-sale financial assets					0.00		
(4) Effective gains or loss from cash flows					0.00		
(5) Foreign currency translation differences					0.00		
Total of other comprehensive income	326,662.48	-155,907.21		-38,988.83	-77,828.18	-39,090.20	248,834.30

30. Surplus reserve

Unit: Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	109,922,336.87			109,922,336.87
Total	109,922,336.87			109,922,336.87

31. Undistributed profits

Unit: Yuan

Item	Current period	Previous period
Before adjustment undistributed profits at the end of the previous period	73,532,388.70	
After adjustment undistributed profit at the beginning of period	73,532,388.70	
Add: Net profits attributable to the parent company owner in the current period	26,856,270.42	
Other distributions to shareholders	23,669,414.47	
Undistributed profits at the end of period	76,719,244.65	

32. Operating income and operating cost

Unit: Yuan

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	412,250,832.76	320,996,877.99	425,219,054.09	317,303,931.44
Total	412,250,832.76	320,996,877.99	425,219,054.09	317,303,931.44

33. Business taxes and surcharges

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Business tax	8,574,445.98	12,116,694.54
Urban maintenance and construction tax	880,743.75	926,364.05
Education surtax	566,286.99	617,537.62
Others	108,197.42	87,433.93
Total	10,129,674.14	13,748,030.14

34. Financing expenses

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	2,866,946.54	10,723,583.83
Less: Interest income	2,161,658.98	9,503,644.66
Loss on exchange	-301,807.07	-671,695.25
Others	351,859.63	294,813.31
Total	755,340.12	843,057.23

35. Investment income

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income by the equity method	-4,826,750.85	-4,892,855.94
Investment income during the possession of available-for-sale financial assets		750,000.00
Others (financial products)	6,093,203.87	9,594,819.58
Total	1,266,453.02	5,451,963.64

36. Non-operating income

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total gains on disposal of non-current assets	0.00	18,693.10	
Including: Gain on disposal of fixed assets		18,693.10	
Government subsidies	101,608.00	223,828.12	101,608.00
Liquidated damages	61,872.11	301,209.17	61,872.11
Others	254,908.25	502,248.72	254,908.25
Total	418,388.36	1,045,979.11	418,388.36

Government subsidies included in current gains and losses:

Unit: Yuan

Subsidy item	Fund source	Purpose	Property and type	Influence on the profit and loss of the current year	Special subsidy	Amount incurred in the current period	Amount incurred in the previous period	Relevant to assets/relevant to income
Subsidies for online SEG projects	Shenzhen Science and Technology, Industry, Trade, and Information Commission	Allowance	Subsidy gained from engagement in special industries encouraged and supported by the state (legally gained according to national policies)	Yes	No	35,628.12	35,628.12	Relevant to assets
Subsidies for project funds	Shenzhen Futian District Economic Promotion Council	Allowance	Subsidy gained from engagement in special industries encouraged and supported by the state (legally gained according to national policies)	No	No		188,200.00	Relevant to income
Guiding funds for development of service industry	Suzhou Wujiang Finance Bureau	Reward	Subsidy gained from engagement in special industries encouraged and supported by the state (legally gained according to national policies)	Yes	No	50,000.00		Relevant to income
Post stabilization subsidy	Nanjing Social Security Management Center	Allowance	Subsidy gained from engagement in special industries encouraged and supported by the state (legally gained according to national policies)	Yes	No	15,979.88		Relevant to income
Total	-	-	-	-	-	101,608.00	223,828.12	-

Other note:

37. Non-operating expenses

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total loss from disposal of non-current assets	9,316.22	196,424.21	9,316.22
Including: loss from disposal of fixed assets	9,316.22	196,424.21	9,316.22
Compensation for loss	2,710,190.00	605,580.63	2,710,190.00
Others	39,379.12	13,784.10	39,379.12
Total	2,758,885.34	815,788.94	2,758,885.34

38. Income tax expenses**(1) Income tax**

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax of the current period	22,632,168.37	20,575,833.86
Deferred income tax	-593,451.65	-454,462.94
Total	22,038,716.72	20,121,370.92

(2) Adjustment process of accounting profit and income tax

Unit: Yuan

Item	Amount incurred in the current period
Total profit	66,256,899.51
Income tax calculated according to statutory or applicable tax rate	16,564,224.88
Impact of different tax rates applicable to subsidiaries	-893,339.17
Impact of non-taxable income	1,206,687.71
Impact of non-deductible costs, expenses and losses	424,082.57
Impact of deferred income tax assets unrecognized in the previous period on deductible losses	45,267.00
Impact of deferred income tax assets unrecognized in current period on deductible temporary difference or deductible losses	4,691,793.73
Income tax	22,038,716.72

39. Items in the cash flow statement**(1) Other cash received from operating activities**

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Acquisition of security deposit for land		60,000,000.00

Item	Amount incurred in the current period	Amount incurred in the previous period
Current account	15,833,361.21	35,059,959.29
Goods payment collected from tenants	92,828,409.85	130,068,994.68
Interest income	2,161,658.98	4,764,834.98
Non-operating income	261,757.88	181,571.66
Total	111,085,187.92	230,075,360.61

(2) Other cash paid related to operating activities

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Incomings and outgoings	21,991,291.71	43,627,781.29
Goods payment paid for tenants	67,321,062.09	125,990,506.28
Cash expenses	24,818,276.07	21,024,437.31
Non-operating expenses	50,682.25	1,176,961.97
Total	114,181,312.12	191,819,686.85

Note to other cash paid related to operating activities:

(3) Other cash received related to financing activities

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash received from disposal of fractional shares	7,812.30	
Total	7,812.30	

(4) Other paid cash related to financing activities

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Interbank financing of related parties		57,650,000.00
Payment for cash deposit		
Payment for loan interest of related parties		110,222.92
Payment for issuance of short-term financing bonds	1,524,692.51	669,500.00
Total	1,524,692.51	58,429,722.92

40. Supplementary information to cash flow statement**(1) Supplementary information to cash flow statement**

Unit: Yuan

Supplementary data	Amount incurred in the current period	Amount of the previous period
1. Reconciliation of net income to cash flow from operating activities	-	-
Net profit	44,218,182.79	52,065,834.26
Plus: Asset impairment provision	-3,962,625.52	6,713,966.89
Depreciation of fixed assets, oil & gas assets and consumable biological assets	11,834,646.85	11,982,280.62
Amortization of intangible assets	166,585.12	142,489.91
Amortization of long-term expenses to be apportioned	6,495,757.24	6,574,494.06
Loss on disposal of fixed assets, intangible assets, and other long-term assets (Profit will be marked with "-")	9,316.22	-177,731.11
Financial expenses (enter "-" for income)	2,866,946.54	843,057.23
Income from investment (enter "-" for profit)	-1,266,453.02	-5,451,963.64
Decrease in deferred tax assets (enter "-" for increase)		-1,678,491.72
Increase in deferred tax liabilities (enter "-" for decrease)	-593,451.65	-320,684.81
Inventory decrease (enter "-" for increase)	-126,395,646.47	-135,253,821.65
Decrease in accounts receivable related to operating activities (enter "-" for increase)	-70,788,237.75	158,080,537.33
Increase in accounts payable related to operating activities (enter "-" for decrease)	38,100,951.25	-192,107,800.99
Net cash flow from operating activities	-99,314,028.40	-98,587,833.62
2. Major investing and financing activities that involve no cash payments and receipts:	-	-
3. Change in cash and cash equivalents:	-	-
Closing balance of cash	143,304,754.16	155,272,010.47
Less: Opening balance of cash	275,523,429.10	382,056,680.70
Net increase in cash and cash equivalents	-132,218,674.94	-226,784,670.23

(2) Composition of cash and cash equivalents:

Unit: Yuan

Item	Closing balance	Opening balance
I. Cash	143,304,754.16	275,523,429.10

Item	Closing balance	Opening balance
Including: Cash on hand	532,393.65	526,467.72
II. Bank deposits available for payment at any time	142,717,238.17	274,816,839.04
III. Closing balance of cash and cash equivalents	143,304,754.16	275,523,429.10

41. Assets of which the ownership or the right to use is restricted

Unit: Yuan

Item	Closing book value	Reason for restriction
Monetary funds		Deposit and performance bond for credit card repayment
Fixed assets	11,384,175.51	Collaterals for bank loans
Investment properties	99,465,255.47	Collaterals for bank loans
Total	110,849,430.98	-

42. Foreign currency monetary projects

(1) Foreign currency monetary projects

Unit: Yuan

Item	Closing balance of foreign currency	Discount exchange rate	Closing balance of converted RMB
USD	100.00	6.6447	664.47
HK\$	239.17	0.8564	204.83
USD	8,822,851.05	6.6447	58,625,198.38

VIII. Change in consolidation scope

1. Others

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

Subsidiary name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right(%)
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Holding subsidiary	I	66.58	66.58
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Holding grandson company	II	66.58	66.58
Shenzhen SEG Industrial Investment Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Changsha SEG Development Co., Ltd.	Holding subsidiary	I	46.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	70.00	70.00

Subsidiary name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right(%)
Suzhou SEG Electronics Market Co., Ltd.	Holding subsidiary	I	45.00	45.00
Xi'an SEG Electronics Market Co., Ltd.	Holding subsidiary	I	65.00	65.00
Shenzhen SEG Credit Co., Ltd.	Holding subsidiary	I	53.02	53.02
Shenzhen SEG E-Commerce Co., Ltd.	Holding subsidiary	I	51.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Hairong SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wujiang SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wuxi SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Shunde SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nanning SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nantong SEG Times Square Development Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Yantai SEG Times Square Development Co., Ltd.	Holding subsidiary	I	90.00	90.00
Nantong SEG Commercial Operation Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Digital Plaza Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Fengdong New Town SEG Times Square Properties Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Intelligent Technology Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Holding subsidiary	I	50.00	50.00

For the cause for difference between the proportion of shareholding and the proportion of voting rights and the basis for control of the invested entity even with half of voting rights or less, see "Attachment 8: Equities in other entities – (1) Equities in subsidiaries".

Compared with the previous period, two subsidiaries are added to entities included in the consolidated financial statements of the current period.

IX. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise group

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Xi'an SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Electronics market lease management	65.00%		Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Shenzhen	Shenzhen	Electronics market lease management	70.00%		Investment and establishment
Suzhou SEG Electronics Market Co., Ltd.	Su Zhou	Su Zhou	Electronics market lease management	45.00%		Investment and establishment
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Shenzhen	Shenzhen	Hotel management, consultancy and property management		66.58%	Investment and establishment
Shenzhen SEG Credit Co., Ltd.	Shenzhen	Shenzhen	Petty loan business (pooling public deposits is prohibited) within the administrative region of Shenzhen.	36.00%	17.02%	Investment and establishment
Shenzhen SEG E-Commerce Co., Ltd.	Shenzhen	Shenzhen	E-commerce	51.00%		Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Nanjing	Nanjing	Market facilities leasing, property management, sales of electronic products and advertisement	100.00%		Investment and establishment
Xi'an Hairong SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Property leasing, sales of electronic products and advertisement	51.00%		Investment and establishment
Wujiang SEG Electronics Market Co., Ltd.	Wujiang	Wujiang	Electronics market lease management	51.00%		Investment and establishment
Wuxi SEG Electronics Market Co., Ltd	Wuxi	Wuxi	Electronics market lease management	51.00%		Investment and establishment
Shunde SEG Electronics Market Management Co., Ltd.	Foshan	Foshan	Electronics market lease management	100.00%		Investment and establishment
Nanning SEG Electronics Market Management Co., Ltd.	Nanning	Nanning	Electronics market lease management	100.00%		Investment and establishment
Nantong SEG Times Square Development Co., Ltd.	Nantong	Nantong	real estate development	100.00%		Investment and establishment

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Shenzhen	Shenzhen	Property lease and management	66.58%		Merger of enterprises under common control
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen	Shenzhen	Investment in industrial and commercial business	100.00%		Merger of enterprises under common control
Changsha SEG Development Co., Ltd.	Changsha	Changsha	Property lease	46.00%		Merger of the enterprises under the control of a same entity
Yantai SEG Times Square Development Co., Ltd.	Yantai	Yantai	real estate development	90.00%		Investment and establishment
Nantong SEG Commercial Operation Management Co., Ltd.	Nantong	Nantong	-	100.00%		Investment and establishment
Suzhou SEG Digital Plaza Management Co., Ltd.	Su Zhou	Su Zhou	-	100.00%		Investment and establishment
Xi'an Fengdong New Town SEG Times Square Properties Co., Ltd.	Xi'an	Xi'an	real estate development	100.00%		Investment and establishment
Suzhou SEG Intelligent Technology Co., Ltd.	Su Zhou	Su Zhou	Trading	100.00%		Investment and establishment
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Shenzhen	Shenzhen	New energy development	50.00%		Investment and establishment

Difference between the shareholding ratio and the ratio of voting power

For Changsha SEG Development Co., Ltd. (originally named Changsha Emerging Development Co., Ltd.), the current capital stock structure is as follows: The Company holds 46% of shares and is the largest shareholder. In addition, according to the *Memorandum of Cooperation Concerning the Stock Equity Project of Joint Investment and Acquisition of Changsha Emerging Development Co., Ltd.* signed by and between the Company and Hong Kong Jinhong Group on October 8 2008, Hong Kong Jinhong Group agreed to give up the 5% of voting power, which would be exercised by the Company, and the voting power ratio of the Company is 51%. Half of the directors, the Chairman of the Board, the General Manager, the Chief Financial Officer and the management team of Changsha SEG Development Co., Ltd are all dispatched by the Company. Therefore, the Company has obtained the control of Changsha SEG Development Co., Ltd.

Basis for half of or less voting power with control of the investee and more than half of voting power with control of the investee

Half of the directors, the Chairman of the Board, the General Manager, the Chief Financial Officer and the management team of Suzhou SEG The electronics market Management Co., Ltd are all dispatched by the Company so that the Company actually controls the operation of Suzhou SEG.

(2) Important non-wholly-owned subsidiaries

Unit: Yuan

Subsidiary name	Equity proportion of minority shareholders	Current gains of losses of minority shareholders	Current dividends distributed to minority shareholders	Minority shareholders' equity balance at the end of the period
Shenzhen SEG Credit Co., Ltd.	46.98%	6,623,617.77	14,490,000.00	81,090,646.88
Changsha SEG Development Co., Ltd.	54.00%	1,790,571.99		36,219,633.11
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	33.42%	4,911,495.19	6,177,600.00	33,510,984.03

Difference between the shareholding ratio and the ratio of voting power of minority shareholders:

Changsha SEG Development Co., Ltd. (originally named Changsha Emerging Development Co., Ltd.), the current capital stock structure is as follows: The Company holds 46% of shares and is the largest shareholder. In addition, according to the *Memorandum of Cooperation Concerning the Stock Equity Project of Joint Investment and Acquisition of Changsha Emerging Development Co., Ltd.* signed by and between the Company and Hong Kong Jinhong Group on October 8 2008, Hong Kong Jinhong Group agreed to give up 5% of the voting power, which would be exercised by the Company. As a result, Hong Kong Jinhong Group holds 40% of shares and 35% of the voting power.

(3) Main financial information of important non-wholly-owned subsidiaries

Unit: Yuan

Subsidiary name	Closing balance						Opening balance					
	Current assets:	Non-current assets:	Total assets	Current liabilities:	Non-current liabilities:	Total liabilities	Current assets:	Non-current assets:	Total assets	Current liabilities:	Non-current liabilities:	Total liabilities
Shenzhen SEG Credit Co., Ltd.	59,974,188.78	506,374,314.14	566,348,502.92	393,741,762.00		393,741,762.00	43,081,968.84	476,007,451.60	519,089,420.44	329,081,482.77		329,081,482.77
Changsha SEG Development Co., Ltd.	19,815,160.65	66,331,113.47	86,146,274.12	19,072,879.47		19,072,879.47	15,438,729.45	68,199,562.67	83,638,292.12	19,880,771.53		19,880,771.53
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	106,070,790.71	52,545,493.04	158,616,283.75	58,219,484.46	124,555.03	58,344,039.49	97,334,289.19	52,503,037.02	149,837,326.21	45,495,566.87	163,543.86	45,659,110.73

Unit: Yuan

Subsidiary name	Amount incurred in the report period				Amount incurred in the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Shenzhen SEG Credit Co., Ltd.	49,577,595.91	14,098,803.25	14,098,803.25	-27,673,263.51	48,064,462.25	12,426,082.81	12,426,082.81	-33,638,954.38
Changsha SEG Development Co., Ltd.	11,509,734.96	3,315,874.06	3,315,874.06	4,093,245.31	11,490,331.21	1,315,968.42	1,315,968.42	6,346,992.49
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	41,085,826.65	14,696,275.26	14,579,308.78	3,096,434.93	42,445,648.66	13,595,029.71	13,911,794.97	9,349,544.27

2. Equity in joint arrangements or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main place of business	Place of registration	Nature of business	Shareholding ratio		Accounting treatment method for investment in joint venture or associate
				Direct	Indirect	
Shenzhen Huakong SEG Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	20.00%		Equity method
Shanghai SEG Electronics Market Management Co., Ltd.	Shanghai	Shanghai	Service industry	35.00%		Equity method
Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Shenzhen	Shenzhen	Exhibition	30.00%		Equity method

(2) Main financial information about important joint ventures

Unit: Yuan

	Closing balance/amount incurred in the current period			Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.
Current assets:	373,956,916.16	22,154,876.66	30,000,000.00	395,623,546.83	20,901,493.33	
Including: Cash and cash equivalent	178,367,249.86	6,720,794.24	30,000,000.00	214,877,742.71	1,518,901.94	

	Closing balance/amount incurred in the current period			Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.
Non-current assets	361,767,967.50	176,002.47		362,254,332.48	210,798.06	
Total assets	735,724,883.66	22,330,879.13	30,000,000.00	757,877,879.31	21,112,291.39	
Current liabilities	66,603,007.25	12,309,947.01		94,113,723.78	10,747,847.59	
Non-current liabilities	1,881,551.16			1,369,185.93		
Total liabilities	68,484,558.41	12,309,947.01		95,482,909.71	10,747,847.59	
Minority shareholders' equity	76,561,972.97			48,141,144.00		
Shareholders' equity attributable to the parent company	590,678,352.28	10,020,932.12	30,000,000.00	614,253,825.60	10,364,443.80	
Net asset shares calculated based on shareholding ratio	118,135,670.46	3,507,326.24	9,000,000.00	122,857,318.61	3,627,555.33	
Adjustment	58,892,395.94	-239,521.51		58,885,842.46	-248,142.52	
- Others	58,892,395.94	-239,521.51		58,885,842.46	-248,142.52	
Book value of equity investment in joint ventures	177,028,066.40	3,267,804.73	9,000,000.00	185,122,573.88	3,379,412.81	
Fair value of equity investment in joint ventures with public offer	1,949,019,919.44			2,551,041,568.11		
Operating income	42,719,787.19	3,084,877.60		16,994,189.98	1,282,610.27	
Financial cost	-1,923,861.70	-272.15		-382,325.95	-431.99	
Income tax payment	-367,558.89					
Net profit	-26,861,012.87	-318,880.23		-28,588,277.77	-1,571,178.03	
Other comprehensive income	240.52					
Total comprehensive	-26,860,772.35	-318,880.23		-28,588,277.77	-1,571,178.03	

	Closing balance/amount incurred in the current period			Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Management Co., Ltd.	Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.
income						
Dividends received from joint ventures in the current year					500,000.00	

X. Disclosure of fair value

1. Period-end fair value of assets and liabilities measured based on fair value

Unit: Yuan

Item	Period-end fair value			
	Level-1 fair value measurement	Level-2 fair value measurement	Level-3 fair value measurement	Total
(I) Persistent fair value measurement	-	-	-	-
(II) Available-for-sale financial assets	588,625.10			588,625.10
(2) Equity instrument investment	588,625.10			588,625.10
II. Non-persistent fair value measurement	-	-	-	-

XI. Related parties and related party transactions

1. Information on the parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered Capital	Percentage of the Company's shares held by the parent company	Percentage of the Company's voting shares held by the parent company
Shenzhen SEG Group Co., Ltd.	Shenzhen	Comprehensive business	135,542.00	30.24%	30.24%

Information on subsidiaries of the Company:

The final controlling party of the enterprise is Shenzhen State-owned Assets Supervision and Administration Commission.

2. Information on subsidiaries of the Company

For information on subsidiaries of the Company, see the note.

3. Information on the Company's joint ventures and associates

For details about important joint ventures or associates of the enterprises, see the note.

Information on other joint ventures or associates involved in related party transaction with the Company in the current period or the previous period:

Name of joint venture or associate	Relation with the Company
------------------------------------	---------------------------

4. Information on other related parties

Name of other related parties	Relation with the Company
Shenzhen SEG Property Development Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Group Service Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Computers Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Hi-tech Industrial Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Real Estate Investment Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Business Operation Co., Ltd.	Subsidiary of the controlling shareholder

5. Information on related transactions

(1) Related trusted management, contracting and mandatory administration and initial contracting

Trusted management/contracting of the Company:

Unit: Yuan

Name of entrusting/contract issuing party	Name of entrusted party/contractor	Type of entrusted/contracted assets	Starting date	Ending date	Pricing basis for income from entrusted management/contracting	Confirmed trust profit/contracting profit in the report period
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Co., Ltd.	SEG Communications Market	Sunday, February 01, 2015	Sunday, January 31, 2016	Trusteeship Agreement	

(2) Leases between the Company and related parties

The Company acts as the lessee:

Unit: Yuan

Name of lessor	Type of leased assets	Rental recognized in the current period	Rental recognized in the previous period
Shenzhen SEG Group Co., Ltd.	The warehouse with its area of 809.26 square meters on the 8th floor of SEG Plaza	328,074.00	310,587.00

Subsidiaries of the Company act as the lessee:

Name of lessee	Type of leased assets	Rental recognized in the current period	Rental recognized in the previous period
Shenzhen SEG Business Operation Co., Ltd.	15F, SEG Plaza covering 687.01 m ²		253,960.20
Shenzhen SEG Properties Development Co., Ltd.	12F, West of SEG Science and Technology Park covering 909.79 m ²	411,390.66	
Total		411,390.66	253,960.20

(3) Remuneration of key managers

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key managers	124.51	132.46

6. Accounts receivable from and payable to related parties**(1) Receivables**

Unit: Yuan

Project name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Shenzhen SEG Property Development Co., Ltd.			10,325.00	
	Shenzhen SEG Group Co., Ltd.			227,149.60	
	Shenzhen SEG Property Management Co., Ltd.	20,100.00		20,100.00	
	Shenzhen SEG Real Estate Investment Co., Ltd.	139,342.00		139,342.00	

(2) Payables

Unit: Yuan

Project name	Related party	Period-end book balance	Period-end book balance
Dividends payable	Shenzhen SEG Computers Co., Ltd	781,110.00	662,310.00
	Shenzhen SEG Group Co., Ltd.	11,970,000.00	
	Shenzhen SEG Property Development Co., Ltd.	2,520,000.00	

XII. Commitments and contingencies**1. Important commitments**

Important commitment on the balance sheet date

(1) Signed lease contract that is being performed or will be performed and minimum rental to be paid in the next year

Remaining lease term	Xi'an SEG Electronics Market Co., Ltd.	Suzhou SEG Electronics Market Management Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.
Within one year (including one year)	13,125,000.00	16,024,907.88	5,060,198.20	-	-	-
Above one year but within	13,375,000.00	16,234,383.80	5,212,004.15	-	-	-

Remaining lease term	Xi'an SEG Electronics Market Co., Ltd.	Suzhou SEG Electronics Market Management Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.
two years (including two years)						
Above two years but within three years (including three years)	13,375,000.00	16,234,383.80	5,212,004.15	-	-	-
Over 3 years	35,375,000.00	140,977,294.16	9,925,451.00	-	-	-
Total	75,250,000.00	189,470,969.64	25,409,657.50	Note *1	Note *2	Note *3

(Continued)

Remaining lease term	Nanning SEG Electronics Market Management Co., Ltd.	Shunde SEG Electronics Market Management Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd	Suzhou SEG Digital Plaza Management Co., Ltd.
Within one year (including one year)		4,800,000.00	-	13,054,290.12
Above one year but within two years (including two years)		5,040,000.00	-	13,403,893.21
Above two years but within three years (including three years)		5,040,000.00	-	13,403,893.21
Over 3 years		38,047,508.73	-	69,228,846.75
Total		52,927,508.73	Note *4	109,090,923.29

Note *1: Under the cooperation agreement signed by and between both parties, Xi'an Hairong SEG Electronics Market Co., Ltd. pays the rental according to 70% of profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

Note *2: The rental of Shenzhen SEG Electronics Market Management Co., Ltd. is adjusted according to the CPI. Therefore, the amount of rental in the future is uncertain.

Note *3: Under the cooperation agreement signed by and between both parties, Wujiang SEG Electronics Market Co., Ltd. pays the rental according to 70% of pre-tax profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

Note *4: Wuxi SEG Electronics Market Co., Ltd. is exempted from the rental within the three years before opening of the Company and pays the rental in the fourth year according to 70% of the pre-tax profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

Except the preceding commitments, the Company has not significant commitments that shall be disclosed or have not been disclosed as of June 30, 2016.

(2) Information on mortgaged assets

As of the end of the report period, details of properties mortgaged by the Company to loan from the bank and closing net value of those properties are shown below:

Owner of property	Name of property	Closing net value	Remarks
Shenzhen SEG Co., Ltd.	4F, SEG Plaza	46,120,804.67	Mortgaged to loan from the bank
Shenzhen SEG Co., Ltd.	Some floors of Contemporary Window	53,344,450.80	Mortgaged to loan from the bank

Owner of property	Name of property	Closing net value	Remarks
Shenzhen SEG Co., Ltd.	31F, Stars Plaza	9,480,414.61	Mortgaged to loan from the bank
Shenzhen SEG Co., Ltd.	Other houses	1,903,760.90	Mortgaged to loan from the bank
Total		110,849,430.98	

2. Contingencies

(1) Contingencies on the balance sheet date

Contingencies arising from pending litigation or arbitration and financial impacts

In March 2013, Nanning SEG leased the house located on 1F and 2F of podium building of Nanning Zhidi Square at 158 East Renmin Road, Xingning District, Nanning as the electronics market. The agreed term of tenancy is from March 18, 2013 to March 17, 2025. Due to a large area of water seepage and leaking existing with the house leased, Nanning SEG lodged a lawsuit at Xingning District People's Court after negotiation with Haiqi Company for several times with no solution achieved. As Nanning SEG failed to pay the rental and breached the contract, Nanning SEG was also accused by Haiqi Company at the same court.

On June 28, 2016, the lawsuit was dismissed by Nanning Xingning District People's Court in the (2015) X. M. Y. C. Zi. Civil Judgment No. 1590. In the (2015) X. M. Y. C. Zi. Civil Judgment No. 1393, RMB 12,000,000 was involved in the case, and the Company decided not to file an appeal. The Company accrued the estimated liabilities RMB 7,000,000 for the case in 2015. Nanning SEG has estimated the rental payable RMB 2,300,000. According to the judgment, the Company additionally accrued the compensation RMB 2,700,000 based on the possible payable. As of the end of the report, the Company has recognized the accumulative estimated liabilities RMB 9,700,000.

(2) If the Company has no significant matters or contingencies to disclose, the Company shall also indicate it.

The Company has no significant matters or contingencies to disclose.

XIII. Other significant matters

1. Others

(I) Purchase of financial products with idle funds

On the second shareholders meeting held on July 21, 2014, the *Proposal on Purchase of Financial Products Using Idle Funds of the Company* was passed, which allows the Company and its subsidiaries to invest and manage wealth by using idle funds of no more than RMB 1,000,000,000. The general meeting of the Company approves that the general manager of the Company to can make decisions on special projects and the management of the Company executes such decisions. The investment period is from the date of resolution to June 30, 2016 (calculated since the time when the financial product is purchased).

As of June 30, 2016, the amount of financial products purchased by the Company and its subsidiaries is as follows:

Unit: ten thousand Yuan

Company name	Shenzhen SEG Co., Ltd.	Wujiang SEG Electronics Market Management Co., Ltd.	Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd	Xi'an Hairong SEG Electronics Market Co., Ltd.
Amount	3,800.00	1,100.00	8,000.00	920.00	2,050.00

Continued:

Unit: ten thousand Yuan

Company name	Changsha SEG Development Co., Ltd.	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Xi'an Electronics Market Co., Ltd.	Nantong SEG Times Plaza Management Co., Ltd.	Total
Amount	550.00	320.00	1,900.00	100.00	18,740.00

XIV. Notes to the parent company financial statements

1. Accounts receivable

(1) Accounts receivable disclosed by type

Unit: Yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	8,869,182.88	100.00%	8,869,182.88	100.00%		8,869,182.88	100.00%	8,869,182.88	100.00%	
Total	8,869,182.88	100.00%	8,869,182.88	100.00%		8,869,182.88	100.00%	8,869,182.88	100.00%	

Accounts receivable with a significant amount individually, for which bad debt provision is separately accrued at the end of period:

Applicable Not applicable

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

Applicable Not applicable

Accounts receivable in a combination, for which bad debt provisions are made using the Percentage of Total Accounts Receivable Outstanding method

Applicable Not applicable

Among the combination, accounts receivable for which bad debt provision is computed by adopting other methods:

(2) Current accrued, recovered or reversed bad debt provision

The amount of the current accrued bad debt provision is RMB 0.00 Yuan and the amount of the current recovered or reversed bad debt provision is RMB 0.00 Yuan.

(3) Accounts receivable with top 5 closing balance collected based on arrears party

Name of company	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Jiangsu Unicom	3,092,011.09	34.86	3,092,011.09
Shenzhen Liyuanshun Industrial Co., Ltd.	1,906,865.35	21.50	1,906,865.35
Shanghai Tianci Industrial Co., Ltd.	899,000.00	10.14	899,000.00

Name of company	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Zhejiang Financial Information Co., Ltd	786,000.00	8.86	786,000.00
Sichuan Huiyuan Electronics Co., Ltd.	480,000.00	5.41	480,000.00
Total	7,163,876.44	80.77	7,163,876.44

2. Other receivables

(1) Other receivables disclosed by type

Unit: Yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Other receivables with single significant amount and single bad debt provision	8,530,276.35	1.26%	8,530,276.35	33.32%	0.00	8,530,276.35	1.43%	8,530,276.35	100.00%	
Other receivables with bad debt provision accrued based on credit risk feature combinations	652,725,698.74	96.23%	1,173.47		652,724,525.27	570,672,790.85	95.71%	1,173.47	0.00%	570,671,617.38
Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued	17,070,353.09	2.52%	17,070,353.09	66.68%	0.00	17,070,353.09	2.86%	17,070,353.09	100.00%	
Total	678,326,328.18	100.00%	25,601,802.91	100.00%	652,724,525.27	596,273,420.29	100.00%	25,601,802.91	4.29%	570,671,617.38

Other receivables with a significant amount individually, for which bad debt provision is separately accrued

√ Applicable □ Not applicable

Unit: Yuan

Other receivables (by company)	Closing balance			
	Other receivables	Bad debt provision	Percentage	Reason for provision
Yangjiang Yuntong Grease Co., Ltd.	8,530,276.35	8,530,276.35	100.00%	Unable to be recovered for aging of over 5 years
Total	8,530,276.35	8,530,276.35	-	-

Among the combinations, accounts receivable for which bad debt provision is computed by aging method:

Applicable Not applicable

Unit: Yuan

Aging	Closing balance		
	Other receivables	Bad debt provision	Percentage
Sub-item within 1 year			
Within 1 year	3,256,969.01		
Subtotal of accounts aged under 1 year	3,256,969.01		
1-2 years	23,469.34	1,173.47	5.00%
Total	3,280,438.35	1,173.47	0.04%

Note to basis for confirming the combination:

Other receivables in a combination, for which bad debt provisions are made using the Percentage of Total Receivables Outstanding method

Applicable Not applicable

Among the combination, accounts receivable for which bad debt provision is computed by adopting other methods:

Applicable Not applicable

(2) Accrued, recovered or reversed bad debt provision in the current period

The amount of the current accrued bad debt provision is RMB 0.00 Yuan and the amount of the current recovered or reversed bad debt provision is RMB 0.00 Yuan.

(3) Classification of other receivables by nature

Unit: Yuan

Nature of receivables	Period-end book balance	Period-end book balance
Receivables of related parties	649,445,260.39	568,166,228.80
Creditor's right transfer cost	23,583,862.58	23,583,862.58
Imprest	498,989.14	579,868.64
Deposit and security deposit	1,726,559.79	1,446,667.78
Others	3,071,656.28	2,496,792.49
Total	678,326,328.18	596,273,420.29

(4) Other receivables with top 5 closing balance collected based on arrears party

Unit: Yuan

Name of company	Nature of payables	Closing balance	Aging	Percentage in the total amount of closing balance of other receivables	Closing balance of bad debt provision
Nantong SEG Times Square Development Co., Ltd.	Loans and interests	587,120,832.26	Within 3 year	86.55%	
Shenzhen SEG Industrial Investment Co., Ltd.	Loans and interests	47,088,490.03	Within 5 year	6.94%	
Suzhou SEG Digital Plaza Management Co., Ltd.	Current account	10,000,000.00	Within 1 year	1.47%	
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	1.26%	8,530,276.35
Shenzhen Lianjing Trade Co., Ltd.	Creditor's incomings and outgoings	1,668,343.74	Over 5 years	0.25%	
Total	-	654,407,942.38	-	96.47%	8,530,276.35

3. Long-term equity investment

Unit: Yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	279,983,526.24		279,983,526.24	269,983,526.24		269,983,526.24
Investment in cooperative enterprises and joint ventures	189,295,871.13		189,295,871.13	185,122,573.88		185,122,573.88
Total	469,279,397.37	0.00	469,279,397.37	455,106,100.12		455,106,100.12

(1) Investment in subsidiaries

Unit: Yuan

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision	Closing balance of impairment provision
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	20,512,499.04			20,512,499.04		
Shenzhen SEG Industrial Investment Co., Ltd.	29,181,027.20			29,181,027.20		
Changsha SEG	69,000,000.00			69,000,000.00		

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision	Closing balance of impairment provision
Development Co., Ltd.						
Shenzhen SEG Electronics Market Management Co., Ltd.	2,100,000.00			2,100,000.00		
Suzhou SEG Electronics Market Management Co., Ltd.	1,350,000.00			1,350,000.00		
Xi'an SEG Electronics Market Co., Ltd.	1,950,000.00			1,950,000.00		
Shenzhen SEG Credit Co., Ltd.	54,000,000.00			54,000,000.00		
Shenzhen SEG E-Commerce Co., Ltd.	15,300,000.00			15,300,000.00		
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	20,000,000.00			20,000,000.00		
Xi'an Hairong SEG Electronics Market Co., Ltd.	1,530,000.00			1,530,000.00		
Wujiang SEG Electronics Market Management Co., Ltd.	1,530,000.00			1,530,000.00		
Wuxi SEG Electronics Market Co., Ltd.	1,530,000.00			1,530,000.00		
Foshan Shunde SEG Electronics Market Management Co., Ltd.	6,000,000.00			6,000,000.00		
Nanning SEG Electronics Market Management Co., Ltd.	8,000,000.00			8,000,000.00		
Nantong SEG Times Square Development Co., Ltd.	30,000,000.00			30,000,000.00		
Suzhou SEG Digital Plaza Management Co., Ltd.	8,000,000.00			8,000,000.00		
Suzhou SEG Intelligent Technology Co., Ltd.		10,000,000.00		10,000,000.00		
Total	269,983,526.24	10,000,000.00		279,983,526.24		

(2) Investment in cooperative enterprises and joint ventures

Unit: Yuan

Investee	Opening balance	Increase/Decrease of the year								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment gains and losses confirmed under the equity method	Adjustment of other comprehensive income	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
1. Cooperative enterprise											
2. Associate											
Shanghai SEG Electronics Market Management Co., Ltd.	3,379,412.81			-111,608.08						3,267,804.73	
Shenzhen Huakong SEG Co., Ltd.	181,743,161.07			-4,715,142.77	48.10					177,028,066.40	
Shenzhen International Consumer Electronics Exhibition/Exchange Center Co., Ltd.		9,000,000.00								9,000,000.00	
Subtotal	185,122,573.88	9,000,000.00	0.00	-4,826,750.85	48.10					189,295,871.13	
Total	185,122,573.88	9,000,000.00	0.00	-4,826,750.85	48.10					189,295,871.13	

4. Operating income and operating cost

Unit: Yuan

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	51,626,681.87	36,890,488.44	66,577,264.42	44,695,244.80
Total	51,626,681.87	36,890,488.44	66,577,264.42	44,695,244.80

5. Investment income

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income by the cost method	-4,826,750.85	-4,892,855.94
Long-term equity investment income by the equity method	32,747,355.51	22,060,280.00
Income from disposal of held-to-maturity		750,000.00

Item	Amount incurred in the current period	Amount incurred in the previous period
investments		
Others	17,841,726.10	19,701,657.06
Total	45,762,330.76	37,619,081.12

XV. Supplemental information

1. Details on non-recurring gains and losses

Applicable Not applicable

Unit: Yuan

Item	Amount	Remarks
Gains and losses from disposal of non-current assets	-9,316.22	Disposal loss of fixed assets
Government subsidies included in current gains and losses (except those closely related with corporate business and enjoyed according to national standards or certain quota)	101,608.00	The main purpose is to obtain the special reward for the service industry from Suzhou Wujiang Finance Bureau and SEG e-commerce platform support fund from Shenzhen Economy, Trade, and Information Commission
Other non-operating income and expenses except the above-mentioned items	-2,432,788.76	Including: Additional accrual of the litigation compensation expenditure RMB 2,700,000 and income from merchant compensation
Less: Amount of affected income tax	-629,774.56	
Influenced amount of minority shareholders' equity	129,466.63	
Total	-1,840,189.05	-

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

Applicable Not applicable

2. Return on equity and earnings per share

Profit in the report period	Weighted average ROE	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	1.82	0.0342	0.0342
Net profit attributable to common shareholders of the Company after deduction of -recurring losses and gains	1.94	0.0366	0.0366

3. Differences in accounting data under Chinese and overseas accounting standards

(1) Differences of net profit and net assets in this financial report calculated based on international and Chinese accounting standards

Applicable Not applicable

(2) Differences of net profit and net assets in this financial report calculated based on overseas and Chinese accounting standards

Applicable Not applicable

(3) Explanation for differences shall be given. If the Company modifies the data audited by a foreign auditing institution, the name of the foreign institution shall be indicated.

Chapter 10 Documents Available for Reference

- (1) 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; and
- (2) 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 the report period.