

FOSHAN ELECTRICAL AND LIGHTING CO., LTD.

ANNUAL REPORT 2016

March 2017

Section I Important Statements, Contents and Definitions

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”), as well as the directors, supervisors and executive officers of Foshan Electrical and Lighting Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

He Yong, head of the Company, Liu Xingming, accounting head for this Report, and Tang Qionglan, head of the accounting department (head of accounting), hereby guarantee that the Financial Report carried in this Report is factual, accurate and complete.

All directors attended the board meeting for the review of this Report.

Beijing Zhongzhengtiantong Certified Public Accountants LLP has issued a standard auditor’s report with unqualified opinion for the Company.

The accounting data and financial report in this Report are subject to those audited by Beijing Zhongzhengtiantong Certified Public Accountants LLP. This Report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

The future plans and some other forward-looking statements, as well as the relevant cautionary statements, involved in this Report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to be well aware of possible risks.

The Company has described in detail in this Report the risk of market competition, the risk of rising operating costs, the risk of falling prices of inventories and the risk of exchange rate fluctuations. Please refer to “Possible risks” in “Outlook of the Company’s future development” in “Section IV Performance Discussion and Analysis” of this Report.

The Board has considered and approved the following proposal for profit distribution: Based on the total shares of 1,272,132,868, a cash dividend of RMB4.20 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. No bonus shares will be granted, nor will any capital reserve be converted into share capital.

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Definitions

Term		Definition
The Company, Company, FSL		Foshan Electrical and Lighting Co., Ltd.
GRAM		Guangdong Rising Assets Management Co., Ltd.
Electronics Group		Guangdong Electronics Information Industry Group Ltd.
GD Rising Finance		Guangdong Rising Finance Holding Co., Ltd.
Shenzhen Rising Investment		Shenzhen Rising Investment Development Co., Ltd.
Hong Kong Rising Investment		Hong Kong Rising Investment Development Limited
CSRC		China Securities Regulatory Commission
SZSE		Shenzhen Stock Exchange
Shareholders' General Meeting		Shareholders' General Meeting of Foshan Electrical and Lighting Co., Ltd.
Board of Directors		Board of Directors of Foshan Electrical and Lighting Co., Ltd.
Supervisory Board		Supervisory Board of Foshan Electrical and Lighting Co., Ltd.
Annual report auditor		Beijing Zhongzhengtiantong Certified Public Accountants LLP
Yuan, ten thousand, million, billion		RMB Yuan, RMB Ten Thousand, RMB million, RMB billion

Section II Corporate Profile and Financial Results

I Corporate information

Stock name	FSL / FSL B	Stock code	000541/200541
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	佛山电器照明股份有限公司		
Abbr.	佛山照明		
Company name in English (if any)	FOSHAN ELECTRICAL AND LIGHTING CO.,LTD		
Abbr. (if any)	FSL		
Legal representative	He Yong		
Registered address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China		
Zip code	528000		
Office address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China		
Zip code	528000		
Company website	www.chinafsl.com		
Email	gzfsligh@pub.foshan.gd.cn		

II Contact information

	Board Secretary	Securities Representative
Name	Lin Yihui	Huang Yufen
Address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China
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III Information disclosure and place where this Report is kept

Newspapers designated by the Company for information disclosure	China Securities Journal, Securities Times, Securities Daily, Ta Kung Pao (HK)
Website designated by the China Securities Regulatory Commission (CSRC) for the publication	http://www.cninfo.com.cn

of this Report	
Place where this Report is kept	Board Secretary's Office, FSL Office Building, No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China

IV Company registration and alteration

Credibility code	91440000190352575W
Changes in main business activities of the Company after going public (if any)	No changes
Changes of controlling shareholder (if any)	No changes

V Other information

The CPAs firm hired by the Company

Name	Beijing Zhongzhengtiantong Certified Public Accountants LLP
Office address	13/F, Tower B, Jinyun Building, A43 Xizhimen Avenue North, Haidian District, Beijing
Accountants writing signatures	Tong Quanyong, Luo Dongri

Sponsor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☐ Applicable ☒ Not applicable

Financial advisor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☐ Applicable ☒ Not applicable

VI Accounting and financial results

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

☐ Yes ☒ No

	2016	2015	+/-%	2014
Operating revenues (RMB Yuan)	3,366,454,968.60	2,876,659,100.63	17.03%	3,068,641,200.17
Net profit attributable to shareholders of the Company (RMB Yuan)	1,072,342,050.13	53,405,593.12	1,907.92%	266,125,048.97
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB Yuan)	351,237,317.17	150,093,497.33	134.01%	306,310,907.76
Net cash flows from operating activities (RMB Yuan)	289,978,768.48	188,325,189.43	53.98%	305,638,745.34

Basic earnings per share (RMB Yuan /share)	0.8429	0.0420	1,906.90%	0.2092
Diluted earnings per share (RMB Yuan /share)	0.8429	0.0420	1,906.90%	0.2092
Weighted average return on equity (%)	21.40%	1.27%	20.13%	9.08%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets (RMB Yuan)	6,100,169,400.30	6,048,296,432.78	0.86%	3,736,704,336.40
Net assets attributable to shareholders of the Company (RMB Yuan)	4,990,466,577.12	5,023,546,888.12	-0.66%	3,044,585,720.58

VII Differences in accounting data under domestic and foreign accounting standards

1. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and international accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

2. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

VIII Financial results by quarter

Unit: RMB Yuan

	1Q	2Q	3Q	4Q
Operating revenues	904,310,757.83	851,360,169.61	819,510,785.90	791,273,255.26
Net profit attributable to shareholders of the Company	107,776,865.30	99,148,947.42	73,179,107.88	792,237,129.53
Net profit attributable to shareholders of the Company before exceptional profit and loss	107,348,727.74	99,288,365.94	73,405,588.72	71,194,634.77
Net cash flows from operating activities	186,104,091.50	105,524,215.56	32,420,605.94	-34,070,144.52

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

☐ Yes ☒ No

IX Exceptional profit/loss

√ Applicable □ Not applicable

Unit: RMB Yuan

Item	2016	2015	2014	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	-5,776,457.37	-8,172,702.85	-1,287,703.94	
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	1,669,377.53	4,780,007.27	2,174,021.86	
Profit due to the situation where investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of identifiable net assets of investees when making investments			-17,112.47	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedges related to routine operations of the Company	853,216,065.17	19,472,654.77	2,962,781.37	Mainly due to sale through block trading of the Guoxuan High-tech stock held by the Company
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately	3,535,749.69			
Non-operating income and expense other than the above	-4,774,788.19	-130,293,226.71	-51,945,691.06	
Other gain and loss items that meet definition of extraordinary gain/loss		944,428.72	1,499,406.22	
Less: Corporate income tax	127,331,306.57	-16,925,475.37	-6,958,646.77	
Minority interests (after tax)	-566,092.70	344,540.78	530,207.54	
Total	721,104,732.96	-96,687,904.21	-40,185,858.79	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Section III Business Profile

I Main business scope for this Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

1. Main business and products

We have been engaged in production, R&D and sale of lighting products since our listing. Our products mainly include conventional lighting products and LED lighting products. We have a wide variety of products with a complete range of specifications, including fluorescent lamps, halogen lamps, energy saving lamps, motor vehicle lamps, conventional lamps, LED light source, LED lamps, etc. With the most specifications in the lighting industry, our products are widely used for indoor and outdoor lighting, landscape lighting, motor vehicle lighting and so on. Upon years of development, we have won quite many honors such as the title of “The King of Lamps in China”, and our “FSL” and “Fenjiang” brands have been certified as “Famous China Brands”.

While pushing diversified strategies, the Company set the electrical engineering business as the new engine for its rapid development in 2016. Based on the existing electrical engineering equipment, the Company strived to develop electrical engineering equipment covering lots of series of electrical engineering equipment and sockets. In future, the Company would make efforts to create a strategic layout where the development of lighting products keeping pace with electrical engineering equipment.

2. Main business model

(1) Procurement model

We mainly procure raw materials such as lamp beads, lamp holders, electronic components, aluminum substrate, plastic parts, metal materials, quartz tubes and fuel by way of bids invitation. A bids invitation supervisory committee consisting of personnel from several departments will be set up in the future. For every kind of our main raw materials, we usually have a few suppliers to choose from in procurement so that the procurement prices would be fair, the supply of raw materials in time and the good quality of the raw materials ensured.

(2) Production models

① Production of the conventional products

Concerning the conventional products, we analyze sales of every month and predict future market demand so as to formulate a production plan for the coming month. And our workshops produce according to the plan to avoid

extra stock and at the same time ensure that there is enough for sale.

② Production according to orders

Different from the conventional lighting products which are of little variation in specifications, LED lighting products are at a fast pace of renewal and different customers often have different requirements regarding the products' appearances and performance indexes. Therefore, we have to organize individualized production for some orders for LED lighting products, export orders in particular. For this kind of orders, we formulate our production plans based on them and then make procurement plans according to the production plans, which will help effectively control the stock and the procurement prices of raw materials, reduce capital occupation and improve our operating efficiency to the maximum.

③ Combination of independent production and outsourcing

With a high production capacity, we produce most of our products and parts on our own. Only a small portion of parts and low-tech products is outsourced to sub-manufacturers, who will produce in strict accordance with our requirements. We will also tag along their production processes and examine carefully the quality of the products finished. In this way, our supply of products is guaranteed.

(3) Sales model

We mainly adopt a commercial agent model, selling our products to commercial agents through various channels and setting up business divisions under the sales department to follow up the use of our products by customers and provide relevant support. In terms of channels, besides consolidating wholesale, we will also focus on the development of franchised stores, illumination engineering & commercial lighting, e-commerce & retail sales and automotive lighting to minimize our weaknesses in this respect and expand the space for our survival.

3. Main driving force for business performance

(1) Rapid development of the industry

As the emerging industry involved in the country's strategies, LEC industry rapidly developed in the world in recent years due to its features of high efficiency and energy-saving, green environmental protection, as well as long service life. Thanks to the rapid development of the LED industry, the Company achieved good business performance.

(2) The Company's own advantages

By right of the Company's advantages in technology, brand, channel, and scale, the Company firmly grasped the opportunities brought by the industry's rapid development, consistently pushed forward the technology upgrade of main products, reinforced market development, and optimized the sales structure of products through sustainable

R&D input and technology innovation. And at the same time, by means of effective control on procurement and manufacturing cost, the Company raised the efficiency of management and products, improved its comprehensive competitiveness, overcame the difficulties and challenges resulted from the serious market situation, and kept the sustainable growth of its operating revenue and profit.

4. Development stage and periodicity of the lighting industry as well as our position in the market

The recent years have witnessed the rapid rise of the LED lighting technology. Due to the sharp drop in their cost and their remarkable performance in energy saving & emission reduction, LED lighting products have been generally accepted by consumers, resulting in a higher and higher penetration rate as well as a fast-shrinking market for conventional lighting products. However, after years of fast development and renewal, growth in LED lighting has slowed down. Particularly the LED downstream with a low requirement for market access is suffering from an obvious problem of structural overcapacity, leading to the disordered, cutthroat competition on the market. Under the double hits by a macro economic downturn and fierce competition, large enterprises will expand through mergers and acquisitions for stronger competitiveness, while some small and medium ones can only face the fate of being washed out of the market due to lack of competitiveness, which is bringing the entire industry into an integration phase. As a necessity for daily life, lighting products are mainly under the influence of the macro economy and the real estate sector but are little affected by seasons and regions.

Generally speaking, China's lighting industry is insufficiently centralized with no overwhelmingly superior enterprises despite an enlarging market share of competitive brands. Upon years of development, we have become a leading and quite competitive lighting enterprise with strong competitiveness in brand, production scale, channel, R&D, etc.

II Significant changes in main assets

1. Significant changes in main assets

Main assets	Reason for any significant change
Fixed assets	No significant changes
Intangible assets	No significant changes
Construction in progress	Increased 120.01% from the opening amount mainly due to increase in ongoing construction projects
Available-for-sale financial assets	Mainly due to sale through block trading of some of the Guoxuan High-tech stock held

	by the Company
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2. Main assets overseas

☐ Applicable ☒ Not applicable

III Core competitiveness analysis

Is the Company subject to any disclosure requirements for special industries?

No.

The core competitiveness of the Company mainly reflects on four aspects listed below:

Channel advantage

The Company has been sticking to the marketing strategy of deeply focusing and refining channels. Through years of development and experience accumulation, the Company currently has four major sales channels, which contains the circulation and wholesales channel, the exclusive shop channel, the E-business retail channel, and the engineering commercial lighting channel, forming a marketing network covering the whole country. Relying on strong and perfect sales channels, products of the Company can rapidly enter the market, which has significantly improved the Company's market development capability and competitiveness.

Brand advantage

The Company keeps focusing on the positioning, core value, and features of FSL brand, and continually improved the brand recognition and reputation of FSL brand by product design, end sales, advertisement, special lighting exhibition, and so on. At present, FSL and Fen Jiang among the three brands of the Company are both famous trademarks in China. The FSL brand has become one of the most influential and popular brands in China, and the powerful brand influence has become the main driver for continuous sales growth of the Company.

Technology advantage

The Company has always been attaching importance to R&D of new products and technologies, increasing the input on independent innovation on technologies and products, and perfecting the improvement process for R&D and technique of all products. The Company absorbs and trains technical talents, set up innovative incentive mechanism and performance mechanism, and fully provides with supports in fund, talents, and mechanisms.

Scale advantage

As one of the enterprises to first step into the industry of producing and selling lighting products, the Company possesses the manufacture culture of refining production and the large-scale manufacturing capability by years of experience accumulation. The Company has production bases in Foshan, Nanjing and Xinxiang. The large-scale and centralized production brings obvious economic benefits to the Company, which not only shows in manufacture cost of products, but also shows in aspects such as raw material procurement and product pricing.

Section IV Performance Discussion and Analysis

I Overview

(I) Summary

In 2016, with great downward pressure and limited driving forces, the international and domestic economies both slowed down in growth. In the lighting industry, despite a fast-growing LED market, LED enterprises were excessive in number, causing increasingly fierce competition. In face of the unfavorable macro-environment and the intense competition in the industry, the Company continued to follow the guideline of “Adjust the Structure, Stabilize Growth, Attach Importance to Management and Improve Business Results”. Keeping in mind the targets it set at the beginning of the year, as well as its development strategy, the Company beefed up product development for a better product mix, strengthened marketing and improved management. As a result, the business targets for the year have been excellently achieved. For the Reporting Period, the Company achieved operating revenues of RMB 3366.4550million, up 17.03 % from the year earlier. To be specific, LED products generated sales revenue of RMB 2045.6815million, representing a YoY increase of 44.43 %, while traditional lighting products created sales revenue of RMB 1293.5391million, down 9.51 % from last year; the domestic sales revenue stood at RMB 2147.7421million, a 11.66% increase from last year, while the overseas sales revenue stood at RMB 1218.7129million, up 27.84% from the year earlier. The total profits stood at RMB 1273million (including an investment income of RMB 853million from the sale of the Guoxuan High-tech stock in the Reporting Period), up 2668.32 % year on year; and the net profits attributable to the shareholders of the listed Company stood at RMB 1072million, representing a YoY rise of 1907.92 %.

(II) What we have done in 2016:

1. Reinforced R&D, and constantly launched new products

Based on LEC product's features of short service life and rapid renewing, we focused on customers, insisted on more input on R&D and product innovation, constantly built the competitive technology and R&D platform. We put an emphasis on user survey and basic research, subdivided the product market via independent R&D and external cooperation, continuously researched and developed new products, as well as launched them to the market, so that our hard efforts would result to the transfer of our image as the wholesaler of big products in circulation. In the Reporting Period, we spent R&D expense of RMB 110.07million, representing a year-on-year increase of 18.49 %. We applied for 61 patents, of which there're 10 patents for invention, 33 patents of utility models, 18 design patents. We accomplished 195 big series, of which there're 1009 items in new product

development with specifications, and 269 items in technology and technique improvement with specifications. The launch of new products enriched our product line, improved our market competitiveness, and brought growth point for our sales revenue and profit.

2. Optimized channel construction, and expanded development space

In the Reporting Period, we continued to deeply dig in channel enlargement, and optimized channel construction. In terms of domestic sales, we simultaneously promoted the core and emerging channels, and constantly emphasized on developing new channels while keeping the advantaged channels, and as a result we achieved a large growth of sales revenue in channels including exclusive shops, e-commerce, industrial mining, and motor vehicles. In the Reporting Period, as for the exclusive chop channel, we newly increased 242 exclusive shops, contributing to 928 exclusive shops in total. As for the e-commerce channel, we conducted sales promotion while keeping pace with Tmall and JD. In aspect of engineering commercial lighting, we organized special teams to positively participate in engineering projects in various hidden channels. In terms of overseas sales, we made breakthroughs in factors covering brand, client, product, and area. We strived to promote our FSL self-owned brand, constantly improved the sales volume for our overseas self-owned brand, and successfully sold out our FSL self-owned-brand products in 30 countries and regions in 2016, reaching a 66% year-on-year growth of sales volume for FSL self-owned brand. We initiatively and deeply dug out customer demands, continuously intensify our cooperation with the existing major customers, and sustainably conducted development of major customers. We deeply developed LED business with the existing traditional customers, urged the constant optimization of product structure in overseas sales, and reached 60% LED product sales in the whole overseas sales.

3. Implemented the precise production, and improved the operating efficiency

In the Reporting Period, we put forward the working subject for production management as “creating benefits via precise production”. We saved human resources cost and improved production efficiency through improving the production automation level. We cut down procurement cost through mechanisms such as sunshine procurement, competitive bidding, and competitive negotiation. We also lowered cost and raised efficiency through optimizing design, as well as introducing new materials and techniques. We strictly controlled waste and improved production efficiency via enhancing the scheduling management, as well as the management and control on production process. We decreased the risk of product’s market quality via executing the quality objective appraisal system, as well as supervision and review on internal control of quality. We strictly implemented the budget management system, utilized the idle fund to purchase the principal-protected financing products, so as to improve the service efficiency of capital. In the Reporting Period, our gross margin increased by 1.17% as compared with last year, and expense decreased by 6.76% as compared with last year.

4. Established the subsidiary for electrical engineering, and increased our profit growth point

In Oct 2016, we established the subsidiary for electrical engineering. While based on our brand advantage, channel advantage, as well as the abundant experience in production, operation, and management, we made great efforts on electrical engineering equipment, and as a result, set the basis for our strategy of simultaneous development of lighting products and electrical engineering equipment in future. In respect of product, we organized the excellent R&D team in the industry, so that to lay the root for the extension of electrical engineering equipment in later stage. In respect of channel, we depended on our current channel advantages, integrated channel resources, applied incentive sales policy, and therefore aroused the enthusiasm of agencies. In the Reporting Period, we gained sales revenue in electrical engineering equipment of RMB 70.16million, showing a year-on-year increase of 90%.

II Analysis of main business

1. Overview

See “I Overview” in “Performance Discussion and Analysis”.

2. Revenues and costs

(1) Breakdown of operating revenues

Unit: RMB Yuan

	2016		2015		+/-%
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	
Operating revenues	3,366,454,968.60	100%	2,876,659,100.63	100%	17.03%
By business segment					
Lighting fixtures and lamps	3,366,454,968.60	100.00%	2,876,659,100.63	100.00%	17.03%
By product					
LED products	2,045,681,465.82	60.77%	1,416,365,037.13	49.24%	44.43%
Traditional lighting products	1,293,539,060.72	38.42%	1,429,560,217.10	49.70%	-9.51%
Others	27,234,442.06	0.81%	30,733,846.40	1.07%	-11.39%
By geographical segment					

China	2,147,742,100.25	63.80%	1,923,383,563.07	66.86%	11.66%
Overseas	1,218,712,868.35	36.20%	953,275,537.56	33.14%	27.84%

(2) Business segments, products or geographical segments contributing over 10% of the operating revenues or profit

☒ Applicable ☐ Not applicable

Is the Company subject to any disclosure requirements for special industries?

No.

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue over last year (%)	Increase/decrease of operating cost over last year (%)	Increase/decrease of gross profit rate over last year (%)
Classified by industry:						
Lighting fixtures and lamps	3,366,454,968.60	2,518,164,099.97	25.20%	17.03%	15.22%	1.17%
Classified by product:						
LED lighting products	2,045,681,465.82	1,583,097,371.71	22.61%	44.43%	41.27%	1.73%
Traditional lighting products	1,293,539,060.72	916,616,441.30	29.14%	-9.51%	-12.12%	2.10%
Others	27,234,442.06	18,450,286.96	32.25%	-11.39%	-15.56%	3.34%
Classified by region:						
China	2,147,742,100.25	1,594,275,715.11	25.77%	11.66%	10.37%	0.87%
Overseas	1,218,712,868.35	923,888,384.86	24.19%	27.84%	24.66%	1.93%

Where the Company's accounting standard of the main business data above changed during the reporting period, give the main business data of the latest year adjusted according to the accounting standard at the end of the reporting period:

☐ Applicable ☒ Inapplicable

(3) Whether revenue from physical sales is higher than service revenue

☒ Yes ☐ No

Business segment	Item	Unit	2016	2015	+/-%
Lighting fixtures and lamps	Sales volume	Piece	871,948,420	837,767,920	4.08%
	Output volume	Piece	881,564,257	827,174,901	6.58%
	Inventory	Piece	133,785,918	124,170,082	7.74%

Reason for any over 30% YoY movements in the data above

☐ Applicable ☒ Not applicable

(4) Execution progress of major signed sales contracts in this Reporting Period

☐ Applicable ☒ Not applicable

(5) Breakdown of operating costs

By business segment and product

Unit: RMB Yuan

Business segment	Item	2016		2015		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Lighting fixtures and lamps		2,518,164,099.97	100.00%	2,185,558,581.31	100.00%	15.20%
Lighting fixtures and lamps	Raw materials	1,696,469,566.51	67.37%	1,416,799,337.80	64.83%	19.70%
Lighting fixtures and lamps	Labor cost	504,117,326.14	20.02%	427,667,401.28	19.57%	17.90%
Lighting fixtures and lamps	Depreciation and other	299,126,920.36	11.88%	319,242,900.55	14.61%	-6.30%
Lighting fixtures and lamps	Others	18,450,286.96	0.73%	21,848,941.68	1.00%	-15.60%

Unit: RMB Yuan

Product	Item	2016		2015		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
LED products	Raw materials	1,139,950,591.51	45.27%	713,381,463.13	32.64%	59.80%
LED products	Labor cost	264,639,920.23	10.51%	246,143,230.85	11.26%	7.50%
LED products	Depreciation and other	178,506,859.97	7.09%	161,101,174.91	7.37%	10.80%
LED products	Subtotal	1,583,097,371.71	62.87%	1,120,625,868.89	51.27%	41.30%
Traditional lighting products	Raw materials	556,518,975.00	22.10%	703,417,874.67	32.18%	-20.90%
Traditional lighting products	Labor cost	239,477,405.91	9.51%	181,524,170.43	8.31%	31.90%
Traditional	Depreciation and	120,620,060.39	4.79%	158,141,725.64	7.24%	-23.70%

lighting products	other					
Traditional lighting products	Subtotal	916,616,441.30	36.40%	1,043,083,770.74	47.73%	-12.10%
Others	Others	18,450,286.96	0.73%	21,848,941.68	1.00%	-15.60%
-	Total	2,518,164,099.97	100.00%	2,185,558,581.31	100.00%	15.20%

(6) Changes in the scope of the consolidated financial statements for this Reporting Period

☒ Yes ☐ No

One new entity is included in the consolidation scope for this Reporting Period, namely, FSL Zhida Electric Technology Co., Ltd., newly incorporated with a registered capital of RMB50 million and in which the Company holds a stake of 51%. Meanwhile, one entity is excluded from the consolidation scope as compared with 2015. A creditor of subsidiary Suzhou Mont Lighting Co., Ltd. (Suzhou Mont) applied to the court for Suzhou Mont's bankruptcy. On June 2, 2016, the Suzhou Industrial Park court appointed Jiangsu Yingyuan Law Firm to be Suzhou Mont's custodian through the Decision (2016) Suzhou 0591 Civil Bankruptcy No. 03. And the control of the Company over Suzhou Mont has ceased since that day. Pursuant to the accounting standards for business enterprises, the Company has excluded Suzhou Mont from its consolidation scope since June 2016.

(7) Major changes in the business, products or services in this Reporting Period

☐ Applicable ☒ Not applicable

(8) Main customers and suppliers

Main customers

Total sales to top five customers (RMB Yuan)	453,921,650.54
Total sales to top five customers as a percentage of the total sales for this Reporting Period (%)	13.48%
Total sales to related parties among top five customers as a percentage of the total sales for this Reporting Period (%)	0.00%

Information about top five customers

No.	Customer	Sales amount (RMB Yuan)	As a percentage of the total sales for this Reporting Period (%)
1	Customer A	178,894,550.33	5.31%
2	Customer B	99,856,231.03	2.97%

3	Customer C	68,775,707.72	2.04%
4	Customer D	60,385,200.44	1.79%
5	Customer E	46,009,961.02	1.37%
Total	--	453,921,650.54	13.48%

Other information about the main customers

√ Applicable □ Not applicable

None of the top 5 customers are related parties of the Company.

Main suppliers

Total purchases from top five suppliers (RMB Yuan)	330,396,017.96
Total purchases from top five suppliers as a percentage of the total purchases for this Reporting Period (%)	15.42%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for this Reporting Period (%)	4.39%

Information about top five suppliers

No.	Supplier	Purchase amount (RMB Yuan)	As a percentage of the total purchases for this Reporting Period (%)
1	Supplier A	94,159,851.42	4.39%
2	Supplier B	70,306,793.68	3.28%
3	Supplier C	65,489,158.75	3.06%
4	Supplier D	55,099,273.74	2.57%
5	Supplier E	45,340,940.37	2.12%
Total	--	330,396,017.96	15.42%

Other information about the main suppliers

√ Applicable □ Not applicable

Among the top 5 suppliers, the 1st supplier is a related party of the Company while the other 4 are not.

3. Expense

Unit: RMB Yuan

	2016	2015	+/-%	Reason for any significant change
Selling expenses	204,777,965.73	203,112,498.50	0.82%	
Administrative expenses	211,412,262.47	241,585,514.09	-12.49%	

Finance costs	-28,457,453.89	-28,871,124.02	1.43%	
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4. R&D input

☒ Applicable ☐ Not applicable

The Company always took science and technology as the first priority, paid attention to technology R&D, constantly researched and developed new products and technologies meeting market demands, promoted the optimization and upgrade of product structure, improved the technology content of products, and improved the core competitiveness of the Company. Meanwhile, the Company strengthened the research on technique and technology of products, so as to cut down product cost and improve quality. In the Reporting Period, the Company totally spent R&D input of RMB 110.07million, occupying by3.27% of operating revenue of the Reporting Period.

Information about R&D input:

	2016	2015	+/-%
Number of R&D personnel	259	231	12.12%
R&D personnel as a percentage in the total employees	2.78%	2.88%	-0.10%
R&D input (RMB Yuan)	110,070,467.56	92,891,920.00	18.49%
R&D input as a percentage in operating revenues	3.27%	3.23%	0.04%
Capitalized R&D input (RMB Yuan)	0.00	0.00	0.00%
Capitalized R&D input as a percentage in the total R&D input	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of the R&D input in the operating revenues

☐ Applicable ☒ Not applicable

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☐ Applicable ☒ Not applicable

5. Cash flows

Unit: RMB Yuan

Item	2016	2015	+/-%
Subtotal of cash inflows from operating activities	3,266,614,809.01	2,904,539,258.69	12.47%
Subtotal of cash outflows from	2,976,636,040.53	2,716,214,069.26	9.59%

operating activities			
Net cash flows from operating activities	289,978,768.48	188,325,189.43	53.98%
Subtotal of cash inflows from investing activities	982,592,873.51	30,861,512.16	3,083.88%
Subtotal of cash outflows from investing activities	720,093,967.08	68,596,503.73	949.75%
Net cash flows from investing activities	262,498,906.43	-37,734,991.57	795.64%
Subtotal of cash inflows from financing activities	10,000,000.00		
Subtotal of cash outflows from financing activities	15,901,660.85	215,284,023.90	-92.61%
Net cash flows from financing activities	-5,901,660.85	-215,284,023.90	97.26%
Net increase in cash and cash equivalents	545,737,534.17	-56,155,127.23	1,071.84%

Explanation of why the data above varied significantly

√ Applicable □ Not applicable

1. The net cash flows from operating activities increased 53.98% from last year mainly because last year, the compensations for false stock statements were paid as required by the judgment of the court.
2. The cash inflows from investing activities increased 3083.88% from last year mainly because of the sale through block trading of some of the Guoxuan High-tech stock held by the Company.
3. The cash outflows from investing activities increased 949.75% from last year mainly because of the bank wealth management products purchased and the investments made in external parties.
4. The net cash flows from investing activities increased 795.64% from last year mainly because of the sale through block trading of some of the Guoxuan High-tech stock held by the Company.
5. The cash inflows from financing activities were the cash received from minority shareholder investments by subsidiaries.
6. The cash outflows from financing activities decreased 92.61% from last year mainly because a smaller amount of cash dividends were distributed.
7. The net cash flows from financing activities increased 97.26% from last year mainly because a smaller amount of cash dividends were distributed.
8. The net increase in cash and cash equivalents increased 1071.84% from last year mainly because of the sale

through block trading of some of the Guoxuan High-tech stock held by the Company.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

☒ Applicable ☐ Not applicable

For the Reporting Period, the net operating cash flows stood at RMB 289,978,768.48 yuan while the net profits stood at RMB 1,073,256,393.74 yuan, representing a difference of RMB-783,277,625.26 yuan, mainly because of the sale through block trading of some of the Guoxuan High-tech stock held by the Company.

III Analysis of non-core business

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

	Amount	As a percentage of total profit (%)	Source/reason	Recurring or not
Investment income	882,079,521.77	69.28%	Sale of tradable shares in some investees & receipt of bonuses from investees	No
Asset impairment	25,640,511.08	2.01%	Bad-debt and inventory falling price provisions	No
Non-operating revenue	3,740,686.27	0.29%	Government subsidies received and others	No
Non-operating expense	12,622,554.30	0.99%	Disposal of non-current assets	No

IV Analysis of assets and liabilities

1. Significant changes in the asset composition

Unit: RMB Yuan

	December 31, 2016		December 31, 2015		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	1,479,283,642.54	24.25%	935,241,205.20	15.46%	8.79%	Sale of some of the Guoxuan High-tech stock
Accounts receivable	595,257,954.00	9.76%	366,401,130.72	6.06%	3.70%	Stop of the use of trade acceptance bills in settlement with customers

Inventories	753,681,605.19	12.36%	559,651,928.21	9.25%	3.11%	Stock-up for growing sales
Long-term equity investments	210,394,932.69	3.45%	382,637.52	0.01%	3.44%	Mainly due to the acquisition of a 32.85% stake in Primatronix (Nanho) Electronics Ltd. at RMB0.18 billion in the Current Period
Fixed assets	446,006,929.66	7.31%	484,436,218.17	8.01%	-0.70%	
Construction in progress	71,479,325.91	1.17%	32,488,518.68	0.54%	0.63%	More input to ongoing construction projects

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB Yuan

Item	Opening balance	Profit/loss on fair value changes in this Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in this Reporting Period	Purchased in this Reporting Period	Sold in this Reporting Period	Closing balance
Financial assets							
1. Financial assets at fair value through profit/loss (excluding derivative financial assets)	51,600.00					51,600.00	
2. Available-for-sale financial assets	2,787,166,401.96		1,308,399,369.22			965,244,565.11	1,427,901,096.63
Subtotal of financial assets	2,787,218,001.96		1,308,399,369.22			965,244,565.11	1,427,901,096.63
Total of the above	2,787,218,001.96		1,308,399,369.22			965,296,165.11	1,427,901,096.63
Financial liabilities	0.00						0.00

Significant changes in the measurement attributes of the main assets in this Reporting Period

□ Yes √ No

3. Restricted asset rights as of the end of this Reporting Period

Not applicable.

V Investments made

1. Total investments made

☒ Applicable ☐ Not applicable

Investments made in this Reporting Period (RMB Yuan)	Investments made in the prior year (RMB Yuan)	+/-%
220,507,350.00	0.00	-

2. Significant equity investments made in this Reporting Period

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Investee	Main businesses	Way of investment	Amount of investment	The Company's shareholding percentage	Source of investment funds	Partners	Term of investment	Type of investment	Progress as of balance sheet date	Projected earnings	Profit/loss for Reporting Period	Lawsuits involved	Disclosure date (if any)	Index to disclosed information (if any)
Primatrix (Nanhu) Electronics Ltd.	Production and operation of electrical products, communication products, plastic products, mould products, radio transmission equipment	Acquisition	180,000,000.00	32.85%	The Company's own funds	None	N/A	Equity acquisition	The 32.85% stake in Primatrix (Nanhu) Electronics Ltd. has been transferred to the Company	0.00	558,686.07	None	09/03/2016	www.cninfo.com.cn

ent, handset (mobile phone), LED lighting product ; Import and export, as well as the support ing busines s for the aforesai d commo dities (not related to commo dities manage d by the State-tr ading busines s, and should be applied accordi ng to related state rules if the commo dity is													
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	related to quota, license management, and other special rules); Leasing businesses of self-owned plants and the supporting dormitories in NO.100 Busha Road, Nanwan Street, Longgang District													
Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.	Production and operation of lamps, electric lighting products and accessories, as well as the related	Acquisition	40,507,350.00	30.00%	The Company's own funds	None	N/A	Equity acquisition	The 30% stake in Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd. has been	0.00	5,984,909.62	None	10/19/2016	www.cninfo.com.cn

	installat ion and consulti ng service								transfer red to the Compa ny					
Total	--	--	220,50 7,350.0 0	--	--	--	--	--	--	0	6,543,5 95.69	--	--	--

3. Significant non-equity investments ongoing in this Reporting Period

☐ Applicable ☒ Not applicable

4. Financial investments

(1) Securities investments

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Variety of securitie s	Code of securitie s	Name of securitie s	Initial investm ent cost	Account ing measure ment model	Opening book value	Profit/lo ss on fair value changes in this Reporti ng Period	Cumulat ive fair value changes charged to equity	Purchas ed in this Reporti ng Period	Sold in this Reporti ng Period	Profit/lo ss in this Reporti ng Period	Closing book value	Account ing title	Source of investm ent funds
Domesti c/overse as stock	002074	Guoxua n High-tec h	160,000 ,000.00	Fair value method	2,708,5 28,165. 00		1,259,5 31,308. 90		965,244 ,565.11	869,297 ,039.05	1,355,3 83,288. 49	Availabl e-for-sal e financia l asset	Own funds
Domesti c/overse as stock	601818	China Everbrig ht Bank	30,828, 816.00	Fair value method	78,638, 236.96		48,868, 060.32			3,523,8 83.26	72,517, 808.14	Availabl e-for-sal e financia l asset	Own funds
Domesti c/overse as stock	N/A	Xiamen Bank	292,574 ,133.00	Cost method	292,574 ,133.00						292,574 ,133.00	Availabl e-for-sal e financia l asset	Own funds
Domesti c/overse	N/A	Foshan branch of	500,000 .00	Cost method	500,000 .00						500,000 .00	Availabl e-for-sal e	Own funds

as stock		Guangdong Development Bank										financial asset	
Other	205007	7 Days	60,039,000.00	Fair value method	60,039,000.00					27,635.14		Held-for-trading financial asset	Own funds
Other	205008	14 Days	140,001,000.00	Fair value method	140,001,000.00					131,177.73		Held-for-trading financial asset	Own funds
Other	205010	28 days	19,841,000.00	Fair value method	19,841,000.00					45,661.48		Held-for-trading financial asset	Own funds
Bond	204001	GC001	19,800,198.00	Fair value method	19,800,198.00					1,342.23		Held-for-trading financial asset	Own funds
Bond	204004	GC004	79,803,192.00	Fair value method	79,803,192.00					26,965.79		Held-for-trading financial asset	Own funds
Bond	204007	GC007	238,911,945.00	Fair value method	238,911,945.00					112,566.52		Held-for-trading financial asset	Own funds
Bond	204014	GC014	19,901,990.00	Fair value method	19,901,990.00					23,161.39		Held-for-trading financial asset	Own funds
Domestic/overseas stock	300456	Navior	7,005.00	Fair value method	7,005.00					5,018.10		Held-for-trading financial asset	Own funds
Total			1,062,208,279.00	--	3,658,545,864.96	0.00	1,308,399,369.22	0.00	965,244,565.11	873,194,450.69	1,720,975,229.63	--	--
Disclosure date of the			01/23/2014										

announcement about the board's consent for the securities investment	
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)	

Note: The funds for the “pledged repo” and “reverse repo of government bonds” (“other” and “bond” in the table above) were strictly controlled within the line approved by the board, without use out of line. In order to better use the funds, we carried out repeated investment in the mature investment products above in multiple transactions. As such, the single investment costs for the “other” and “bond” were their accumulative amounts which were repeatedly invested within the first quarter of 2016.

On March 24, 2016, the Eighth Board convened a third meeting, which resolved on the termination of the said securities investment since April 2016. And the Company no longer conducts such business from April 2016.

(2) Investment in derivative financial instruments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

5. Use of funds raised

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VI Sale of major assets and equity interests

1. Sale of major assets

☒ Applicable ☐ Not applicable

Transaction party	Asset sold	Date of sale	Transaction price (RMB0 '000)	Net profit contributed to the Company from the period-begin	Effect on the Company (see note 3)	Ratio of the net profit contributed by the sale of the asset to the	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company	Ownership of the asset involved has been all transferred or	Creditor's rights and liabilities involved have been all transfer	Executed as scheduled or not; if not, give reasons and measur	Disclosure date	Index to disclosed information
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				to the date of sale (RMB0 '000)		Compa ny's total profit (%)			(applica ble for related-party transact ions)	not	red or not	es taken		
Block trading	Some of the Guoxuan High-tech stock	11/15/2016 to 7/12/2016	96,524.46	72,523.37	No impact on the business continuity and management stability of the Company	67.57%	Market price when reducing the stock	No	N/A	Yes	Yes	Yes	12/09/2016	Indicative Announcement No. 2016-063 on Sale of Some of Guoxuan High-tech Stock on www.cninfo.com.cn

2. Sale of major equity interests

☐ Applicable ☒ Not applicable

VII Main controlled and joint stock companies

☒ Applicable ☐ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Unit: RMB Yuan

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Foshan Chansheng Electronic Ballast Co.,	Subsidiary	Manufacture	1,000,000.00	41,308,724.43	24,571,267.79	175,664,083.30	7,851,031.25	5,718,636.29

Ltd.								
Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.	Subsidiary	Manufacture	72,782,944.00	114,266,729.01	105,963,153.40	66,246,503.34	7,912,810.13	5,992,538.34
Foshan Taimei Times Lamps Co., Ltd.	Subsidiary	Manufacture	500,000.00	74,038,971.42	16,758,120.60	131,088,201.96	8,021,892.93	5,746,438.79
FSL New Light Source Technology Co., Ltd.	Subsidiary	Manufacture	50,000,000.00	55,563,518.25	53,824,332.12	21,731,567.35	332,396.04	193,996.43
FSL (Xinxiang) Lighting Co., Ltd.	Subsidiary	Manufacture	35,418,439.76	53,791,708.39	44,370,799.36	45,581,638.63	5,296,288.75	3,819,950.09
Guangdong Fozhao Financing Lease Co., Ltd.	Subsidiary	Finance	200,000,000.00	223,762,603.36	223,419,736.10		4,817,241.98	3,612,931.48
FSL Lighting Equipment Co., Ltd.	Subsidiary	manufacture	15,000,000.00	84,110,568.38	45,083,516.01	149,397,618.25	11,733,875.56	7,941,495.19
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Subsidiary	Manufacture	41,683,200.00	62,553,979.87	45,465,065.05	42,824,302.66	114,351.94	249,386.72
FSL Zhida Electric Technology Co., Ltd.	Subsidiary	Manufacture	50,000,000.00	38,940,925.04	35,460,469.91	433,033.67	-52,707.59	-39,530.09

Subsidiaries obtained or disposed in this Reporting Period

√ Applicable □ Not applicable

Subsidiary	How to obtain or dispose the subsidiary in this Reporting Period	Effect on overall production and operation results
FSL Zhida Electric Technology Co., Ltd.	Newly incorporated	Created new business and new profit growth points to improve the Company's business structure, bettered the Company's sustained development capability and overall earnings, and laid a foundation for the next step of the Company's development strategy
Suzhou Mont Lighting Co., Ltd.	Bankruptcy liquidation	No great effects

Information about the main controlled and joint stock companies

—Foshan Chansheng Electronic Ballast Co., Ltd. was invested and established by the Company and Mr. Ma Henglai and had set up and obtained license for business corporation on 26 Aug. 2003. The Company holds 75% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 24 Dec. 2013, the Company and Mr. Ma Henglai signed the equity transfer agreement. The Company purchased 25% equity of Foshan Chansheng Electronic Ballast Co., Ltd. held by Mr. Ma Henglai. After the purchasing, the Company held 100% equity of Foshan Chansheng Electronic Ballast Co., Ltd.

—Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd., which is a Sino-foreign joint venture invested and established by the Company and Prosperity Lamps and Components Ltd, had obtained license for business corporation on 23 Aug. 2005 through approval by Foreign Trade and Economic Cooperation Bureau of Gaoming District, Foshan with document “MWJMY Zi [2005] No. 79”. The Company holds 70% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 23 Aug. 2016, the Company and Prosperity Lamps and Components Ltd signed the equity transfer agreement. The Company purchased 30% equity of Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd. held by Prosperity Lamps and Components Ltd. After the purchasing, the Company held 100% equity of Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.

—Foshan Taimei Times Lamps Co., Ltd., which is a Sino-foreign joint venture invested and established by the Company and Reback North America Investment Limited, had obtained license for Business Corporation on 5 Dec. 2005 through approval by Foreign Trade and Economic Cooperation Bureau of Gaoming District, Foshan with document “MWJMY Zi [2005] No. 97”. The Company holds 70% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

—FSL New Light Source Technology Co., Ltd. (its predecessor was “Foshan Lighting Lamps and Lanterns Co., Ltd.” and it changed its name to “FSL New Light Source Technology Co., Ltd.” on 17 Dec. 2014), which is invested and established by the Company together with Foshan Haozhiyuan Trading Co., Ltd., Shanghai Liangqi Electric Co., Ltd, Changzhou Sanfeng Electrical & Lighting Co., Ltd., Henan Xingchen Electrical & Lighting Co., Ltd., Foshan Hongbang Electrical & Lighting Co., Ltd., Hebei Jinfen Trading Co., Ltd., obtaining its license for Business Corporation on 27 Sept. 2009. The Company holds 60% equities of this company. Therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

On 25 Sep. 2009 and 19 Nov. 2010, the equity transfer agreement was signed between the Company and the minority shareholders, in which the minority shareholders respectively transferred their equities of Foshan Lighting Lamps and Lanterns Co., Ltd. to the Company. After transfer, the Company holds 100% equities of Foshan Lighting Lamps and Lanterns Co., Ltd.

—FSL (Xinxiang) Lighting Co., Ltd. is a limited liability company which is invested and established by the Company, obtaining its license for Business Corporation on 17 Apr. 2009. The Company holds 100% equities of the said company, therefore the said subsidiary was included into the scope of the consolidated financial statements since date of foundation. On 27 Aug. 2013, the 3rd Session of the 7th Board of Directors reviewed and approved to invest another RMB 2 million (land in an industrial park in Xinxiang, Henan Province and monetary funds) in FSL (Xinxiang) Lighting, increasing the registered capital of FSL (Xinxiang) Lighting to RMB 35,418,439.76.

—FSL Lighting Equipment Co., Ltd. is a limited liability company invested and established by the Company with the registered capital of RMB 15 million, which had obtained its license for Business Corporation on 8 May 2013. And the Company holds 100% equities of this company. Therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

—In accordance with the equity transfer agreement signed between the Company and Prosperity Lamps and Components Ltd. on 27 Aug. 2008, Prosperity Lamps and Components Ltd. transferred 100% equities of Nanjing Fozhao Lighting Components Manufacturing Co., Ltd. (formerly known as “Prosperity (Nanjing) Lighting Components Co., Ltd.”, and changed name to “Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.” on 15 Nov. 2010.) to the Company. Therefore, Nanjing Fozhao Lighting Components Manufacturing Co., Ltd. became a wholly-owned subsidiary of the Company. The said subsidiary was included into the scope of the consolidated financial statements since the merger date.

—FSL Zhida Electric Technology Co., Ltd. was incorporated by the Company, Foshan Zhibida Enterprise Management Co., Ltd. and Dongguan Baida Semiconductor Material Co., Ltd. on a joint investment basis. FSL Zhida obtained its business license on October 21, 2016. Holding a stake of 51% in it, the Company has included FSL Zhida in its consolidated financial statements since the date of FSL Zhida’s incorporation.

VIII Structured bodies controlled by the Company

☐ Applicable ☒ Not applicable

IX Outlook for the future development of the Company

(I) Development trends in the industry

As the emerging industry, the LED lighting is now in the stage of rapid development. The LED light source is honored as the third revolution in human being’s lighting history, and has aroused the development and research upsurge in the globe due to its advantages of high efficiency and energy-saving, green environmental protection, as well as long service life. After several years of rapid and disordered development in the LED industry, despite the sustainable growth of utilized LEC led by newly increased demands and replacement needs, the LED industry, especially in the downstream application fields, is facing with obvious structural over-capacity problem. The

supply of low-end products and repeatable products exceeds demand, together with the intense price competitions, resulting in companies' growth of revenue instead of profit. The supply of high-end products and specially used products falls short of demand, giving rise to high prices and rich profit. In the years to come, with the industry transformation and the intensified market competitions, the LED industry will step into a period with faster integration speed. On one hand, as for middle and small enterprises, which don't have the advantage in core technology of product and sales channel, the pressure from competitions and surviving will be higher and higher. On the other hand, the advantaged enterprises will continuously make efforts on technology breakthrough, brand building, channel extension, as well as cost cut and efficiency improvement, so as to advance the cost performance of products and the market competitiveness. With the dual promotion of surviving pressure and demands for brand and scale effect, the LEC industry in future will step into the peak season of integration, when the industry competitions will gradually tend to be rational, and transfer from price competitions in the past to competitions in technology, product, brand, and service.

(II) Development strategy in future

The Company will adhere to the path of professional development, center around the main business of lighting products, be oriented by market demand, take the motive as technology innovation, take the core as brand operation, build the domestic and international market net with effective covering fraction by making qualified products and improving efficiency, comprehensively improve the Company's operation quality and the capability of sustainable development, as well as devote itself to becoming the top 1 brand among lighting enterprises in the country. And at the same time, the Company will preserve in multiple development strategies, strive to develop the electrical engineering industry, and attempt to carry forward the strategic layout where the lighting business and the electrical engineering industry keeping the same pace.

(III) Operation plan in 2017

1. To improve R&D innovation and strengthen company competitiveness

The Company will reinforce R&D input, as well as the innovation on science and technology, introduce high-quality R&D talents, enhance the technology communication and cooperation with external institutions, continuously improve the technology level to "high-grade, precision, and advanced" standard, and strengthen the growth power generated from the internal part of the Company. The Company will positively and firmly propel the work of science and technology innovation, as well as product R&D, put forth effort to improve the technology content and quality level of products, so as to offer guarantee for the sustainable and rapid

development of the Company.

2. To sustainably improve the marketing capability, and improve market share

In respect of domestic sales, the Company will further deepen channel management, emphasize on strengthening the construction of weak channels; adjust measures to local conditions and enlarge the force of market expansion, develop multiple end-sales activities; reinforce the promotion of new products, and continuously improve market share. In respect of overseas sales, the Company will continue to do a good job in management and service for major clients, develop the potential value of major clients, and improve business performance for a single client; continue to strengthen the development of major clients, enlarge client groups and market share; to seize opportunities arising from the deep change of industries around the world and the re-division of labor to promote the international recognition of the Company's own brands ;intensify the sales of self-owned brand, enhance the promotion of self-owned brand, improve the popularity and reputation of FSL in overseas market; innovate on the overseas sales mode, sustainably optimize product sales structure, and prioritize the development of LED lighting products.

3. To make great efforts on electrical engineering equipment, so as to increase profit growth point for the Company

In 2017, the Company will make great efforts on electrical engineering equipment, fully take the advantage of resource sharing and synergistic interaction, and make the business of electrical engineering equipment bigger and stronger. By means of further enriching the product line, perfecting sales policy, enlarging sales channels, and strengthen the promotion of brands,the Company will make electrical engineering equipment rapidly become the key sales revenue source besides lighting products, increase profit growth point, and improve the comprehensive competitiveness of the Company.

4. To strengthen expense control and cut down production cost

In the face of pressure from the uprising cost of raw materials, transportation, and human labor, the Company will continue to strengthen procurement management, enlarge the bidding coverage, reinforce the management of quotation review and approval, enhance market analysis, improve the ability of judgment on market conditions, cut down procurement; continuously strengthen the thorough budget management, manage and control all kinds of expenditure from the source, control expense and cut down cost via the reversed forcing mechanism; strengthen the management and control on production process, further improve the production automation level, and gradually develop to the trend of intellectualization, so as to decrease human labors and improve production efficiency.

5. To value talent training, and perfect the human resources management system

The Company will positively train and introduce talents in R&D, production, marketing, and management, put forth efforts to organizing a staff team featuring with "unity, innovation, high-efficiency, and professionalism";

continue to perfect the human resources management system, establish a remuneration appraisal system oriented by performance; continuously improve the employee structure, improve the skill and profession level of employees, urge the employees to develop to a direction of technicalization and professionalism, so as to meet the long-term demand for the Company's development.

(IV) Possible risks

1. Risks from the more and more intensified marketing competitions

The descending growth of domestic economy, the regulatory and control policy of real estate market, the weak recovery of overseas economy, as well as the complexity and variety of political environment bring about the uncertainty of market demand. At the same time, in an industry with sufficient competitions, the lighting products are exposed to a market with low concentration and fierce competitions. In future, if the macro economy is further in a downturn, and the market competitions keep fierce, the demands for the Company's products may shrink, and the product price may fall down, further causing effects on the Company's business performance.

2. Risks from the price fluctuation of raw materials

The raw material cost of the Company's lighting products accounts for about 65% of the operating cost, which means the price fluctuation of raw materials will cause significant impact on the Company's operating cost. Based on the price fluctuation of raw materials, the Company will accordingly make product price adjustment, which has hysteresis and is restricted by the supply and demand status in the market, as well as the Company's bargain ability. If there's big price fluctuation of raw materials in future, and the product sales price of the Company can't be simultaneously adjusted in time, the profitability of the Company may therefore fluctuate.

3. Risk of loss from falling inventory price

As at the end of the Reporting Period, the net value of the Company's inventory was RMB 753.6816million, accounting for 22.27 % of the current assets. Inventory mainly contains raw materials, semi-finished products, and finished products. As there're plenty of product categories, standards, and models in the Company, the inventory value is high. With the gradual increase of the Company's sales revenue year after year, the raw materials and inventory commodities reserved for production and sales will simultaneously increase, leading to high level of the Company's inventory. If there're changes in price or demand in raw material market and product sales market, the risk of loss from falling inventory price of the Company may happen.

4. Risks from fluctuation of the exchange rate

The RMB exchange rate in China is based on market supply and demand, reference to a basket of currencies, managed floating exchange rate system. The fluctuation of the world economy, the tension upgrade in some hot spot areas, as well as the currency policies in different countries, will bring about the fluctuation of exchange rate. The export business of the Company accounts for one-third of the Company's whole business, and is obtaining scale enlargement year after year. If there's large fluctuation of the exchange rate, the Company's business performance will be affected.

X Visits paid to the Company for purposes of research, communication, interview, etc.

1. In this Reporting Period

√ Applicable ☐ Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
01/28/2016	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
03/29/2016	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
05/06/2016	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
Times of visit			3
Number of visiting institutions			7
Number of visiting individuals			30
Number of other visitors			3
Significant undisclosed information disclosed, revealed or leaked		None	

Section V Significant Events

I Profit distribution and converting capital reserve into share capital for common shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in this Reporting Period

√ Applicable □ Not applicable

According to the CSRC Notice on Further Implementing Matters Related to Cash Dividend Distribution of Listed Companies (Zheng-Jian-Fa [2012] No. 37) and the Guangdong CSRC Notice on Further Implementing Regulations Related to Dividend Distribution of Listed Companies (Guang-Dong-Zheng-Jian [2012] No. 91), in order to further standardize the dividend mechanism, promote a scientific, sustained and stable dividend mechanism and protect legal rights and interests of investors, in 2012, the Company convened a general meeting to revise the dividend-related contents in its Articles of Association and specify the dividend conditions, the lowest dividend ratio, the decision-making procedure, etc.. Meanwhile, it formulated the Management Rules for Profit Distribution and the Return for Shareholder Plan for the Coming Three Years (2015-2017), specifying the arrangements and forms of dividends, the cash dividend planning and the distribution intervals, which further improved the decision-making and supervision procedures for dividend distribution. According to the Company's Articles of Association, the profit distributed in cash shall not be less than 30% of the distributable profit achieved in the year.

The Company's proposal for profit distribution and converting capital reserve into share capital for the Reporting Period was in compliance with relevant rules such as the Company's Articles of Association.

Special statement about cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes

Minority interests have the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with applicable regulations and transparent.	N/A

Plans/proposals for profit distribution and converting capital reserve into share capital for common shareholders for the past three years (including this Reporting Period):

For 2014, based on the total 978,563,745 shares of the Company as at December 31, 2014, a cash dividend of RMB2.20 (tax included and dividends for B-share holders paid in the Hong Kong dollars) was distributed to the A-share and B-share holders for every 10 shares they held, with the total distributed cash dividends reaching RMB 215,284,023.90; and 3 shares were increased, with capital reserve, to all the shareholders for every 10 shares they held, with the increased shares totaling 293,569,123 shares.

For 2015, based on the total 1,272,132,868 shares of the Company as at December 31, 2015, a cash dividend of RMB 0.125 yuan (tax included and dividends for B-share holders paid in the Hong Kong dollars) was distributed to the A-share and B-share holders for every 10 shares they held, with the total distributed cash dividends reaching RMB 15,901,660.85 yuan.

For 2016, based on the total 1,272,132,868 shares of the Company as at December 31, 2016, a cash dividend of RMB4.20 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB534,295,804.56 yuan.

Cash dividend distribution of the Company to common shareholders over the past three years (including this Reporting Period)

Unit: RMBYuan

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the Company in the consolidated statements for the year	Proportion in net profit attributable to common shareholders of the Company in the consolidated statements for the year (%)	Cash dividends in other forms	Ratio of cash dividends in other forms
2016	534,295,804.56	1,072,342,050.13	49.83%	0.00	0.00%

2015	15,901,660.85	53,405,593.12	29.78%	0.00	0.00%
2014	215,284,023.90	266,125,048.97	80.90%	0.00	0.00%

Indicate by tick mark whether the Company made profit in this Reporting Period and the profit distributable to common shareholders of the Company was positive, but it did not put forward a proposal for cash dividend distribution to its common shareholders

☐ Applicable ☒ Not applicable

II Proposal for profit distribution and converting capital reserve into share capital for this Reporting Period

☒ Applicable ☐ Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB yuan) (tax inclusive)	4.20
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	1,272,132,868
Total cash dividends (RMB yuan) (tax included)	534,295,804.56
Distributable profit (RMB yuan)	1,448,907,867.73
Percentage of cash dividends in the total profit to be distributed (%)	100.00%
Cash dividend policy	
Where the Company is at a mature stage of development and has plans for considerable spending, in profit distribution, cash dividends shall reach at least 40% in the total profit to be distributed.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
As audited by Beijing Zhongzhengtiantong Certified Public Accountants LLP, the after-tax net profits of RMB 1,054,858,446.87yuan of the Company without subsidiaries for 2016, plus the opening retained profits of RMB515,436,926.40 yuan, minus the distributed profits of RMB15,901,660.85yuan for 2015 (a cash dividend of RMB0.125yuan for every 10 shares) and the statutory surplus reserve of RMB 105,485,844.69yuan for 2016, equals the closing profits distributable to shareholders of RMB 1,448,907,867.73yuan. The Board of Directors has proposed to allocate profits for 2016 as follows: Based on the total 1,272,132,868 shares of the Company as at December 31, 2016, a cash dividend of RMB4.20yuan(tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total cash dividends to be distributed reaching RMB 534,295,804.56yuan. The retained profits of RMB 914,612,063.17yuan will be carried forward into the next year. The profit allocation preplan can be effective upon review and	

approval of the Shareholders' General Meeting of the Company.

III Fulfillment of commitments

1. Commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers, fulfilled in this Reporting Period or ongoing at the period-end

√ Applicable □ Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Period of commitment	Fulfillment
Commitments made in acquisition documents or shareholding alteration documents	Controlling shareholder	About share lock-up	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that within 12 months from the completion of their acquisitions, they shall not transfer or entrust others to manage the shares directly or indirectly held by them in the Company, nor shall they allow the Company to repurchase those shares, except for the case where those shares may be transferred for no compensation due to any business or asset integration with their actual controller or their	2015-12-04	12 months	Fulfilled

			actual controller's controlled subsidiaries.			
	Controlling shareholder	About avoidance of horizontal competition	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that the business of Foshan NationStar Optoelectronics Co., Ltd. that is in competition with the business of the Company takes up only a small part in NationStar's total business, they shall gradually reduce or eliminate the horizontal competition as planned through business integration or other ways or arrangements within the coming 24 months.	2015-12-04	24 months	Ongoing
	Controlling shareholder	About avoidance of horizontal competition	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the	2015-12-04	Long-standing	Ongoing

			<p>Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant assets and business of them and their relevant enterprises. 2. All the commitments made by them to</p>			
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			eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.			
	Controlling shareholder	About reduction and regulation of related-party transactions	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. strictly abide by the regulatory documents of the	2015-12-04	Long-standing	Ongoing

			<p>CSRC and the SZSE, the Company's Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the "Relevant Enterprises" for short) will try their best to avoid or reduce related-party transactions with the Company or the Company's subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the</p>			
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			Company, and withdraw from voting when a related-party transaction with them or their Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws, regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.			
	Controlling shareholder	About independence	In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the	2015-12-04	Long-standing	Ongoing

			<p>following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is substantially in competition with the Company's business. And (4) They promise that they and their related parties will try their best to reduce related-party transactions between them and the Company; for</p>			
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			<p>necessary and unavoidable related-party transactions, they promise to operate fairly following the market-oriented principle and at fair prices, and execute the transaction procedure and the duty of information disclosure pursuant to the applicable laws, regulations and regulatory documents. 2. They will ensure the independence of the Company in personnel: (1) They promise that the Company's GM, deputy GMs, CFO, Company Secretary and other senior management personnel will work only for and receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor. (2) They promise the Company's absolute independence from their related parties in labor, human resource and salary</p>			
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			<p>management. And</p> <p>(3) They promise to follow the legal procedure in their recommendation of directors, supervisors and senior management personnel to the Company and not to hire or dismiss employees beyond the Company's Board of Directors and General Meeting. 3. They will ensure the independence and completeness of the Company in asset:</p> <p>(1) They promise that the Company will have a production system, a auxiliary production system and supporting facilities for its operation; legally have the ownership or use rights of the land, plants, machines, trademarks, patents and non-patented technology in relation to its production and operation; and have independent systems for the procurement of raw materials and the sale of its products. (2) They promise that the</p>			
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			<p>Company will have independent and complete assets all under the Company's control and independently owned and operated by the Company. And (3) They promise that they and their other controlled subsidiaries will not illegally occupy the Company's funds and assets in any way, or use the Company's assets to provide guarantees for the debts of themselves or their other controlled subsidiaries with. 4. They will ensure the independence of the Company in organization: (1) They promise that the Company has a sound corporate governance structure as a joint-stock company with an independent and complete organization structure. And (2) They promise that the operational and management organs within the Company will independently execute their functions according</p>			
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			<p>to laws, regulations and the Company's Articles of Association. And 5. They will ensure the independence of the Company in finance: (1) They promise that the Company will have an independent financial department and financial accounting system with normative, independent financial accounting rules. (2) They promise that the Company will have independent bank accounts and not share bank accounts with its related parties. (3) They promise that the Company's financial personnel do not hold concurrent positions in its related parties. (4) They promise that the Company will independently pay its tax according to law. And (5) They promise that the Company can make financial decisions independently and that they will not illegally intervene in the Company's use of its funds.</p>			
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Other commitments made to minority interests	The Company	About cash dividends	The profits distributed by the Company in cash every year shall not be less than 30% of the distributable profits it has achieved in the year.	2009-05-27	Long-standing	Ongoing
Executed on time or not	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step	N/A					

2. Where there had been an earnings forecast for an asset or project and this Reporting Period was still within the forecast period, explain why the forecast has been reached for this Reporting Period.

☐Applicable ☒ Not applicable

IV Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

V Explanations given by the Board of Directors, the Supervisory Board and the independent directors (if any) regarding the "modified auditor's report" issued by the CPAs firm for this Reporting Period

☐ Applicable ☒ Not applicable

VI YoY changes in accounting policies, estimations and methods

☒ Applicable ☐ Not applicable

On September 22, 2016, the 9th meeting of the 8th Board was convened, at which the Proposal on Accounting Estimation Change was considered and approved. In order to present the recoverableness and risk changes of accounts receivable in a more objective and fairer way and prevent financial risks, taken into account the actual occurrence of bad debts on accounts receivable in the past, pursuant to the accounting standards for business enterprises, the Company has changed the accounting estimations of the bad-debt provision percentages on accounts receivable as follows:

Account age	Former bad-debt provision percentage		Changed bad-debt provision percentage	
	Accounts receivable	Other accounts receivable	Accounts receivable	Other accounts receivable
Within 1 year	6%	6%	3%	3%
1-2 years	6%	6%	10%	10%
2-3 years	6%	6%	30%	30%
3-4 years	6%	6%	50%	50%
4-5 years	6%	6%	80%	80%
Over 5 years	6%	6%	100%	100%

The said change in accounting estimations increased the Company's total profit for 2016 by RMB 7,956,755.73yuan.

VII Retroactive restatement due to correction of material accounting errors in this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VIII YoY changes in the scope of the consolidated financial statements

☒ Applicable ☐ Not applicable

1. As considered and approved at the sixth meeting of the eighth Board on July 19, 2016, the Company incorporated FSL Zhida Electric Technology Co., Ltd. (FSL Zhida) through investment and thus holds a 51% stake in it. FSL Zhida has been included in the Company's consolidated financial statements since October 21, 2016, the date of its incorporation.
2. Suzhou Mont Lighting Co., Ltd. (Suzhou Mont), one of the Company's controlled subsidiaries, was sued by its creditor Suzhou LiftAll Electronics Co., Ltd. in the People's Court of Suzhou Industrial Park, requesting the Court to carry out bankruptcy liquidation on Suzhou Mont. The Court has ruled in favor of the plaintiff on May 9, 2016 and appointed Jiangsu Yingyuan Law Firm as the custodian of Suzhou Mont on June 3, 2016 (for details, see the Progress Announcement on Controlled Subsidiary's Bankruptcy and Liquidation disclosed on www.cninfo.com.cn dated June 6, 2016). And the control of the Company over Suzhou Mont has ceased since that day. Pursuant to the accounting standards for business enterprises, the Company has excluded Suzhou Mont from its consolidation scope since June 2016.

IX Engagement and disengagement of CPAs firm

Current CPAs firm

Name of the domestic CPAs firm	Beijing Zhongzhengtiantong Certified Public Accountants LLP
The Company's payment for the domestic CPAs firm (RMB'0,000)	124
Consecutive years of the audit service provided by the domestic CPAs firm	1
Names of the certified public accountants from the domestic CPAs firm	Tong Quanyong, Luo Dongri
Name of the foreign CPAs firm (if any)	N/A
The Company's payment for the foreign CPAs firm (RMB'0,000) (if any)	0
Consecutive years of the audit service provided by the foreign CPAs firm (if any)	0
Names of the certified public accountants from the foreign CPAs firm (if any)	N/A

Indicate by tick mark whether the CPAs firm was changed in this Reporting Period.

☒ Yes ☐ No

Indicate by tick mark whether the CPAs firm was changed during the audit.

☐ Yes ☒ No

Indicate by tick mark whether the approval procedure was executed to change the CPAs firm.

☒ Yes ☐ No

Details about the change of the CPAs firm

Pursuant to the applicable regulations and requirements of authorities, as considered and approved by the company's 2015 annual general meeting of shareholders, the Company changed during this Reporting Period its financial auditor and internal control auditor to Beijing Zhongzhengtiantong Certified Public Accountants LLP for 2016.

CPAs firm, financial advisor or sponsor engaged for internal control audit

☒ Applicable ☐ Not applicable

In the Reporting Period, the Company engaged Beijing Zhongzhengtiantong Certified Public Accountants LLP as its internal control auditor with the total audit fees of RMB 480000 yuan.

X Possibility of listing suspension or termination after disclosure of this Report

☐ Applicable ☒ Not applicable

XI Bankruptcy and restructuring

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XII Significant litigations and arbitrations

☒ Applicable ☐ Not applicable

In Mar. 2013, CSRC Guangdong administered an administrative punishment on the illegal information disclosure of the Company. During the period from Sept. 2013 to May 2016, a total of 2,769 plaintiffs separately sued the Company to Guangzhou Intermediate People's Court for false securities statements, demanding civil compensations of RMB386.845 million and HKD1.328 million in total from the Company for its illegal information disclosure. As of January 13, 2017, all the 2,769 cases had been tried and the verdicts had taken effect. According to the verdicts, the Company shall compensate the plaintiffs with a total of RMB182.7365 million and HKD7.3582million and bear the legal fare of RMB 3.2332million. As of March 27, 2017, the Company had made compensations to the 2,719 plaintiffs (excluding 49 plaintiffs who were overruled) for RMB190.1732million(including legal fees). Thus, these cases of false securities statements have all been closed. They had an influence of RMB61.4383 million on the total profits of the Company in 2014 and RMB131.8899 million on that in 2015, and little influence on the financial results of 2016.

XIII Punishments and rectifications

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XIV Credit conditions of the Company as well as its controlling shareholder and actual controller

☒ Applicable ☐ Not applicable

In the Reporting Period, the controlling shareholder and actual controller of the Company were in a good credit position, without unsatisfied court judgments, large-amount overdue liabilities or the like.

XV Implementation of any equity incentive plan, employee stock ownership plan or other incentive measures for employees

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVI Significant related-party transactions

1. Related-party transactions relevant to routine operation

☒ Applicable ☐ Not applicable

Related transaction party	Relationship with the Company	Type of transaction	Contents of transaction	Pricing principle	Transaction price(RMB'0,000)	Transaction amount (RMB'0,000)	Proportion in total amounts of transactions of same kind	Approved transaction line ('RMB'0,000)	Over approved line or not	Mode of settlement	Obtainable market price for transaction of the same kind(RMB'0,000)	Disclosure date	Index to disclosed information
Prosperity Lamps & Components Limited	Corporation that holds over 5% shares of the Company	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	193.05	193.05	0.09%	650	No	Remittance	193.05	03/28/2016	www.cninfo.com.cn
Prosperity Electrical (China) Co., Ltd.	Acting-in-conceal party of a corporation that holds over 5% shares of the Company	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	636.80	636.8	0.30%	1,500	No	Remittance	636.80	03/28/2016	www.cninfo.com.cn

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Hangzhou Times Lighting and Electrical Co., Ltd.	Acting-in-concealment party of a corporation that holds over 5% shares of the Company	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	174.93	174.93	0.08%	350	No	Remittance	174.93	03/28/2016	www.cninfo.com.cn
Foshan NationStar Optoelectronics Co., Ltd.	Under same actual controller	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	9,415.99	9,415.99	4.39%	30,000	No	Remittance	9,415.99	03/28/2016	www.cninfo.com.cn
Guangdong Fenghua Advanced Holding Co., Ltd.	Under same actual controller	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	854.51	854.51	0.40%	2,000	No	Remittance	854.51	03/28/2016	www.cninfo.com.cn
Guangdong Huayueba New Energy Co., Ltd.	Under same actual controller	Purchasing products and receiving labor services from related party	Purchase of materials	Market price	139.17	139.17	0.06%		No	Remittance	139.17		N/A

Prosperity Lamps & Components Limited	Corporation that holds over 5% shares of the Company	Selling products and providing labor service to related party	Selling products	Market price	2,634.39	2,634.39	0.79%	4200	No	Remittance	2,634.39	03/28/2016	www.cninfo.com.cn
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Acting-in-concealment party of a corporation that holds over 5% shares of the Company	Selling products and providing labor service to related party	Selling products	Market price	13.25	13.25	0.00%	350	No	Remittance	13.25	03/28/2016	www.cninfo.com.cn
Prosperity Electrical (China) Co., Ltd.	Acting-in-concealment party of a corporation that holds over 5% shares of the Company	Selling products and providing labor service to related party	Selling products	Market price	29.59	29.59	0.01%	120	No	Remittance	29.59	03/28/2016	www.cninfo.com.cn
OSRAM (China) Lighting Co., Ltd.	An acting-in-concealment party of a corporation that held over 5% shares	Selling products and providing labor service to related party	Selling products	Market price	504.93	504.93	0.15%	1,300	No	Remittance	504.93	03/28/2016	www.cninfo.com.cn

	of the Company within the past 12 months												
Osram Asia Pacific Ltd.	An acting-in-concert party of corporation that held over 5% shares of the Company within the past 12 months	Selling products and providing labor service to related party	Selling products	Market price	548.02	548.02	0.16%	2,500	No	Remittance	548.02	03/28/2016	www.cninfo.com.cn
Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	A company with a related individual in it as a senior executive	Selling products and providing labor service to related party	Selling products	Market price	15.63	15.63	0.00%	70	No	Remittance	15.63	03/28/2016	www.cninfo.com.cn
Foshan NationStar Optoelectronics Co., Ltd.	Under same actual controller	Selling products and providing labor service to related party	Selling products	Market price	14.00	14.00	0.00%	100	No	Remittance	14.00	03/28/2016	www.cninfo.com.cn
Total				--	--	15,174.26	--	43,140	--	--	--	--	--

Details of any sales return of a large amount	N/A
Give the actual situation in this Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in this Reporting Period	In March 2016, the Company predicted the total amounts of its routine transactions with related parties Foshan NationStar Optoelectronics Co., Ltd., Guangdong Fenghua Advanced Holding Co., Ltd., OSRAM (China) Lighting Co., Ltd., OSRAM (China) Lighting Co., Ltd., Osram Asia Pacific Ltd., Prosperity Lamps & Components Limited, Prosperity Electrical (China) Co., Ltd., Prosperity (Hangzhou) Lighting and Electrical Co., Ltd., Hangzhou Times Lighting and Electrical Co., Ltd. and Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd. Concerning the purchases from its related parties, the actual amount in 2016 was RMB114.1445million, accounting for 33.09% of the predicted. As for the sales to its related parties, the actual amount in 2016 was RMB37.5980million, accounting for 43.52% of the predicted.
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

2. Related-party transactions regarding purchase or sales of assets or equity interests

√ Applicable □ Not applicable

Related transaction party	Relationship with the Company	Type of the transaction	Contents of the transaction	Pricing principle	Book value of the transferred asset (RMB'0,000)	Assessed value of the transferred asset (RMB'0,000)	Price of transfer (RMB'0,000)	Mode of settlement	Profit/loss (RMB'0,000)	Disclosure date	Index to disclosed information
Prosperity Lamps & Components Limited	Shareholder that holds over 5% shares of the Company	Equity acquisition	The Company acquired the 30% stake held by Prosperity Lamps & Components Limited in Foshan Chanchan Electric Appliances (Gaoming	According to the assessed value	2,976.52	4,050.74	4,050.74	In cash	0	08/25/2016	Announcement No. 2016-042 on Acquisition of Stake in Controlled Subsidiary & Related-party Transaction on www.cninfo.com.cn

) Co., Ltd.							fo.com.cn
Reason for any large difference between the transfer price and the book value or assessed value (if any)				N/A						
Effect on the Company's business results and financial position				After the acquisition, Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd. became a wholly-owned subsidiary of the Company. For the Reporting Period, Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd. achieved operating revenues of RMB 66.2465million and net profit of RMB 5.9925million.						
Performance of the asset in this Reporting Period when a performance-related undertaking is involved in the transaction				N/A						

3. Related-party transitions regarding joint investments

√ Applicable □ Not applicable

Joint investor	Relationship with the Company	Investee	Main business of investee	Registered capital of investee	Total assets of investee (RMB'0,000)	Net assets of investee (RMB'0,000)	Net profit of investee (RMB'0,000)
Guangdong Electronics Information Industry Group Ltd.	Shareholder that holds over 5% shares of the Company	Primatronix (Nanho) Electronics Ltd.	Production and operation of electrical product, communication product, plastic product, mould product, radio transmission equipment, handset (mobile phone), LED lighting product; Import and export, as well as the supporting business for the aforesaid commodities (not related to commodities managed by the State-trading business, and	RMB63.33 million	17,094.32	1,356.06	-171.47

			should be applied according to related state rules if the commodity is related to quota, license management, and other special rules); Leasing business of self-owned plants and the supporting dormitories in NO.100 Busha Road, Nanwan Street, Longgang District				
Progress on significant ongoing construction projects of investee (if any)		N/A					

4. Credits and liabilities with related parties

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

5. Other significant related-party transactions

☒ Applicable ☐ Not applicable

On December 23, 2016, the Company held the 11th meeting of the 8th Board of Directors, and the *Proposal on Signing the Financial Services Agreement with Guangdong Rising Finance Co., Ltd.* was examined and approved at the meeting. On the same day, the Company signed the *Financial Services Agreement* with Guangdong Rising Finance Co., Ltd. (hereinafter referred to as “Rising Finance”), and Rising Finance would provide deposit and settlement services for the Company. During the term of validity of the Agreement, the daily deposit balance of the Company in Rising Finance Company shall not exceed RMB 150 million. During the Reporting Period, the

daily deposit balance held of the Company in Rising Finance Company was RMB 100 million, and the interest income incurred and recognized in the Reporting Period was RMB 42000 yuan.

Index to the current announcements about the said related-party transactions disclosed

Title of current announcement	Disclosure date	Disclosure website
Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	12/24/2016	www.cninfo.com.cn

XVII Significant contracts and execution

1. Entrustment, contracting and leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(3) Leasing

☒ Applicable ☐ Not applicable

Particulars about leasing:

The Company and Shanghai Jiabao Industry & Commerce (Group) Co., Ltd. (hereinafter referred to as “Shanghai Jiabao”) signed <The Trademark License Agreement>, where Shanghai Jiabao agreed to license the Company to exclusively use its trademarks “Hu Zi” (registration No.: 100940), “Lian He” (registration No.: 100950) and “Lian He” (registration No.: 3603597) from 1 Jan. 2014 to 31 Dec. 2016; and the Company shall pay to Shanghai Jiabao 1% of the net sales of products produced by the Company and carrying the licensed trademarks as the license fee, but it shall not be less than RMB1 million per year (for details, see the “Announcement No. 2014-002 on Signing <The Trademark License Agreement>” disclosed on <http://www.cninfo.com.cn> dated 9 Jan. 2014).

Any leasing event incurring profit/loss over 10% of the total profits of the Company for this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Significant guarantees

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Entrusted cash management

(1) Entrusted cash management

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Trustee	Related-party transaction (yes/no)	Product type	Entrusted amount	Commencement date	Termination date	Method of remuneration	Actual principal amount recovered in this Reporting Period	Amount provided for impairment (if any)	Projected earnings	Actual profit/loss in this Reporting Period	Actually received/paid profit/loss in this Reporting Period
Xindachen sub-branch of Bank of Guangzhou	No	Guaranteed principal and floating interest	3,000	04/05/2016	07/07/2016	Principal repayment with interest upon maturity	3,000			23.82	Received
Foshan Dunhou sub-branch of China Construction Bank	No	Guaranteed principal and floating interest	4,000	04/05/2016	05/10/2016	Principal repayment with interest upon maturity	4,000			9.59	Received
Sales Department of Foshan	No	Guaranteed principal and floating	5,000	04/05/2016	05/10/2016	Principal repayment with interest	5,000			13.42	Received

branch of Industrial and Commercial Bank of China		interest				upon maturity					
Foshan branch of China Minsheng Bank	No	Guaranteed principal and floating interest	8,000	04/15/2016	05/20/2016	Principal repayment with interest upon maturity	8,000			25.32	Received
Guangzhou Huanshidong sub-branch of SPD Bank	No	Guaranteed principal and floating interest	8,000	04/08/2016	07/08/2016	Principal repayment with interest upon maturity	8,000			63	Received
Foshan branch of Huaxia Bank	No	Guaranteed principal and floating interest	10,000	04/15/2016	07/04/2016	Principal repayment with interest upon maturity	10,000			72.33	Received
Foshan Jiangwan sub-branch of Ping An Bank	No	Guaranteed principal and floating interest	3,000	05/12/2016	08/11/2016	Principal repayment with interest upon maturity	3,000			20.57	Received
Foshan Dunhou sub-branch of China Construction Bank	No	Guaranteed principal and floating interest	8,000	05/16/2016	11/14/2016	Principal repayment with interest upon maturity	8,000			123.66	Received
Sales Department of Foshan	No	Guaranteed principal and floating	5,000	05/16/2016	11/14/2016	Principal repayment with interest	5,000			73.55	Received

branch of Industrial and Commercial Bank of China		interest				upon maturity					
Sales Department of Foshan branch of Industrial and Commercial Bank of China	No	Guaranteed principal and floating interest	3,000	06/06/2016	12/05/2016	Principal repayment with interest upon maturity	3,000			42.63	Received
Xindachenng sub-branch of Bank of Guangzhou	No	Guaranteed principal and floating interest	3,000	07/15/2016	10/13/2016	Principal repayment with interest upon maturity	3,000			22.22	Received
Foshan Jiangwan sub-branch of Ping An Bank	No	Guaranteed principal and floating interest	3,000	07/14/2016	10/13/2016	Principal repayment with interest upon maturity	3,000			22.44	Received
Guangzhou Huanshidong sub-branch of SPD Bank	No	Guaranteed principal and floating interest	5,000	07/21/2016	10/21/2016	Principal repayment with interest upon maturity	5,000			37.5	Received
Foshan Jiangwan sub-branch of Ping An Bank	No	Guaranteed principal and floating interest	3,000	08/16/2016	10/11/2016	Principal repayment with interest upon maturity	3,000			12.43	Received

Foshan Dunhou sub-branch of China Construction Bank	No	Guaranteed principal and floating interest	500	11/16/2016	12/28/2016	Principal repayment with interest upon maturity	500			1.27	Received
Foshan branch of China Minsheng Bank	No	Guaranteed principal and floating interest	3,000	08/16/2016	02/16/2017	Principal repayment with interest upon maturity	3,000		49.07	36.08	To be received
Shenzhen Chegongmiao sub-branch of China Bohai Bank	No	Guaranteed principal and floating interest	5,000	09/06/2016	03/06/2017	Principal repayment with interest upon maturity	5,000		61.99	40.06	To be received
Foshan Jiangwan sub-branch of Ping An Bank	No	Guaranteed principal and floating interest	6,000	10/19/2016	04/19/2017	Principal repayment with interest upon maturity	6,000		85.27	34.20	To be received
Xindacheng sub-branch of Bank of Guangzhou	No	Guaranteed principal and floating interest	3,000	10/28/2016	06/02/2017	Principal repayment with interest upon maturity	3,000		53.51	16.02	To be received
Foshan Dunhou sub-branch of China Construction Bank	No	Guaranteed principal and floating interest	2,500	11/16/2016	02/22/2017	Principal repayment with interest upon maturity	2,500		16.11	5.35	To be received
Sales	No	Guarantee	5,000	11/17/2016	02/16/2017	Principal	5,000		36.15	17.88	To be

Department of Guangzhou branch of China CITIC Bank		d principal and floating interest		6	2	repayment with interest upon maturity					received
Sales Department of Foshan branch of Industrial and Commercial Bank of China	No	Guaranteed principal and floating interest	5,000	11/16/2016	05/18/2017	Principal repayment with interest upon maturity	5,000		66.07	16.34	To be received
Foshan branch of China Minsheng Bank	No	Guaranteed principal and floating interest	5,000	11/18/2016	02/21/2017	Principal repayment with interest upon maturity	5,000		40.90	18.68	To be received
Foshan branch of China Minsheng Bank	No	Guaranteed principal and floating interest	5,500	11/18/2016	02/21/2017	Principal repayment with interest upon maturity	5,500		44.99	20.37	To be received
Total			111,500	--	--	--	111,500		454.06	769.45	--
Source of entrusted cash			The Company's own idle funds								
Cumulative principals and interest overdue			0								
Lawsuits (if applicable)			N/A								
Disclosure date of the announcement about the board's consent for the cash management entrustment (if any)			03/28/2016								
Disclosure date of the announcement about the consent of the shareholders' meeting for the cash management											

entrustment (if any)	
Any plans for cash management entrustment in the future	Yes

(2) Entrusted loans

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

4. Other significant contracts

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVIII Social responsibilities

1. Targeted measures taken to help people lift themselves out of poverty

☐ Applicable ☒ Not applicable

2. Other social responsibilities taken

We have always attached importance to the accomplishment of our social value. With “provide returns for shareholders, provide a platform for employees, create value for customers and create prosperity for the society” as our mission, we take on the social responsibilities to protect the interests of our creditors, employees, customers, suppliers and community. We have been utilizing resources in a scientific, rational way, effectively protecting the natural environment and safeguarding social safety so as to promote common, harmonious and sustainable development of the Company and the society.

A. Protection of the rights and interests of our shareholders and creditors

We continuously improve our corporate governance structure, regulate our operation and enhance our management on information disclosure and investor relations. We treat all our investors fairly and justly, ensure their rights to know about, participate in and vote on the significant events of the Company, and safeguard the legal rights and interests of all our shareholders, especially our minority shareholders.

B. Protection of the rights and interests of our employees

Considering employees the most valuable resource for our survival and development, we constantly improve our employment system, improve the compensation packages for our employees and attach importance to talent cultivation so as to provide opportunities and space for the sustainable development of our employees as well as

realize the common development of the employees and the Company. We also pay attention to the health of our employees, attach importance to production safety and labor protection, and improve the working and living conditions for our employees so as to formulate harmonious and stable labor relations.

C. Protection of the rights and interests of our customers and consumers

We have been upholding the “Customer First” principle in our provision of quality products and services to customers. We operate honestly and disallow any unfair trade practice against commercial ethics, market rules and the fair competition principle. We also improve our product quality and after-sales services and try to build a win-win relationship with our customers.

D. Protection of the rights and interests of our suppliers

We respect and protect the legal rights and interests of our suppliers, carefully protect their secret and proprietary information, encourage and push them to continuously improve the quality of their products and services through creating an environment for open and fair competition among them so as to realize mutual benefits and mutual development of the suppliers and the Company.

E. Environmental protection and sustainable development

As an active response to the government’s call for building an environment-friendly and resource-saving society, we take on our responsibility of environmental protection and strictly abide by the government’s laws and regulations in environmental protection. In the Reporting Period, we enhanced the R&D, promotion and sale of environment-friendly and high-efficient products. We have passed the ISO14001 environmental management system certification, passed the province’s voluntary clean production examination and won the title of “Clean Production Enterprise in Guangdong Province”.

F. Public relations and welfare

We attach importance to the realization of our social value and see creating a prosperous society as a commitment that we should take on, trying to boost the local economy through our own development. We have been granted by the local government the title of “Foshan Over-100-Million Tax Payer” for many years due to our contributions in boosting the harmonious development of the Company and the community.

Is the Company or any of its subsidiaries a heavily polluting business identified by the environmental protection authorities of China?

No.

Indicate by tick mark whether a social responsibility report is released

☐ Yes ☒ No

XIX Other significant events

☒ Applicable ☐ Not applicable

On August 23, 2016, the Company held the 1st Extraordinary Shareholders' General Meeting in 2016, examined and approved the *Proposal on Authorizing the Reduction in Holding of Part of the Stocks of Guoxuan High-tech in Due Time*, and authorized the management of the Company to choose the time to reduce holding part of the stocks of Guoxuan High-tech through block trading or aggregate auction in accordance with the laws and regulations from the date of approval by the shareholders' General Meeting to December 31, 2016. The reduction shall not exceed 3650 shares, and the price shall be determined according to the market price when the reduction was implemented.

From November 15, 2016 to December 7, 2016, the Company reduced holding 29,270,000 shares of Guoxuan High-tech through the block trading, accounting for 3.34% of the total share capital of Guoxuan High-tech. The total turnover was RMB 965.2446 million. After deducting costs and related taxes and fees, The company achieved an investment income of RMB853.2161 million, contributing RMB725.2337 million to the net profit of the Company for 2016. As of the end of the Reporting Period, the Company still holds 43,736,150 shares of Guoxuan High-tech, accounting for 4.98% of the total share capital of Guoxuan High-tech.

XX Significant events of subsidiaries

☒ Applicable ☐ Not applicable

During the Reporting Period, Suzhou Mont Lighting Co., Ltd. (hereinafter referred to as "Suzhou Mont"), a subsidiary of the Company, was filed for bankruptcy liquidation by the creditor Suzhou Liftall Electronics Co., Ltd. with the Suzhou Industrial Park People's Court. Suzhou Industrial Park People's Court had accepted the bankruptcy liquidation application and designated Jiangsu Yingyuan Law Firm as the administrator of Suzhou Mont. The Company's investment in Suzhou Mont was RMB 24.36 million, and the claims that hadn't been recognized by the judiciary were RMB 14,187,300, totaling RMB 38,547,300. In the year of 2015, the Company has made provision for impairment of the aforesaid assets in full. (For details, please refer to *Announcement on Holding Subsidiary Suzhou Mont Lighting Co., Ltd. Being Filed for Bankruptcy Liquidation*, *Announcement on the Court's Acceptance of the Bankruptcy Liquidation Matters of the Holding Subsidiary* and *Announcement on the Progress of Bankruptcy Liquidation of the Holding Subsidiary* published on <http://www.cninfo.com.cn> on

April 19, 2016, May 10, 2016 and June 4, 2016).

The bankruptcy liquidation of Suzhou Mont did not have any significant impact on the Company's operating and performance in 2016.

Section VI Share Changes and Shareholders' Profile

I Share changes

1. Share changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	12,655,861	0.99%				-133,382	-133,382	12,522,479	0.98%
1.3 Shares held by other domestic investors	4,539,832	0.36%				-133,382	-133,382	4,406,450	0.34%
Among which: Shares held by domestic corporations	3,959,926	0.31%				-99,251	-99,251	3,860,675	0.30%
Shares held by domestic individuals	579,906	0.05%				-34,131	-34,131	545,775	0.04%
1.4 Shares held by foreign investors	8,116,029	0.64%						8,116,029	0.64%
Shares held by foreign individuals	8,116,029	0.64%						8,116,029	0.64%
2. Non-restricted shares	1,259,477,007	99.01%				133,382	133,382	1,259,610,389	99.02%
2.1 RMB common shares	974,861,588	76.63%				78,457	78,457	974,940,045	76.64%
2.2 Domestically listed foreign shares	284,615,419	22.37%				54,925	54,925	284,670,344	22.38%
3. Total shares	1,272,132,868	100.00%						1,272,132,868	100.00%

Reasons for any share changes

√ Applicable □ Not applicable

1. During this Reporting Period, the ownership of 17,564 restricted shares was transferred from domestic corporations to domestic individuals, and these shares have been unlocked as non-restricted shares on October 27,

2016.

2. 114,618 restricted shares (81,687 shares held by domestic corporations and 32,931 shares by domestic individuals) have been unlocked as non-restricted shares on October 27, 2016.

3. During this Reporting Period, the Company's shares held by some new supervisors and outgoing directors and executive officers were locked up or unlocked as stipulated, resulting in an increment of 31,889 non-restricted shares.

4. During this Reporting Period, some supervisors and executive officers increased their shareholdings in the Company, representing an increase of 13,125 restricted shares.

5. Due to Item 2, 3 and 4 above, the Company's restricted shares decreased by 133,382 shares in the Reporting Period.

Approval of share changes

☒ Applicable ☐ Not applicable

Upon the review and approval of the Shenzhen Stock Exchange and the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., 114,618 restricted shares became tradable on October 27, 2016 (for details, see the Indicative Announcement No. 2016-057 on Unlocking Shares disclosed on www.cninfo.com.cn dated October 26, 2016).

Transfer of share ownership

☐ Applicable ☒ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

☐ Applicable ☒ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in this Reporting Period	Increased in this Reporting Period	Closing restricted shares	Reason for lock-up/unlocking	Date of unlocking
Zhang Xuequan	8,483	0	1,425	9,908	Lock-up of executive officer's shares	Uncertain
Ye Zhenghong	21,996	0	11,700	33,969	Lock-up of supervisor's shares	Uncertain
Xie Qing	22,912	0	8,613	31,525	Lock-up of outgoing executive officer's shares	05/27/2017
Pan Jie	55,900	55,900	0	0	Expiration of lock-up of outgoing director's shares	06/26/2016
Foshan Entrepreneur Directors Association	81,687	81,687	0	0	Restricted shares before going public	10/27/2016
Zhou Zuliang	13,174	13,174	0	0	Restricted shares before going public	10/27/2016
Han Yuqin	10,977	10,977	0	0	Restricted shares before going public	10/27/2016
Chen Xianming	4,390	4,390	0	0	Restricted shares before going public	10/27/2016
Zhang Sirui	4,390	4,390	0	0	Restricted shares before going public	10/27/2016
Lin Qing	0	0	15,398	15,398	Lock-up of supervisor's shares	Uncertain

Total	223,909	170,518	37,136	90,800	--	--
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II Issuance and listing of securities

1. Securities (excluding preference shares) issued in this Reporting Period

☐ Applicable ☒ Not applicable

2. Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

☐ Applicable ☒ Not applicable

3. Existing employee-held shares

☐ Applicable ☒ Not applicable

III Shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end	85,213	Total number of common shareholders at the prior month-end before the disclosure of this Report	85,567	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during this Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number

Hong Kong Wah Shing Holding Company Limited	Foreign corporation	13.47%	171,360,391	0	0	171,360,391	Pledged	83,966,592
Prosperity Lamps & Components Limited	Foreign corporation	10.50%	133,577,143	0	0	133,577,143		
Shenzhen Rising Investment Development Co., Ltd.	State-owned corporation	5.12%	65,178,305	25641558	0	65,178,305		
Guangdong Electronics Information Industry Group Ltd.	State-owned corporation	4.74%	60,357,728	0	0	60,357,728	Pledged	29,575,287
Central Huijin Asset Management Co., Ltd.	State-owned corporation	2.42%	30,799,000	0	0	30,799,000		
Essence International Securities (Hong Kong) Co., Ltd.	Foreign corporation	1.87%	23,794,848	219287	0	23,794,848		
DBS Vickers (Hong Kong) Ltd A/C Clients	Foreign corporation	1.85%	23,555,755	1620492	0	23,555,755		
Hong Kong Rising Investment Development Co., Ltd.	Foreign corporation	1.82%	23,165,684	0	0	23,165,684		
National Social Security Fund Portfolio 113	Other	1.13%	14,368,802		0	14,368,802		
Zhuang Jianyi	Foreign individual	0.85%	10,821,372	0	0	10,821,372		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	Among the top 10 shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are							

	acting-in-concert parties; and Prosperity Lamps & Components Limited and Zhuang Jianyi are acting-in-concert parties. Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		
Shareholdings of the top ten non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Number
Hong Kong Wah Shing Holding Company Limited	171,360,391	RMB common share	171,360,391
Prosperity Lamps & Components Limited	133,577,143	RMB common share	133,577,143
Shenzhen Rising Investment Development Co., Ltd.	65,178,305	RMB common share	65,178,305
Guangdong Electronics Information Industry Group Ltd.	60,357,728	RMB common share	60,357,728
Central Huijin Asset Management Co., Ltd.	30,799,000	RMB common share	30,799,000
Essence International Securities (Hong Kong) Co., Ltd.	23,794,848	Domestically listed foreign share	23,794,848
DBS Vickers (Hong Kong) Ltd A/C Clients	23,555,755	Domestically listed foreign share	23,555,755
Hong Kong Rising Investment Development Co., Ltd.	23,165,684	Domestically listed foreign share	23,165,684
National Social Security Fund Portfolio 113	14,368,802	RMB common share	14,368,802
Zhuang Jianyi	10,821,372	Domestically listed foreign share	10,821,372
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	Among the top 10 shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are acting-in-concert parties; and Prosperity Lamps & Components Limited and Zhuang Jianyi are acting-in-concert parties. Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		
Top ten common shareholders conducting securities margin trading	N/A		

(if any) (see Note 4)

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this Reporting Period.

☐ Yea ☒ No

No such cases in this Reporting Period.

2. Information about the controlling shareholder

Nature of the controlling shareholder: Controlled by the local government

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
Guangdong Electronics Information Industry Group Ltd.	He Yong	10/19/2000	91440000725458764N	Development, production and sale of electronics, IT products and electrical appliances, operation of electronic information networks and computers, electronic computer technology service, and equipment and venue rental service; sale of electronic computers and fittings, electronic components, electron devices, and electrical machinery and equipment; wholesale of coal; energy performance contracting service, development and consulting service of energy-saving technology, and manufacture and installation of energy-saving equipment; parking lot operation (188 Yueken Road, Tianhe District, Guangzhou, Guangdong Province, P.R.China); import and export of goods; and training of professional and technical personnel.
Shenzhen Rising Investment Development Co., Ltd.	Wu Xiaohui	08/27/2003	91440300754255560K	Equity and venture capital investment (approval shall be obtained for each specific

				investment project); industrial investment (approval shall be obtained for each specific investment project); trustee service for asset management (not including securities, insurance, funds, financial service, human resources consulting service and other restricted business); and investment information consulting service, economic information consulting service, investment management planning, corporate identity design (excluding restricted business).
Guangdong Rising Finance Holding Co., Ltd.	Wang Li Xin	14/11/2014	91440400315213166P	Investment and asset management
Hong Kong Rising Investment Development Limited	Liu Wei	07/11/2001	764105	Investment and asset management
Shareholdings of controlling shareholder in other listed companies at home or abroad in reporting period	In the reporting period, Guangdong Electronics Information Industry Group Ltd. held 61,348,500 shares in Foshan NationStar Optoelectronics Co., Ltd., representing a stake of 12.90% in NationStar. Shenzhen Rising Investment Development Co., Ltd. held 34,984,561 shares in Guangdong Fenghua Advanced Holding Co., Ltd., accounting for 3.91% of Fenghua's total shares; and held 106,178,408 shares in Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., representing a stake of 4.804% in Nonfemet. Shenzhen Rising Investment Development Co., Ltd. held 1,302,027 shares in Dongjiang Environmental Co. Ltd, accounting for 0.15% of Dongjiang Environment's total shares; and held 882,501 shares in Foshan NationStar Optoelectronics Co., Ltd, accounting for 0.19% of NationStar's total shares.			

Change of the controlling shareholder during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Information about the actual controller

Nature of the actual controller: Local administrator for state-owned assets

Type of the actual controller: Corporation

Name of actual controller	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
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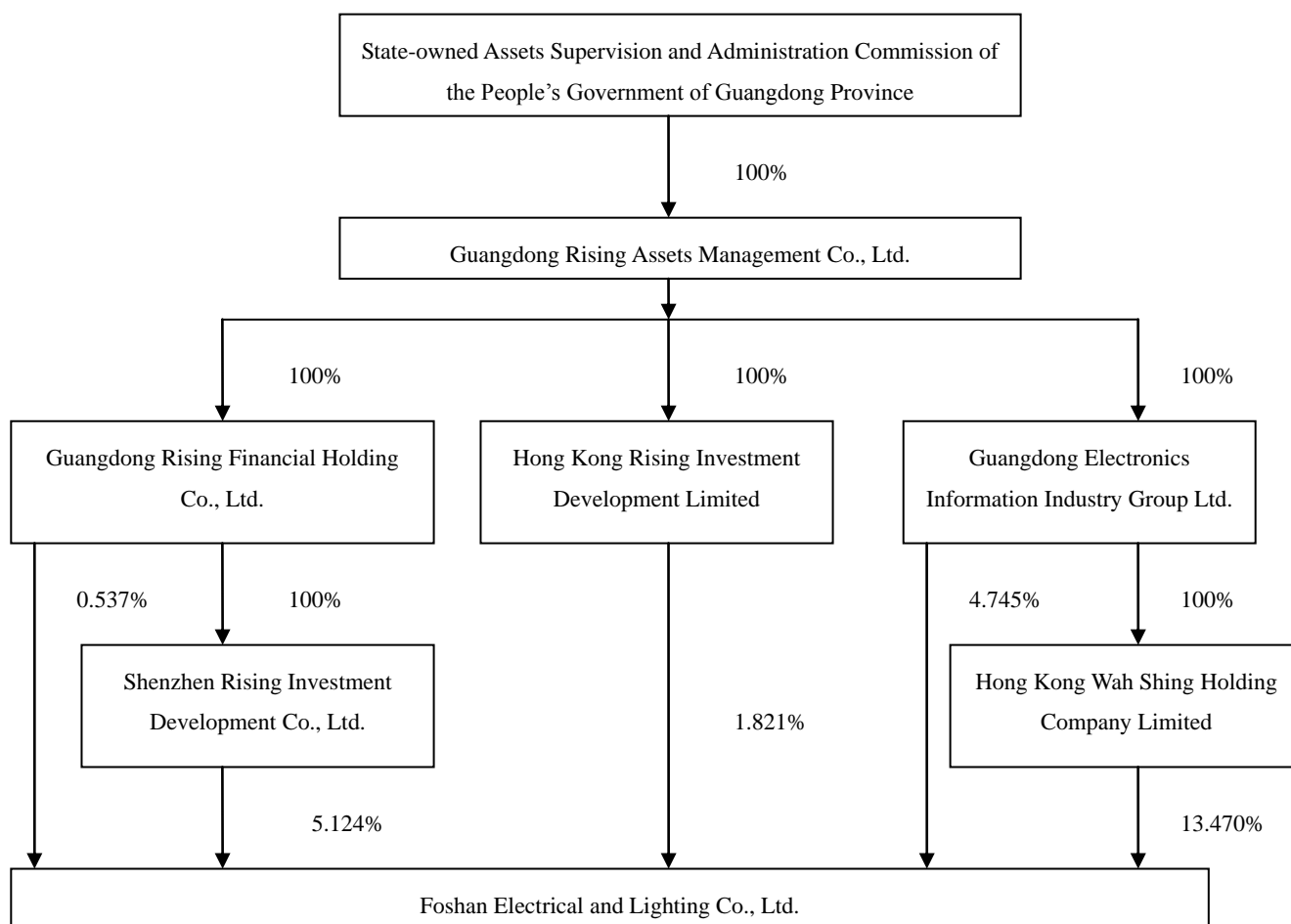
Guangdong Rising Assets Management Co., Ltd.	Li Zezhong	12/23/1999	91440000719283849E	Asset management and operation, equity management and operation, investment operation, and management and re-investment of investment earnings; other business authorized by the state-owned assets administration of the Guangdong Province; contractor service for overseas projects and domestic projects calling for international bids, contractor service for survey, consulting, design and supervision of the aforesaid overseas projects, export of equipment and materials for the aforesaid overseas projects, and dispatch of contract workers for the aforesaid overseas projects; property rental service; and exploitation, sale and deep processing of rare earth (operated by the branches with the relevant licenses).
Shareholdings of the actual controller in other listed companies at home or abroad in this Reporting Period	At the end of the Reporting Period, Guangdong Rising Assets Management Co., Ltd. directly or indirectly held the following stakes in other listed companies at home or abroad: 1. a 42.87% stake of 129,372,517 shares in Rising Nonferrous (stock code: 600259); 2. a 35.31% stake of 781,207,756 shares in Nonfemet (stock code: 000060); 3. a 23.94% stake of 214,286,912 shares in Fenghua Advanced (stock code: 000636); 4. a 20.56% stake of 97,815,633 shares in NationStar Optoelectronics (stock code: 002449); 5. a 7.31% stake of 64,880,898 shares in Dongjiang Environment (stock code: 002672); 6. a 6.94% stake of 5,614,082,653 shares in China Telecom (stock code: 00728).			

Change of the actual controller during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

☐ Applicable ☒ Not applicable

4. 10% or greater corporate shareholders

☒ Applicable ☐ Not applicable

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Business scope
Prosperity Lamps & Components Limited	Zhuang Jianyi	04/28/1978	HKD2 million	Import and export of electronics, electric lighting products, lamps, electric lighting equipment, etc., and design, installation and after-sales service of lighting solutions

5. Limitations on shareholding decrease by the Company's controlling shareholder, actual controller, reorganizer and other commitment makers

√ Applicable ☐ Not applicable

The controlling shareholders have made a commitment that within 12 months from the date of the control right change (December 4, 2015), they shall not transfer or entrust others to manage the shares directly or indirectly held by them in the Company, nor shall they allow the Company to repurchase those shares, except for the case where those shares may be transferred for no compensation due to any business or asset integration with their actual controller or their actual controller's controlled subsidiaries.

In this Reporting Period, the controlling shareholders strictly kept to its commitment on share trading limitation. And the commitment has expired on December 4, 2016.

Section VII Preference Shares

☐ Applicable ☒ Not applicable

No preference shares in this Reporting Period.

Section VIII Directors, Supervisors, Executive Officers and Staff

I Changes in shareholdings of directors, supervisors and executive officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening shareholding (share)	Increase in this Reporting Period (share)	Decrease in this Reporting Period (share)	Other increase/decrease (share)	Closing shareholding (share)
He Yong	Board Chairman	Incumbent	Male	56	12/25/2015	12/25/2018	0	0	0	0	0
Zhuang Jianyi	Vice Board Chairman	Incumbent	Male	65	12/25/2015	12/25/2018	10,821,372	0	0	0	10,821,372
Cheng Ke	Director	Incumbent	Male	42	12/25/2015	12/25/2018	10,500	0	0	0	10,500
Qi Siyin	Director	Incumbent	Male	36	10/18/2016	12/25/2018	0	0	0	0	0
Huang Zhiyong	Director	Incumbent	Male	47	12/25/2015	12/25/2018	0	0	0	0	0
Liu Xingming	Director & GM	Incumbent	Male	54	04/22/2016	12/25/2018	478,764	0	0	0	478,764
Zhang Nan	Independent Director	Incumbent	Female	67	12/25/2015	12/25/2018	0	0	0	0	0
Lu Rui	Independent Director	Incumbent	Male	41	12/25/2015	12/25/2018	0	0	0	0	0
Lu Wei	Independent Director	Incumbent	Male	52	12/25/2015	12/25/2018	0	0	0	0	0
Liang Yuefei	Chairman of the Supervisory Board	Incumbent	Female	41	12/25/2015	12/25/2018	0	0	0	0	0
Zhuang Junjie	Supervisor	Incumbent	Male	31	12/25/2015	12/25/2018	0	0	0	0	0
Ye Zhenghong	Supervisor	Incumbent	Male	43	12/10/2015	12/25/2018	29,328	15,600	0	0	44,928

Lin Qing	Supervisor	Incumbent	Male	47	09/20/2016	12/25/2018	20,530	0	0	0	20,530
Liang Yueyi	Supervisor	Incumbent	Female	42	09/20/2016	12/25/2018	0	0	0	0	0
Lin Yihui	Board Secretary	Incumbent	Male	62	01/26/2016	12/25/2018	13,000	0	0	0	13,000
Tang Qionglan	CFO	Incumbent	Female	46	01/26/2016	12/25/2018	0	0	0	0	0
Wei Bin	Vice GM	Incumbent	Male	47	01/26/2016	12/25/2018	34,169	0	0	0	34,169
Jiao Zhigang	Vice GM	Incumbent	Male	44	01/26/2016	12/25/2018	41,444	0	0	0	41,444
Chen Yu	Vice GM	Incumbent	Male	44	01/26/2016	12/25/2018	17,160	0	0	0	17,160
Xu Xiaoping	Vice GM	Incumbent	Male	46	01/26/2016	12/25/2018	0	0	0	0	0
Zhang Yong	Vice GM	Incumbent	Male	42	08/23/2016	12/25/2018	24,960	0	0	0	24,960
Zhang Xuequan	Vice GM	Incumbent	Male	39	08/23/2016	12/25/2018	11,311	1,900	0	0	13,211
Chen Binghui	Director	Former	Male	52	12/25/2015	04/07/2016	0	0	0	0	0
Liu Ren	Director	Former	Male	49	12/25/2015	09/08/2016	0	0	0	0	0
Zhang Yong	Supervisor	Former	Male	42	12/10/2015	08/10/2016	24,960	0	0	0	24,960
Zhang Xuequan	Supervisor	Former	Male	39	12/10/2015	08/10/2016	11,311	1,900	0	0	13,211
Xie Qing	Vice GM	Former	Male	42	01/26/2016	11/25/2016	31,525	0	0	0	31,525
Total	--	--	--	--	--	--	11,570,334	19,400	0	0	11,576,734

II Changes in directors, supervisors and executive officers

Name	Office title	Type of change	Date	Reason
Chen Binghui	Director	Outgoing	04/07/2016	Resigned for personal reason
Liu Ren	Director	Outgoing	09/08/2016	Resigned for job change

Zhang Yong	Supervisor	Appointed	08/10/2016	Post change
Zhang Xuequan	Supervisor	Appointed	08/10/2016	Post change
Xie Qing	Vice GM	Dismissed	11/25/2016	Resigned for personal reason
Liu Xingming	Director	Appointed	04/22/2016	Elected as a director of the 8 th Board
Qi Siyin	Director	Appointed	10/18/2016	Elected as a director of the 8 th Board

III Brief biographies

Professional backgrounds, main working experience and current responsibilities in the Company of the incumbent directors, supervisors and executive officers

1. Working experience of the directors

Mr. He Yong: Han nationality, born in Sep. 1960, a member of the Communist Party of China. He graduated from Open University of Hong Kong with a MBA and master's degree. He once acted as the Vice-minister of the Operating and Management Department of Guangdong Rising Assets Management Co., Ltd., the Chairman of the Reform and Stableness Office, the Minister of the Operating and Management Department, the Supervisor of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., the GM of Guangdong Electronics Information Industry Group Ltd. and Deputy Secretary. Now he serves as the Chairman of the Board of Directors of Guangdong Electronics Information Industry Group Ltd., the Party Secretary and the Chairman of Foshan NationStar Optoelectronics Co., Ltd., the Chairman of Foshan Sigma Venture Capital Co., Ltd. and the Chairman of Shenzhen Primatronix (Nanho) Electronics Ltd. And he has been the Board Chairman of the Company since December 2015.

Mr. Zhuang Jianyi: born in 1951, with a bachelor's degree and MBA. He now acts as the Chairman of Hong Kong Youchang Lighting Equipment, and has been engaged in the electric light source equipment production as well as the trading business for about 40 years. From 1995 to 2010, he acted as the Directors, the Vice Chairman and the Chairman of the Company. And he was elected as a director of the 8th Board of the Company in December 2015.

Mr. Cheng Ke: Han nationality, born in Feb. 1974, a member of the Communist Party of China and an auditor with the bachelor's degree. He once acted as the Attendant of the Audit Division of Guangzhou Dongshan Corporate Authority of Guangzhou Military Logistics Department, the Assistant Supervisor, the Supervisor, the Senior Executive and the Vice-Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd., Vice GM of Hubei Ashennan Expressway Development Co., Ltd., Hubei Gdrising Han-E Expressway Co., Ltd. and Hubei Han-Cai Expressway Co., Ltd. and now acts as the Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd. and the Director of Guangdong Rising

Assets Management Co., Ltd. And he was elected as a director of the 8th Board of the Company in December 2015.

Mr. Qi Siyin: Chinese nationality, with no right of permanent residence abroad. Born in May 1980, a member of the Communist Party of China, postgraduate degree, dual master's degrees. Ever worked in Guangdong Provincial Expressway Development Co., Ltd., former investor relations management clerk, investor relations management director, information disclosure director and securities affairs representative of the Securities Department. Has been working in Guangdong Rising Assets Management Co., Ltd. as Senior Director of Capital Operation Department, Deputy Secretary of the Communist Youth League and Deputy Director; as Director and Deputy General Manager of Hong Kong Rising Investment Co., Ltd.; as Deputy Director of Capital Operations Department of Guangdong Rising Assets Management Co., Ltd. since 2007. Currently as the Director of Capital Operations Department of Guangdong Rising Assets Management Co., Ltd. In October 2016, elected as the director of the 8th Board of Directors of the Company.

Mr. Huang Zhiyong: Han nationality, born in Aug. 1969, a member of the Communist Party of China and an engineer. He graduated from Xidian University with a bachelor's degree of Electronic Devices Structures. He once acted as the Vice GM of Shenzhen Primatronix (Nanhu) Electronics Ltd., the Minister of Enterprise Development Department and the GM Assistant of Guangdong Electronics Information Industry Group Ltd.. He now acts as the Vice GM and a member of Communist Party of China of Guangdong Electronics Information Industry Group Ltd. and the Chairman of Vollsun Ltd., the Director and GM of Foshan Sigma Venture Capital Co., Ltd.. And he was elected as a director of the 8th Board of the Company in December 2015.

Mr. Liu Xingming: Born in Jun. 1962, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined the Company in 1983, and acted as Vice GM from 1997 to 2005; acted as GM of the Company from Dec. 2005 to Nov. 2008; acted as Vice GM of the Company in Dec. 2008; elected as the Director of the Company from 1995 to Dec. 2015; acted as Vice Director of the Board from Apr. 2011 to Dec. 2015; from Apr. 2012 up to now, he acted as the GM and Vice Director of the Board; after 1995, he was elected as the Director of the Company; and he was elected as a director of the Company in April 2016. In Jul. 2015, he was elected as the Party Secretary of the Company.

Ms. Zhang Nan (Independent Director): Han nationality, born in Feb. 1949, a member of the Communist Party of China and a senior economist. She graduated from Chinese Academy of Social Sciences with a master degree of economic law. She once acted as the Vice-Minister of Beijing Electronic Instruments Industry System Office, Deputy Director of Audit and Regulations Bureau, the Director, the Deputy Director and the Chief of the research

laboratory of SETC, the Regulations Bureau and the Economic cadre training center as well as the bureau-level Supervisor of the large enterprises of the Board of Supervisors of the State-owned Assets Supervision and Administration Commission and retired in Mar. 2009. She used to be an Independent Director of CSCL and Guandong Rising Nonferrous Metals Co., Ltd. And she was elected as an independent director of the 8th Board of the Company in December 2015.

Mr. Lu Rui (Independent Director): Chinese Nationality, no permanent residency abroad, born in Jan. 1975. He graduated in 2006 from the Sun Yat-Sen University of Management Accounting with a doctor's degree of management. He is now a professor, doctoral tutor, the Head of the Accounting and Capital Operation Research Center and the Head of the EDP Education Center of the Lingnan (University) College of Sun Yat-Sen University. He acted as the Teaching Assistant and the Lecturer of the Financial Accounting Department of Guangzhou Finance & Trade Management Institute during the period from July 1996 to August 2003, the Lecturer of the Lingnan (University) College of Sun Yat-Sen University during the period from July 2006 to December 2008, and the Associate Professor of the Lingnan (University) College of Sun Yat-Sen University during the period from January 2009 to June 2016. And he has been a profession at the Lingnan (University) College of Sun Yat-Sen University since July 2016. He was a visiting scholar to the MIT Sloan School of Management for January-June 2007 and September-October 2009. His other academic and social posts mainly include: the member of Independent Director Committee of China Association for Public Companies, a national leading accounting professional recognized by the Ministry of Finance, the member of All-China Financial Youth Federation, the member of the senior member of Accounting Society of China, the member of AAA and America Finance Management Academy, the evaluation experts of NSFC and the researcher of the Internal Control Research Center of Sun Yat-Sen University; the Independent Director of Guangzhou GCI Science & Technology Co., Ltd. since Apr. 2010, the Independent Director of Xilong Chemical Co., Ltd. since Jan. 2015 and the Independent Director of Youmi Technology Co., Ltd. since May 2016. And he was elected as an independent director of the 8th Board of the Company in December 2015.

Mr. Lu Wei (Independent Director): Chinese Nationality, born in Dec. 1964. He is a doctoral candidate in economic administration at Fudan University and a doctor's degree holder in economics. He was a teaching assistant, a lecturer, a departmental chief, an associate profession and then a professor at Fudan University during the period from August 1989 to March 2003. And he has been working in Shanghai Jiao Tong University since April 2003. He was a professor and doctoral tutor of the Department of Business Administration of the Antai Management School of Shanghai Jiao Tong University during the period from April 2003 to March 2006, and has

been a professor and doctoral tutor of the Department of Business Administration of the Antai Economics and Management School of Shanghai Jiao Tong University since April 2006. He has been the head of the SJTU-USC Cultural Creativity Industries School since October 2014; an independent director of Shanghai Shibei Hi-tech Co., Ltd. since Sep. 2012; and an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. since May 2015. And he was elected as an independent director of the 8th Board of the Company in December 2015.

2. Working experience of the supervisors

Ms. Liang Yuefei: Han nationality, born in Nov. 1975, a member of the Communist Party of China and a CCPA member. She graduated from Guangdong Polytechnic Normal College with a bachelor's degree. She once acted as the Vice-Minister of the Total Fiscal Audit Department of Guangdong Electronics Information Industry Group Ltd.. And now acts as the general manager assistant, Minister of the Total Fiscal Department and Employee Supervisor of Guangdong Electronics Information Industry Group Ltd., the Supervisor of Foshan Sigma Venture Capital Co., Ltd. and the chairman of the Supervisory Board of Foshan NationStar Optoelectronics Co., Ltd, the Director of Primatronix (Nanho) Electronics Ltd and Guangdong HuaSheng data solid-state storage co., LTD... And she was elected as the chairman of the 8th Supervisory Board of the Company in December 2015.

Mr. Zhuang Junjie: Born in Sep. 1985, a Hong Kong permanent resident. He graduated with a bachelor's degree and once acted as the Consultant Manager of Accenture Software and now acts as the Director of Hong Kong Youchang Lighting Equipment Co., Ltd. And he was elected as a supervisor of the 8th Supervisory Board of the Company in December 2015.

Mr. Ye Zhenghong: Born in Jul. 1973, a member of the Communist Party of China with a college degree. He joined the Company from Jul. 1995; worked in the Machine Repair Shop from Jul. 1997 to Jan. 2001; acted as Equipment Management Director in T8 Fluorescent Lamp Factory from Feb. 2001 to Jan. 2005; acted as Director of Machine Repair Workshop from May 2005 to Jan. 2007; acted as Chief Officer of Machinery Dynamic Department from May 2006 to Dec. 2007; and acted as factory director of T8 Fluorescent Lamp Factory from Jan. 2008 to Nov. 2013; and acted as factory director of LED of T8 from Dec. 2013 up to now; the Chairman of the 5th Board of Supervisors and the Employee Supervisor of the 6th, 7th and 8th Board of Supervisors.

Mr. Lin Qing: born in September 1969, member of the Communist Party of China, undergraduate degree, electric light source engineer; has been working in the company since August 1991; worked as mercury lamp workshop technician and workshop director from June 1996 to February 2002; as the workshop director and factory director

of the fluorescent lamp factory from March 2002 to September 2009; as the director of Technology Department since October 2009; in July 2015, elected as a discipline committee member of the company's CPC committee. And he was elected as a Employee Supervisor of the Company in September 2016.

Ms. Liang Yueyi: born in June 1974, member of the Communist Party of China, college degree; has been working in the company since August 1995; worked as the Secretary to the President from August 1995 to September 2002; as clerk of the Import & Export Trade Department from October 2002 to December 2006; as the Deputy Manager of the Import & Export Trade Department since January 2007; a member of the company's CPC committee since July 2015; as a female member of the company's labor union since April 2016. And she was elected as a Employee Supervisor of the Company in September 2016..

3. Working experience of the senior management staff

Mr. Liu Xingming: Born in Jun. 1962, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined the Company in 1983, and acted as Vice GM from 1997 to 2005; acted as GM of the Company from Dec. 2005 to Nov. 2008; acted as Vice GM of the Company in Dec. 2008; elected as the Director of the Company from 1995 to Dec. 2015; acted as Vice Chairman of the Board from Apr. 2011 to Dec. 2015; from Apr. 2012 up to now, he acted as the GM of the Company; and he was elected as a director of the Company in April 2016. In Jul. 2015, he was elected as the Party Secretary of the Company.

Mr. Lin Yihui: Born in Nov. 1954, a member of the Communist Party of China with a master's degree in Economics. He was in active service in force from Dec. 1970 to 1986 and acted as posts of command, battalion and group; works in Foshan International Trust and Investment Company from 1986 to Sep. 2000 and acted as Section Chief and Vice GM and was in charge of the securities business of the Company as well as host the works such as the underwritten offering and listing recommendation of the shares of various companies over years; acted as Party Secretary of the Company from May. 2010 to Jul. 2015. He has acted as the Secretary of the Company since May 2013.

Ms. Tang Qionglan: born in March 1970, member of the Communist Party of China, bachelor degree, China Certified Public Accountant, worked as an accountant in Foshan Certified Public Accountants, served as audit manager of BDO China Shu Lun Pan Certified Public Accountants LLP Foshan Branch; as Deputy Manager of the Finance Department, Manager, Chief Financial Officer, Deputy General Manager and Chief Financial Officer of Foshan NationStar Optoelectronics Co., Ltd. from October 2008 to January 2016. In January 2016, elected as the Chief Financial Officer of the Company.

Mr. Wei Bin: Born in May 1969, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined in the Company in 1991, and responsible for the product development of the graduate school of the Company from Mar. 1992 to Dec. 1996, acted as Workshop Manager of Energy Saving Lamp Workshop from Jan. 1997 to Dec. 2005, acted as Workshop Manager of HID Workshop from Jan. to Dec. 2005, acted as Workshop Manager of T5 Workshop from 2006 to Nov. 2008, acted as the Department Director of the Technology Department from Nov. 2008 to 2009 and acted as Vice GM of the Company from Sep. 2009.

Mr. Jiao Zhigang: Born in May 1972, a member of the Communist Party of China with a bachelor's degree. He graduated from South China University of Technology in Jul. 1994, and at the same year he entered Foshan Electrical and Lighting Co., Ltd. He acted as Warehouse Director of the Company from Aug. 1995 to Sep. 2013, acted as Department Director of Human Resources Department from May 2010 to Sep. 2013; selected as Employee Supervisor from Mar. 2007 to Sep. 2013, and as Chairman of the Supervisory of the Company from May 2010 to Sep. 2013. He acted as Vice GM of the Company in Sep. 2013.

Mr. Chen Yu: Born in Dec. 1972, a member of the Communist Party of China, college graduate and engineer. He entered Foshan Electrical and Lighting Co., Ltd. in Jul. 1994. And acted as workshop manager of parabolic reflector, coating film, energy saving lamp, factory director of the branch factory of Gaoming and workshop manager of general bulbs from Jan. 1997 to Dec. 2012, acted as Director of Production Department, OEM Department and Mechanical Dynamics Department from Jan. to Aug. 2013, acted as Director of Production Department and OEM Department from Sep. 2013 to May 2014 as well as acted as Vice GM of the Company from May 2014.

Mr. Xu Xiaoping: born in July 1970, member of the Communist Party of China, postgraduate degree, engineer. Worked as Deputy General Manager and General Manager of Guangdong Fenghua Advanced Technology Holding Co., Ltd. Xin'gu Branch from September 2000 to December 2013, also as the General Manager of Guangdong Fenghua Semiconductor Technology Co., Ltd. from January 2011 to December 2013, and Deputy Director of Headquarters Operations Center from January 2013 to February 2015; as the General Manager of Guangdong Fenghua Advanced Technology Holding Co., Ltd. Lihua Branch from March 2015 to January 2016; won the first prize of scientific and technological progress of Zhaoqing in 2008; won the title of the "Ninth Batch of Top Talents of Zhaoqing" in 2010; served as Deputy General Manager of the company in January 2016.

Mr. Zhang Yong: Born in Jun. 1974, a member of the Communist Party of China and a mechanical engineer with a college degree. From Jul. 1997, he joined in the Foshan Electrical and Lighting Co., Ltd. and successively acted as Deputy Director and Director of Lamp Filament Appliance Workshop from Oct. 1999 to Jun. 2008; acted as

Factory Director of Gaoming Fluorescent Lamp Factory and Factory Director of Gaoming Branch Factory from Jul. 2008 to Dec. 2008; respectively acted as Department Director of Product Department, OEM Department, Mechanical Dynamics Department and Infrastructure Department from Jan. 2009 to Dec. 2012; acted as General Manager Assistant from Mar. 2013 to August 2016. He was a supervisor and the Chairman of the Board of Supervisors of the Company from Sep. 2013 to August 2016; has been the chairman of the Labor Union of the Company since September 2013; was elected as the Deputy Party Secretary in July 2015; and has been a vice GM of the Company since August 2016.

Mr. Zhang Xuequan: Born in Dec. 1977, a member of the Communist Party of China with a bachelor's degree. He joined the Company in Oct. 1996. He worked in the former Iodine-tungsten Lamp Workshop from Oct. to Dec. 1996; worked in the Technology Department and then the Quality Control Department from Jan. 1997 to Aug. 2005; acted as the Workshop Manager of Lamp Workshop from Sept. 2002 to May 2008; acted as the Department Director of the Business Management Department of the Company from Jun. 2008 to August 2016. He has concurrently acted as the Office Director since Feb. 2016. He has been the Party Branch Secretary for the Administrative Office of the Company since July 2010, and a member of the party committee of the Company since July 2015. He was a supervisor of the Company from May 2013 to August 2016 and has been a vice GM of the Company since August 2016.

Posts concurrently held in shareholding entities

☒Applicable ☐Not applicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity (yes/no)
He Yong	Guangdong Electronics Information Industry Group Ltd.	Chairman, Party Secretary			Yes
Zhuang Jianyi	Youchang Light Equipment Co., Ltd.	Chairman			Yes
Huang Zhiyong	Guangdong Electronics Information Industry Group Ltd.	Vice GM			Yes
Liang Yuefei	Guangdong Electronics Information Industry Group Ltd.	Planning and Finance Manager & GM Assistant			Yes
Zhuang Junjie	Youchang Light Equipment Co., Ltd.	Director			Yes
Remark	None				

Posts held concurrently in other entities

√Applicable ☐Not applicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the entity (yes/no)
Cheng Ke	Guangdong Rising Assets Management Co., Ltd.	Planning and Finance Manager			Yes
Qi Siyin	Guangdong Rising Assets Management Co., Ltd.	Capital Operation Manager			Yes
Lu Rui	Lingnan (University) College of Sun Yat-Sen University	Professor			Yes
Lu Wei	Antai School of Management of SJTU	Professor			Yes
Remark	None				

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

√ Applicable ☐ Not applicable

In Mar. 2013, Mr. Liu Xingming was warned by the Guangdong CSRC and fined RMB30,000.

In Mar. 2013, Mr. Xie Qing and Mr. Wei Bin were warned by the Guangdong CSRC.

IV Remuneration of directors, supervisors and executive officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

Decision-making procedure for the remuneration of directors, supervisors and senior management	The Remuneration & Appraisal Committee under the Board of Directors decides the remuneration of directors, supervisors and senior management in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel reviewed and approved on the 2001 Annual Shareholders' General Meeting, and the particulars on completing current main financial indexes & operating goals, as well as the fulfillment of job responsibilities by them.
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration of directors (excluding independent directors), supervisors and senior management who withdraw remuneration in the Company are all decided in accordance with the Company's Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel and the Salary System and the relevant appraisal indexes. The allowance of independent directors should be granted according to the standard reviewed and approved by 2010 Annual Shareholders' General Meeting.
Actual payment of the remuneration of directors, supervisors and senior management	The total remuneration (before tax) actually paid to the directors, supervisors and senior management staff for 2016 were RMB11.2040 million.

Remuneration of directors, supervisors and executive officers in this Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company (yes/no)
He Yong	Board Chairman	Male	56	Incumbent		Yes
Zhuang Jianyi	Vice Board Chairman	Male	65	Incumbent		Yes
Cheng Ke	Director	Male	42	Incumbent		Yes
Qi Siyin	Director	Male	36	Incumbent		Yes
Huang Zhiyong	Director	Male	47	Incumbent		Yes
Liu Xingming	Director & GM	Male	54	Incumbent	170.7	No
Zhang Nan	Independent Director	Female	67	Incumbent		No
Lu Rui	Independent Director	Male	41	Incumbent	14.4	No
Lu Wei	Independent Director	Male	52	Incumbent	14.4	No
Liang Yuefei	Supervisory Board Chairman	Female	41	Incumbent		Yes
Zhuang Junjie	Supervisor	Male	31	Incumbent		Yes
Ye Zhenghong	Supervisor	Male	43	Incumbent	49.9	No
Lin Qing	Supervisor	Male	47	Incumbent	39.95	No
Liang Yueyi	Supervisor	Female	42	Incumbent	55.17	No
Lin Yihui	Board Secretary	Male	62	Incumbent	104.56	No
Tang Qionglan	CFO	Female	46	Incumbent	98.59	No
Wei Bin	Vice GM	Male	47	Incumbent	101.56	No
Jiao Zhigang	Vice GM	Male	44	Incumbent	98.49	No
Chen Yu	Vice GM	Male	44	Incumbent	91.49	No
Xu Xiaoping	Vice GM	Male	46	Incumbent	60.61	No
Zhang Yong	Vice GM	Male	42	Incumbent	91.49	No
Zhang Xuequan	Vice GM	Male	39	Incumbent	65.07	No
Chen Binghui	Director	Male	52	Former		Yes
Liu Ren	Director	Male	49	Former		Yes
Xie Qing	Vice GM	Male	42	Former	64.02	No

Total	--	--	--	--	1,120.40	--
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Equity incentives for directors, supervisors and executive officers in this Reporting Period

☐ Applicable ☒ Not applicable

V Employees

1. Number, functions and educational backgrounds of employees

Number of in-service employees of the Company	1,789
Number of in-service employees of main subsidiaries	7,591
Total number of in-service employees	9,380
Total number of employees with remuneration in this Reporting Period	9,380
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	7,852
Sales	783
Technical	545
Financial	58
Administrative	142
Total	9,380
Educational backgrounds	
Educational background	Number of employees
College and above	1,460
Technical secondary school and high school	1,781
Below high school	6,139
Total	9,380

2. Employee remuneration policy

The general principal of the employee's remuneration policy is: as for the external part, the Company should maintain the market competitiveness of the talents by possessing of the attraction and as for the internal part, should possess of the impartiality and consistency. The salary level of the external labor market and the social average salary level as well as the wage guiding issued by the governmental department are the important reference basis for the confirm of the salary standard of the Company; to confirm different pay grade according to

different positions and the position characteristics and to furthest incentive the enthusiasm of the employees; to abide with the principal of giving priority to efficiency and give consideration of the fairness and to object to the equalitarianism when distributing the remunerations, to pay with generous compensation for those excellent employees who creates great value, to appropriately incline to the key talents and the market supply shortage talents; the lowest salary of the Company should not be lower than the local lowest salary standard.

3. Employee training plans

The Company has been setting great store on the training and development work of the employees, and combined with the actual situation, annual plan, the position nature and the responsibilities as well as the development demands, the Company built up a serious of training plan through the methods of having classes by internal lecturers and external engaged professors, which with multiple levels, channels, fields and ways to strengthen the employee training work, including the new employee orientation training, the on-the-job personnel professional training, the frontline staff skills training, skills training for managerial personnel, etc., to constantly improve the overall quality of the current employees for realizing the win-win situation and mutual progress.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX Corporate Governance

I Basic situation of corporate governance

During the Reporting Period, in strict accordance with relevant requirements of Company Law, Securities Law, Code of Corporate Governance of Listed Companies and Rules of Stock Listing of Shenzhen Stock Exchange as well as other relevant laws, rules and regulations, the Company continuously perfected the corporate governance structure and set up an effective corporate governance system. At present, the Company has set up governance structure of responsible Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and managers, who performed right of decision-making, execution and supervision respectively according to their duties; besides, the Company set up special committees of the Board of Directors and system for independent directors. The Company strengthened information disclosure of principal shareholders and persons acting-in-concert, forbidden shareholders of the Company to misapply their rights. The Company separated from the principal shareholder in personnel, assets, business, financial affairs and organizational, and was absolutely impendent. The Company timely revised and perfected various systems in accordance with the latest issued laws & rules and relevant regulations of CSRC and Shenzhen Stock Exchange. And the corporate governance is basically in line with the requirements of relevant laws, regulations and regulatory documents.

Any significant incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

☐ Yes ☒ No

No such cases in this Reporting Period.

II Independence of businesses, personnel, asset, organizations and finance which are separate from the controlling shareholder

The Company is completely separated from its controlling shareholder in aspects such as business, personnel, assets, institutions and finance and possesses independent and complete business and self-dependent operating ability.

1. As for the business, the Company is independent of the controlling shareholders and the subordinate enterprises and owns the independent business departments and management system as well as possesses of impendent and entire business and self-dependent operating ability.
2. As for the personnel, the Company formulates the independent management system such as the labor, personnel

and the salary, possesses the independent personnel department and the operating management team. The Senior Executives of the Company are serving at the Company in full time and receiving the salary from the Company.

3. As for the assets, the assets of the Company are independent and entire with clear ownership, and possesses the independent production system, BOP system and the supporting facilities, as well as possesses the legal ownership of the land, factories, equipments related to the production and operating and the assets such as the trademark, patent and the non-patent technology, and possesses the entire control and govern power of all the assets of the Company without any behavior such as any controlling shareholder occupies the assets of the Company.

4. As for the institutions, the Company set up the independent and entire organizations and institutions, and the construction as well as the operating of the corporate governance institutions is executed strictly executed according to the Articles of Association, and the production and operating as well as the offices are entirely independent from the controlling shareholders with any situation of working under one roof with the controlling shareholders.。

5. As for the finance, the Company set up the independent finance department and builds up the independent and normative accounting and financial control system according to the requirements of the ASBE, set up the independent bank account and pays the taxes legally and independently and the Company could make the financial decisions independently without any situation of the shareholding intervenes the capital usage.

III Horizontal competition

√ Applicable □ Not applicable

Type of issue	Name of controlling shareholder	Nature of controlling shareholder	Cause for issue	Solution	Solution's progress and follow-up plan
Horizontal competition	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited	Local State-owned Assets Supervision and Administration Commission	Some enterprises controlled by the controlling shareholders engage in the same or similar business with the Company, which incurs horizontal competition.	The controlling shareholders committed: 1. in view of the percentage of the horizontal competition between the Foshan NationStar Optoelectronics Co., Ltd. and Foshan Electrical and Lighting Co., Ltd. was less, the Electronics Group, Shenzhen Guangdong Rising Investment and Hong Kong Guangdong Rising Investment committed to	Ongoing

				<p>designedly gradually reduce or eliminate the horizontal competition through business integration or other methods and arrangement within 24 months in the future. 2. In view of Shenzhen Primatronix (Nanho) Electronics Ltd. (hereinafter referred to as “Nanho Primatronix”), Guangdong Rising Optoelectronic Co., Ltd. (hereinafter referred to as “Guangdong Rising Optoelectronic”) and Henan Guangdong Rising High-tech Investment Co., Ltd. (hereinafter referred to as “Guangdong Rising Hi-tech”) were all ceased the business which were of horizontal competition with Foshan Electrical and Lighting, and the Electronics Group and its persons acting in concert was planed to respectively adopt the corresponding solving measures on Nanho Primatronix, Guangdong Rising Optoelectronic and Guangdong Rising Hi-tech:</p> <p>(1) Nanho Primatronix: had ceased the relevant business of horizontal competition with the Foshan Electrical and Lighting; (2) Guangdong Rising Optoelectronic: had ceased the relevant business of horizontal competition with the Foshan Electrical and Lighting and the Electronics</p>	
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				<p>Group will plan to transfer the relevant equities or shutdown the company according to the relevant situation after the completion of the acceptance check of the government project originally undertook by Guangdong Rising Optoelectronic and the completion of the relevant processing work; (3) Guangdong Rising Hi-tech: owing to the small operating scope, the Electronics Group had executed the shutdown of the whole company that only left 4 employees to take the responsibility of the recovery of the amount of the goods selling and the written-off procedures of the company. As for avoiding the horizontal competition with Foshan Electrical and Lighting, the further commitments on the relevant arrangements made by the Electronics Group, Shenzhen Guangdong Rising Investment and Hong Kong Guangdong Rising Investment as follows: 1. the company will execute the supervision and restriction on the production and the operating activities of the company and the relevant enterprises except for the above enterprises currently involved with the horizontal competition with</p>	
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				<p>Foshan Electrical and Lighting and if there is same or similar situation occurs horizontal competition with Foshan Electrical and Lighting from the future promises and the relevant enterprises on the products or business, the Company following measures to solve the problem: (1) when commits to adopt the Foshan Electrical and Lighting considers it is necessary, the Company and the relevant enterprises would decrease the shareholding until entirely completes the transfer of the held relevant assets and business; (2) when Foshan Electrical and Lighting considers it is necessary, should take preference to purchase the relevant assets and business held by the company and the relevant enterprises through appropriate methods; 2.each commitment made by the company on eliminating or avoiding the horizontal competition is also adapted to the subordinate enterprises directly or indirectly controlled by the company and the Company owns the obligation to urge and ensure the other subordinate enterprises to carry out each events and arrangement stated on the document and to strictly abide to the whole</p>	
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				commitments. 3. If the company or the subordinate enterprises directly or indirectly controlled by the company violated the above commitments that led to the losses of Foshan Electrical and Lighting, the company should pay for the reasonable compensation.”	
Related-party transactions	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited	Local SASAC	Some enterprises controlled by the controlling shareholders engage in business with the Company, which incurs related-party transactions.	The controlling shareholders committed: 1. guaranteed to strictly abide by the each regulation from the CSRC, the normative laws documents of SZSE and the Articles of Association of Foshan Electrical and Lighting. Among the production and operating activities since then, the promisee would not take advantage of the position of the controlling shareholders and the actual controller to carry out any behavior that harm the benefits of Foshan Electrical and Lighting and other shareholders; 2. the promisee and the other subsidiaries, the branch companies, the joint ventures or associated companies (hereinafter referred to as the “relevant enterprises”) will try their best to avoid and reduce the related transactions with Foshan Electrical and Lighting and its subsidiaries; 3. as for the related transactions which are indeed necessary and could not be avoided	Ongoing

				<p>between the promisee, the relevant enterprises and Foshan Electrical and Lighting, will strictly abide by the market principles of fairness, justice with valuable consideration. When the Annual General Meeting or the Board of Directors is executing the voting on the related transactions which involved with the promisee and the relevant enterprises, should execute the obligation of avoiding the voting and at the same time execute the transactions vetting process as well as the information disclosure obligations according to the relevant laws and regulations and the normative documents. If violated the above commitments and caused the losses to Foshan Electrical and Lighting as well as the subsidiaries and other shareholders, the promisee should assume compensation liability.</p>	
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IV Annual and special meetings of shareholders convened during this Reporting Period

1. Meetings of shareholders convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2015 Annual Meeting of Shareholders	Annual	38.19%	04/22/2016	04/23/2016	Announcement No. 2016-020 on Resolutions of 2015 Annual Meeting of

					Shareholders disclosed on www.cninfo.com.cn
The 1 st Special Meeting of Shareholders in 2016	Special	37.56%	08/23/2016	08/24/2016	Announcement No. 2016-039 on Resolutions of 1 st Special Meeting of Shareholders in 2016 disclosed on www.cninfo.com.cn
The 2 nd Special Meeting of Shareholders in 2016	Special	37.43%	10/18/2016	10/19/2016	Announcement No. 2016-054 on Resolutions of 2 nd Special Meeting of Shareholders in 2016 disclosed on www.cninfo.com.cn

2. Special meetings of shareholders convened at the request of preference shareholders with resumed voting rights

☐ Applicable ☒ Not applicable

V Performance of independent directors in this Reporting Period

1. Attendance of independent directors in board meetings and meetings of shareholders

Attendance of independent directors in board meetings						
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absent for two consecutive times
Zhang Nan	10	5	5	0	0	No
Lu Rui	10	5	5	0	0	No
Lu Wei	10	4	5	1	0	No
Attendance of independent directors in meetings of shareholders as non-voting delegates (times)	2					

2. Objections raised by independent directors on issues of the Company

Indicate by tick mark whether any independent directors raised any objections on issues of the Company.

☐ Yes ☒ No

No such cases in this Reporting Period.

3. Other details about the performance of duties by independent directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

√ Yes ☐ No

Suggestions from independent directors adopted or not adopted by the Company:

During the Reporting Period, in accordance with the requirements of Company Law, Code of Governance of Listed Companies, Guidance on the Establishment of the Independent Directors System of the Listed Companies, Articles of Association and relevant systems, the independent directors of the Company attended the board sessions held during the Reporting Period, carefully reviewed the proposals proposed on the sessions, paid attention to the operation of the Company, performed the duties sincerely and diligently, and issued independent opinion on acquisition and sale of assets, asset impairment provision making, related-party transactions, profit distribution, etc., as well as proposed many precious advices on perfection of systems and decision of routine operation of the Company, so as to play an active role in protecting the legal right of the Company and its shareholders.

VI Performance of duties by specialized committees under the Board during this Reporting Period

(I) Work accomplished by the Audit Committee

According to the related provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange, as well as the Rules of Implementation for the Audit Committee of the Board, the Audit Committee diligently performed the following work duties:

1. On January 29, 2016, the Audit Committee convened a session and reviewed as well as approved the following two topics:

- (1) Reviewed and approved the auditor's schedule for the 2015 annual audit of the Company; and
- (2) Reviewed and approved the Financial Department's briefing on the 2015 main financial data.

Had not discovered any significant problem of the 2015 main financial data of the Company after carefully reviewed and the 2015 main financial data and pretax profits analysis submitted by Ministry of Finance and listened to the report from the financial staffs. Since there is a period of time between this preliminary review of the financial statements and the formal issuance of the auditor's report and the financial statements, we hereby remind the Company's Financial Department to pay attention to dealing with the follow-up affairs after the date of Balance Sheet in strict compliance with the New Accounting Standards for Business Enterprises, so as to ensure

the factuality, fairness and completeness of the financial statements.

2. On March 17, 2016, the Audit Committee convened a session and reviewed as well as approved the following two topics:

(1) 2015 annual financial report of the Company;

(2) Proposal on hiring new CPAs firm; and

In view of the fact that GP Certified Public Accountants LLP (Special General Partnership) has been providing financial audit services for the Company for 23 years, and the service period of present year is about to expire, it is proposed to appoint Beijing Zhongzheng Tiantong Certified Public Accountants (Special General Partnership) as the auditing institution for finance and internal control of the Company for the year 2016 after careful investigation and survey in order to ensure the independence and objectivity of the audit work.

(3) 2015 work plan of Audit Department.

3. On April 18, 2016, the Audit Committee convened a meeting, at which the Proposal on Appointment of Pang Haitao as Internal Audit Manager was considered and approved.

(II) Work of the Remuneration and Appraisal Committee

1. On January 29, 2016, the Remuneration and Appraisal Committee held a meeting to consider the *Notes on the Remuneration of the Senior Management of the Company for 2015*;

In the case of macroeconomic downturn and increased competition in the industry, the Company's performance in 2015 didn't meet the requirements, which was mainly due to the following reasons: (1) Compensated the investors for losses of RMB 130.42 million; (2) accrued provision for impairment of assets RMB 89.47 million; (3) LED product price dropped, resulting in profits reduction.

Although the Company's performance in 2015 didn't meet the requirements, the achievement of main business didn't decline too much. The operating income of the Company in 2015 was RMB 2,876,659,100, which declined by 6.26% on a year-on-year basis. According to the fulfillment of the performance indicators of senior management, comparing with the performance requirements and combined with the Company's actual situation, it is decided to pay only the basic annual salary to the senior management in 2015, while the performance salary and long-term incentive fund will be garnished.

2. On December 20, 2016, the Remuneration and Appraisal Committee held a meeting to consider the *Proposal of Remuneration Plan for Senior Management of Foshan Electrical and Lighting Co., Ltd. (Draft)*.

The Proposal was developed according to the industry and regional remuneration level of the Company, combined with the actual operation of the company and the assessment system. The remuneration scheme complies with laws and regulations and the Articles of Association and other relevant provisions and is conducive to mobilize the enthusiasm and creativity of the company's senior management, create good business performance and promote the company's long-term development.

(III) Work of the Nomination Committee

During the Reporting Period, the Nomination Committee carried out its work actively and seriously, carefully audited the qualification, work experience and other related matters of the directors and senior management serving in the Reporting Period, and believed that the directors and senior management were fully qualified for their work. During the Reporting Period, the Nomination Committee nominated Qi Siyin as director of the Board of Directors; nominated Zhang Yong and Zhang Xuequan as the senior management of the Company.

VII Performance of duties by the Supervisory Board

Did the Supervisory Board find any risks to the Company during its supervision in this Reporting Period?

☐ Yes ☒ No

The Supervisory Board raised no objections in this Reporting Period.

VIII Appraisal and incentive for executive officers

The senior management of the Company is appointed by the Board of Directors, evaluated by the Remuneration and Appraisal Committee of the Board of Directors according to their work abilities, duty performance and fulfillment of the operating performance management, and paid according to Establishing Equity Incentive System for Middle and Senior Management and Remuneration System of the company considered and passed at the Annual Shareholders' General Meeting of the Company in 2001, the Remuneration Plan for Executive Officers considered and approved by the Board and salary system of the Company.

IX Internal control

1. Serious internal control defects found in this Reporting Period

☐ Yes ☒ No

2. Internal control self-evaluation report

Disclosure date of the internal control self-evaluation report	03/30/2017	
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Internal Control Self-Evaluation Report 2016	
Total assets of the evaluated entities as a percentage in the consolidated total assets	99.36%	
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues	99.99%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	Defect with one of the following characteristics should be recognized as a serious defect: 1. the defect involved with the malpractices of the Directors, the Supervisors and the Senior Executives; 2. the controlled environment is invalid; 3. the CPA discovered any significant misstatement from the current financial report while the internal control could not discover the mistake during the operating process; 4. the supervision from the Corporate Audit Committee and the internal audit institution on the internal control. If there met with one of the situation of the following, should be recognized as an important defect: 1. the recognized important defect is not solved during the reasonable period; 2. corrects the published financial report; 3. the function of the internal audit of the Company is invalid; 4. the control of whether execute the selection and the application of the accounting policies according to the Generally Accepted Accounting Principles is invalid.	Defect with one of the following characteristics should be recognized as a serious defect: 1. being punished for seriously violating the national laws, the administrative laws and regulations and the normative documents; 2. the Company suffers a serious economic loss due to any serious errors made in decision-making caused by serious lack of decision-making procedures on significant events or unfair decision-making; 3. the Company's reputation has been unrepairably damaged by any conduct in violation of laws and regulations which produces a far-reaching negative impact and draws the public's attention widely; 4. the major business involved with the production and operating of the Company lack of the system control or the system control is invalid; 5. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 12 months. Defects with the following characteristics should be recognized as important defects: 1. owing to partly lack of the decision-making process on significant events and the undemocratic

		decision-making process which caused the decision-making mistake that led the Company face with certain economic losses; 2. the negative influences owing to the unlawful acts and the irregularities h involve with wide range and cause public concern among the partial regions which bring certain harms to the reputation of the Company; 3. the system of the major business involved with the production and operating of the Company is incomplete or partially invalid; 4. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 6 months.
Quantitative standard	Based on the data of the 2016 consolidated statements, the quantitative criterion of confirming the important degree of the misstatement (including the false negatives) from of the consolidated statements of the listed companies is as follows: serious defect: misstatement \geq 1.0% of the total assets amount; important defects: 0.5% of the total assets amount \leq misstatement $<$ 1.0% of the total assets amount; common defects: misstatement $<$ 0.5% of the total assets amount.	According to the quantitative criterion of the internal control defects of the financial report, the quantitative criterion of the internal control defects assessment of the non-financial report confirmed by the Company is as follows: serious defect: losses amount \geq 1.0% of the total assets amount; important defects: 0.5% of the total assets amount \leq losses amount $<$ 1.0% of the total assets amount; common defects: losses amount $<$ 0.5% of the total assets amount.
Number of serious financial-report-related defects		0
Number of serious non-financial-report-related defects		0
Number of important financial-report-related defects		0
Number of important non-financial-report-related defects		0

X Auditor's report on internal control

☒ Applicable ☐ Not applicable

Opinion paragraph in the auditor's report on internal control
Beijing Zhongzhengtiantong Certified Public Accountants LLP considered that: Foshan Electrical and Lighting Co., Ltd. maintained effective internal control of the financial report in all significant aspects according to the Basic Standards for Internal

Control and relevant regulations.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	03/30/2017
Index to the disclosed auditor's report on internal control	See www.cninfo.com.cn for the Auditor's Report on Internal Control
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor's report on the Company's internal control.

☐ Yes ☒ No

Indicate by tick mark whether the auditor's report on the Company's internal control issued by the CPAs firm is consistent with the self-evaluation report of the Board.

☒ Yes ☐ No

Section X Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

Section XI Financial Report

I Auditor's report

Type of auditor's opinion	Standard unqualified opinion
Date of signing the auditor's report	03/28/2017
Name of the auditor	Beijing Zhongzhengtiantong Certified Public Accountants LLP
No. of the auditor's report	ZZTT (2017) Auditor's Report No. 071062
Name of CPA	Tong Quanyong, Luo Dongri

Text of the Auditor's Report

Auditor's Report

ZZTT (2017) Auditor's Report No. 071062

All shareholders of Foshan Electrical and Lighting Co., Ltd.,

We have audited the accompanying financial statements of Foshan Electrical and Lighting Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at December 31, 2016, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

1. The management's responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Such a responsibility includes: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control related to the preparation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for us to express auditing opinion.

3. Auditor's opinion

In our opinion, the financial statements of the Company have been prepared according to the Accounting Standards for Business Enterprises in all material aspects, which give a fair view of the Company's and consolidated financial positions as at December 31, 2016 and the Company's and consolidated operating results and cash flows for the year then ended.

Beijing Zhongzhengtiantong Certified
Public Accountants LLP

Beijing • China

CPA:

Tong Quanyong

CPA:

Luo Dongri

March 28, 2017

II Financial statements

Currency unit for the financial statements: RMB

1. Consolidated balance sheet

Prepared by Foshan Electrical and Lighting Co., Ltd.

December 31, 2016

Unit: RMB Yuan

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	1,479,283,642.54	935,241,205.20
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss		51,600.00
Derivative financial assets		
Notes receivable	67,925,843.74	202,669,316.48
Accounts receivable	595,257,954.00	366,401,130.72
Accounts paid in advance	30,292,007.11	6,858,950.41
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	4,612,406.80	3,022,646.23
Dividends receivable		
Other accounts receivable	11,977,660.58	17,313,604.14
Financial assets purchased under agreements to resell		
Inventories	753,681,605.19	559,651,928.21
Assets held for sale		
Non-current assets due within one year		
Other current assets	441,205,461.72	91,060,842.89
Total current assets	3,384,236,581.68	2,182,271,224.28
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	1,732,150,857.01	3,092,416,162.34

Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	210,394,932.69	382,637.52
Investment property		
Fixed assets	446,006,929.66	484,436,218.17
Construction in progress	71,479,325.91	32,488,518.68
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	160,330,395.13	163,887,313.63
R&D expenses		
Goodwill		
Long-term deferred expenses	6,897,119.78	406,425.35
Deferred tax assets	43,547,918.44	42,744,728.66
Other non-current assets	45,125,340.00	49,263,204.15
Total non-current assets	2,715,932,818.62	3,866,025,208.50
Total assets	6,100,169,400.30	6,048,296,432.78
Current liabilities:		
Short-term borrowings		
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	552,255,512.33	396,263,382.12
Accounts received in advance	41,180,818.13	71,531,790.37
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	96,021,156.06	72,004,987.32
Taxes payable	138,282,644.72	12,969,090.31
Interest payable		

Dividends payable	6,287,923.09	
Other accounts payable	50,104,338.81	36,530,501.22
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	884,132,393.14	589,299,751.34
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable		
Long-term payroll payable		
Special payables		
Provisions		
Deferred income	10,449,768.49	10,722,275.02
Deferred tax liabilities	200,112,595.11	390,534,187.37
Other non-current liabilities		
Total non-current liabilities	210,562,363.60	401,256,462.39
Total liabilities	1,094,694,756.74	990,556,213.73
Owners' equity:		
Share capital	1,272,132,868.00	1,272,132,868.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	285,821,459.07	296,324,375.58
Less: Treasury shares		
Other comprehensive income	1,133,971,372.25	2,212,989,156.02

Special reserve		
Surplus reserve	733,924,951.81	628,439,107.12
Provisions for general risks		
Retained earnings	1,564,615,925.99	613,661,381.40
Equity attributable to owners of the Company	4,990,466,577.12	5,023,546,888.12
Minority interests	15,008,066.44	34,193,330.93
Total owners' equity	5,005,474,643.56	5,057,740,219.05
Total liabilities and owners' equity	6,100,169,400.30	6,048,296,432.78

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

2. Balance sheet of the Company

Unit: RMB Yuan

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	1,235,417,964.88	633,291,177.30
Financial assets at fair value through profit/loss		51,600.00
Derivative financial assets		
Notes receivable	66,222,840.44	200,483,728.48
Accounts receivable	611,855,496.90	387,870,578.18
Accounts paid in advance	117,217,953.23	6,258,960.70
Interest receivable	3,590,629.01	1,979,245.24
Dividends receivable	14,671,820.57	
Other accounts receivable	56,714,849.84	47,175,016.15
Inventories	717,097,516.25	540,058,085.51
Assets held for sale		
Non-current assets due within one year		
Other current assets	379,932,325.87	87,132,242.99
Total current assets	3,202,721,396.99	1,904,300,634.55
Non-current assets:		
Available-for-sale financial assets	1,732,150,857.01	3,092,416,162.34
Held-to-maturity investments		
Long-term accounts receivable		

Long-term equity investments	693,992,222.45	417,972,577.28
Investment property		
Fixed assets	375,075,102.44	403,470,166.52
Construction in progress	69,589,510.14	32,098,207.18
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	117,017,633.92	120,554,776.71
R&D expenses		
Goodwill		
Long-term deferred expenses	6,897,119.78	
Deferred tax assets	37,790,043.38	36,469,936.66
Other non-current assets	44,519,790.00	49,025,459.75
Total non-current assets	3,077,032,279.12	4,152,007,286.44
Total assets	6,279,753,676.11	6,056,307,920.99
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	701,814,818.26	518,615,548.53
Accounts received in advance	38,406,798.91	70,168,946.84
Payroll payable	66,764,581.34	48,921,086.93
Taxes payable	121,939,572.62	2,172,775.43
Interest payable		
Dividends payable		
Other accounts payable	258,368,416.59	93,375,598.50
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,187,294,187.72	733,253,956.23
Non-current liabilities:		

Long-term borrowings		
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions		
Deferred income	9,984,768.34	10,102,274.95
Deferred tax liabilities	200,112,595.11	390,534,187.37
Other non-current liabilities		
Total non-current liabilities	210,097,363.45	400,636,462.32
Total liabilities	1,397,391,551.17	1,133,890,418.55
Owners' equity:		
Share capital	1,272,132,868.00	1,272,132,868.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	293,425,065.15	293,419,444.90
Less: Treasury shares		
Other comprehensive income	1,133,971,372.25	2,212,989,156.02
Special reserve		
Surplus reserve	733,924,951.81	628,439,107.12
Retained earnings	1,448,907,867.73	515,436,926.40
Total owners' equity	4,882,362,124.94	4,922,417,502.44
Total liabilities and owners' equity	6,279,753,676.11	6,056,307,920.99

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

3. Consolidated income statement

Unit: RMB Yuan

Item	2016	2015
1. Operating revenues	3,366,454,968.60	2,876,659,100.63
Including: Sales income	3,366,454,968.60	2,876,659,100.63
Interest income		

Premium income		
Fee and commission income		
2. Operating costs	2,966,419,594.56	2,716,539,877.28
Including: Cost of sales	2,518,164,099.97	2,185,558,581.31
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	34,882,209.20	25,680,514.21
Selling expenses	204,777,965.73	203,112,498.50
Administrative expenses	211,412,262.47	241,585,514.09
Finance costs	-28,457,453.89	-28,871,124.02
Asset impairment loss	25,640,511.08	89,473,893.19
Add: Profit on fair value changes ("-" means loss)		35,935.00
Investment income ("-" means loss)	882,079,521.77	19,523,757.86
Including: Share of profit/loss of associates and joint ventures	4,327,697.03	-3,307,086.87
Exchange gains ("-" means loss)		
3. Operating profit ("-" means loss)	1,282,114,895.81	179,678,916.21
Add: Non-operating income	3,740,686.27	7,627,967.24
Including: Profit on disposal of non-current assets	20,253.97	182,286.57
Less: Non-operating expense	12,622,554.30	141,313,889.53
Including: Loss on disposal of non-current assets	5,796,711.34	8,354,989.42
4. Total profit ("-" means loss)	1,273,233,027.78	45,992,993.92
Less: Corporate income tax	199,976,634.04	8,308,268.53
5. Net profit ("-" means loss)	1,073,256,393.74	37,684,725.39
Net profit attributable to owners of the Company	1,072,342,050.13	53,405,593.12
Minority interests' income	914,343.61	-15,720,867.73
6. Other comprehensive income net of tax	-1,079,017,783.77	2,140,838,817.33

Other comprehensive income net of tax attributable to owners of the Company	-1,079,017,783.77	2,140,838,817.33
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	-1,079,017,783.77	2,140,838,817.33
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method	21,831,908.42	
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,100,849,692.19	2,140,838,817.33
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences		
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests		
7. Total comprehensive income	-5,761,390.03	2,178,523,542.72
Attributable to owners of the Company	-6,675,733.64	2,194,244,410.45
Attributable to minority interests	914,343.61	-15,720,867.73
8. Earnings per share		
8.1 Basic earnings per share	0.8429	0.0420
8.2 Diluted earnings per share	0.8429	0.0420

Where business mergers under the same control occurred in this Reporting Period, the net profit achieved by the merged parties

before the business mergers was RMB0.00, with the corresponding amount for the last period being RMB0.00.

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

4. Income statement of the Company

Unit: RMB Yuan

Item	2016	2015
1. Operating revenues	3,419,178,022.89	2,931,734,966.72
Less: Operating costs	2,643,247,405.29	2,324,989,903.05
Taxes and surtaxes	23,282,652.36	17,146,422.63
Selling expenses	202,456,041.37	198,554,906.43
Administrative expenses	193,826,370.43	187,165,627.10
Finance costs	-23,363,408.54	-21,570,398.18
Asset impairment loss	25,569,327.12	90,519,931.40
Add: profit on fair value changes (“-” means loss)		35,935.00
Investment income (“-” means loss)	895,733,724.43	19,523,757.86
Including: Share of profit/loss of associates and joint ventures	4,327,697.03	-3,307,086.87
2. Operating profit (“-” means loss)	1,249,893,359.29	154,488,267.15
Add: Non-operating income	3,197,757.63	5,222,584.35
Including: Profit on disposal of non-current assets	9,401.71	9,375.59
Less: Non-operating expense	10,946,958.61	139,994,837.37
Including: Loss on disposal of non-current assets	5,485,996.38	7,411,664.29
3. Total profit (“-” means loss)	1,242,144,158.31	19,716,014.13
Less: Corporate income tax	187,285,711.44	-2,990,648.49
4. Net profit (“-” means loss)	1,054,858,446.87	22,706,662.62
5. Other comprehensive income net of tax	-1,079,017,783.77	2,140,838,817.33
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		

5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss	-1,079,017,783.77	2,140,838,817.33
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method	21,831,908.42	
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-1,100,849,692.19	2,140,838,817.33
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences		
5.2.6 Other		
6. Total comprehensive income	-24,159,336.90	2,163,545,479.95
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

5. Consolidated cash flow statement

Unit: RMB Yuan

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	3,142,236,107.62	2,835,034,614.10
Net increase in money deposits from customers and interbank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		

Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	71,456,301.70	42,423,907.66
Cash received from other operating activities	52,922,399.69	27,080,736.93
Subtotal of cash inflows from operating activities	3,266,614,809.01	2,904,539,258.69
Cash paid for goods and services	1,962,007,251.93	1,618,725,610.28
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	610,995,842.31	508,218,930.15
Taxes paid	242,817,744.82	214,353,895.03
Cash paid for other operating activities	160,815,201.47	374,915,633.80
Subtotal of cash outflows from operating activities	2,976,636,040.53	2,716,214,069.26
Net cash flows from operating activities	289,978,768.48	188,325,189.43
2. Cash flows from investing activities:		
Cash received from retraction of investments	64,155,025.41	25,409,754.20
Cash received as investment income	918,324,848.10	4,413,629.96
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	113,000.00	1,038,128.00

Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	982,592,873.51	30,861,512.16
Cash paid to acquire fixed assets, intangible assets and other long-term assets	99,546,739.15	68,596,503.73
Cash paid for investment	620,507,350.00	
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	39,877.93	
Subtotal of cash outflows from investing activities	720,093,967.08	68,596,503.73
Net cash flows from investing activities	262,498,906.43	-37,734,991.57
3. Cash flows from financing activities:		
Cash received from capital contributions	10,000,000.00	
Including: Cash received from minority shareholder investments by subsidiaries	10,000,000.00	
Cash received as borrowings		
Cash received from issuance of bonds		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	10,000,000.00	
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	15,901,660.85	215,284,023.90
Including: dividends or profit paid by subsidiaries to minority interests		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities	15,901,660.85	215,284,023.90
Net cash flows from financing activities	-5,901,660.85	-215,284,023.90

4. Effect of foreign exchange rate changes on cash and cash equivalents	-838,479.89	8,538,698.81
5. Net increase in cash and cash equivalents	545,737,534.17	-56,155,127.23
Add: Opening balance of cash and cash equivalents	933,546,108.37	989,701,235.60
6. Closing balance of cash and cash equivalents	1,479,283,642.54	933,546,108.37

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

6. Cash flow statement of the Company

Unit: RMB Yuan

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	3,164,460,619.08	2,801,046,950.23
Tax refunds received	71,456,301.70	42,234,888.61
Cash received from other operating activities	43,134,054.60	14,330,850.10
Subtotal of cash inflows from operating activities	3,279,050,975.38	2,857,612,688.94
Cash paid for goods and services	2,428,381,785.03	1,958,657,434.17
Cash paid to and for employees	235,862,626.78	185,511,119.94
Taxes paid	141,319,406.75	120,381,921.25
Cash paid for other operating activities	155,496,800.41	391,075,314.15
Subtotal of cash outflows from operating activities	2,961,060,618.97	2,655,625,789.51
Net cash flows from operating activities	317,990,356.41	201,986,899.43
2. Cash flows from investing activities:		
Cash received from retraction of investments	64,155,025.41	25,409,754.20
Cash received as investment income	918,324,848.10	4,413,629.96
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	14,000.00	18,626.61
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing		

activities		
Subtotal of cash inflows from investing activities	982,493,873.51	29,842,010.77
Cash paid to acquire fixed assets, intangible assets and other long-term assets	90,609,951.60	77,403,585.76
Cash paid for investment	591,007,350.00	
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	681,617,301.60	77,403,585.76
Net cash flows from investing activities	300,876,571.91	-47,561,574.99
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings		
Cash received from issuance of bonds		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities		
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	15,901,660.85	215,284,023.90
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities	15,901,660.85	215,284,023.90
Net cash flows from financing activities	-15,901,660.85	-215,284,023.90
4. Effect of foreign exchange rate changes on cash and cash equivalents	-838,479.89	8,514,259.57
5. Net increase in cash and cash equivalents	602,126,787.58	-52,344,439.89
Add: Opening balance of cash and cash equivalents	633,291,177.30	685,635,617.19
6. Closing balance of cash and cash equivalents	1,235,417,964.88	633,291,177.30

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

7. Consolidated statement of changes in owners' equity

2016

Unit: RMB Yuan

Item	2016												
	Equity attributable to owners of the Company										Minorit y interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Special reserve	Surplus reserve	General risk reserve			Retaine d earning s
		Prefer ence shares	Perpet ual bonds	Other									
1. Balance at the end of the prior year	1,272, 132,86 8.00				296,324 ,375.58		2,212,9 89,156. 02		628,439 ,107.12		613,661 ,381.40	34,193, 330.93	5,057,7 40,219. 05
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	1,272, 132,86 8.00				296,324 ,375.58		2,212,9 89,156. 02		628,439 ,107.12		613,661 ,381.40	34,193, 330.93	5,057,7 40,219. 05
3. Increase/ decrease in the period (“-” means decrease)					-10,502, 916.51		-1,079,0 17,783. 77		105,485 ,844.69		950,954 ,544.59	-19,185, 264.49	-52,265, 575.49
3.1 Total comprehensive income							-1,079,0 17,783. 77				1,072,3 42,050. 13	914,343 .61	-5,761,3 90.03
3.2 Capital increased and reduced by owners					-10,508, 536.76							-13,811, 685.01	-24,320, 221.77
3.2.1 Ordinary shares increased by shareholders												10,000, 000.00	10,000, 000.00

3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other					-10,508,536.76							-23,811,685.01	-34,320,221.77
3.3 Profit distribution					5,620.25				105,485,844.69		-121,387,505.54	-6,287,923.09	-22,183,963.69
3.3.1 Appropriation to surplus reserve									105,485,844.69		-105,485,844.69		
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-15,901,660.85	-6,287,923.09	-22,189,583.94
3.3.4 Other					5,620.25								5,620.25
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													

3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other													
4. Closing balance	1,272, 132,86 8.00				285,821 ,459.07		1,133,9 71,372. 25		733,924 ,951.81		1,564,6 15,925. 99	15,008, 066.44	5,005,4 74,643. 56

2015

Unit: RMB Yuan

Item	2015												
	Equity attributable to owners of the Company											Minorit y interest s	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Specific reserve	Surplus reserve	General risk reserve	Retaine d earnings		
		Prefer ence shares	Perpet ual bonds	Other									
1. Balance at the end of the prior year	978,56 3,745. 00				589,892 ,717.59		72,150, 338.69		626,168 ,440.86		777,810 ,478.44	49,914, 198.66	3,094,4 99,919. 24
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	978,56 3,745. 00				589,892 ,717.59		72,150, 338.69		626,168 ,440.86		777,810 ,478.44	49,914, 198.66	3,094,4 99,919. 24
3. Increase/ decrease in the period (“-” means decrease)	293,56 9,123. 00				-293,56 8,342.0 1		2,140,8 38,817. 33		2,270,6 66.26		-164,14 9,097.0 4	-15,720 ,867.73	1,963,2 40,299. 81
3.1 Total							2,140,8				53,405,	-15,720	2,178,5

comprehensive income							38,817.33				593.12	,867.73	23,542.72
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution									2,270,666.26		-217,554,690.16		-215,284,023.90
3.3.1 Appropriation to surplus reserve									2,270,666.26		-2,270,666.26		
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-215,284,023.90		-215,284,023.90
3.3.4 Other													
3.4 Internal carry-forward of owners' equity	293,569,123.00					-293,569,123.00							
3.4.1 New increase of capital (or share capital) from capital reserve	293,569,123.00					-293,569,123.00							

3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other					780.99								780.99
4. Closing balance	1,272,132,868.00				296,324,375.58		2,212,989,156.02		628,439,107.12		613,661,381.40	34,193,330.93	5,057,740,219.05

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

8. Statement of changes in owners' equity of the Company

2016

Unit: RMB Yuan

Item	2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	1,272,132,868.00				293,419,444.90		2,212,989,156.02		628,439,107.12	515,436,926.40	4,922,417,502.44
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the	1,272,132,868.00				293,419,444.90		2,212,989,156.02		628,439,107.12	515,436,926.40	4,922,417,502.44

beginning of the year	2,868.00				44.90		,156.02		07.12	,926.40	,502.44
3. Increase/decrease in the period (“-” means decrease)					5,620.25		-1,079,017,783.77		105,485,844.69	933,470,941.33	-40,055,377.50
3.1 Total comprehensive income							-1,079,017,783.77			1,054,858,446.87	-24,159,336.90
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution					5,620.25				105,485,844.69	-121,387,505.54	-15,896,040.60
3.3.1 Appropriation to surplus reserve									105,485,844.69	-105,485,844.69	
3.3.2 Appropriation to owners (or shareholders)										-15,901,660.85	-15,901,660.85
3.3.3 Other					5,620.25						5,620.25
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital											

(or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other											
4. Closing balance	1,272,13 2,868.00				293,425,0 65.15		1,133,971 ,372.25		733,924,9 51.81	1,448,9 07,867. 73	4,882,362 ,124.94

2015

Unit: RMB Yuan

Item	2015										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehe nsive income	Special reserve	Surplus reserve	Retaine d earnings	Total owners' equity
		Prefere nce shares	Perpetu al bonds	Other							
1. Balance at the end of the prior year	978,563, 745.00				586,987,7 86.91		72,150,33 8.69		626,168,4 40.86	710,284 ,953.94	2,974,155 ,265.40
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the	978,563, 745.00				586,987,7 86.91		72,150,33 8.69		626,168,4 40.86	710,284 ,953.94	2,974,155 ,265.40

year											
3. Increase/decrease in the period (“-” means decrease)	293,569,123.00				-293,568,342.01		2,140,838,817.33		2,270,666.26	-194,848,027.54	1,948,262,237.04
3.1 Total comprehensive income							2,140,838,817.33			22,706,662.62	2,163,545,479.95
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners’ equity											
3.2.4 Other											
3.3 Profit distribution									2,270,666.26	-217,554,690.16	-215,284,023.90
3.3.1 Appropriation to surplus reserve									2,270,666.26	-2,270,666.26	
3.3.2 Appropriation to owners (or shareholders)										-215,284,023.90	-215,284,023.90
3.3.3 Other											
3.4 Internal carry-forward of owners’ equity	293,569,123.00				-293,569,123.00						
3.4.1 New increase of capital (or share capital) from capital	293,569,123.00				-293,569,123.00						

reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other					780.99						780.99
4. Closing balance	1,272,132,868.00				293,419,444.90		2,212,989,156.02		628,439,107.12	515,436,926.40	4,922,417,502.44

Legal representative: He Yong

Accounting head for this Report: Liu Xingming

Head of the accounting department: Tang Qionglan

III Company profile

1. Overview of the Company

Foshan Electrical and Lighting Co., Ltd. (hereinafter referred to as “the Company”), a joint-stock limited company jointly founded by Foshan Electrical and Lighting Company, Nanhai Wuzhuang Color Glazed Brick Field, and Foshan Poyang Printing Industrial Co. on Oct. 20, 1992 by raising funds under the approval of YGS (1992) No. 63 Document issued by the Joint Examination Group for Experimental Enterprises in Stock System of Guangdong Province and the Economic System Reform Commission of Guangdong Province, is an enterprise with its shares held by both the corporate and the natural persons. As approved by China Securities Regulatory Commission with Document (1993) No. 33, the Company publicly issued 19.3 million shares of social public shares (A shares) to the public in Oct., 1993, and was listed in Shenzhen Stock Exchange for trade on Nov. 23, 1993. The Company was approved to issue 50,000,000 B shares on Jul. 23, 1995. And, as approved to change into a foreign-invested stock limited company on Aug. 26, 1996 by (1996) WJMZEHZ No. 466 Document issued by the Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China. On Dec. 11, 2000, as approved by China Securities Regulatory Commission with ZJGS Zi [2000] No. 175 Document, the Company additionally issued 55,000,000 A shares. At approved by the Shareholders’ General Meeting 2006, 2007, 2008 and 2014 the Company implemented the plan of capitalization of capital reserve, after the transfer, the registered capital of the Company has increased to RMB1,272,132,868.00.

Credibility code of the Company: 91440000190352575W

Legal representative: Mr. He Yong

Address: No. 64, Fenjiang North Road, Foshan, Guangdong Province

2. Business nature and main operating activities

R&D and production of electro-optical source products, electro-optical source equipment and electro-optical accessories, raw materials of electric light sources, lamps & fittings, electrical materials, motorcycle components, household appliances, electric switches, electrical outlets, fire control products, ventilation devices, LED products, lithium ion batteries and relevant materials; domestic and overseas sale of the aforesaid products; relevant engineering consulting services. (Where a license is required, it must be obtained according to the government's rules before operation.)

3. Approval and Issue of the Financial Report

The Financial Report was approved and authorized for issue by the Board of Directors on March 28, 2017.

4. Scope of the consolidated financial statements and changes

The consolidation scope of the financial statement including the Company and the 9 subordinate subsidiaries such as Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd., Foshan Chansheng Electronic Ballast Co., Ltd., Foshan Taimei Times Lamps and Lanterns Co., Ltd., Nanjing Fozhao Lighting Components Co., Ltd., FSL (Xinxiang) Lighting Co., Ltd., Foshan Electrical and Lighting New Light Source Technology Co., Ltd., Guangdong Fozhao Leasing Co., Ltd., Foshan Lighting Lamps & Components Co., Ltd. and FSL Zhida Electric Technology Co., Ltd.

When compared with last year, FSL Zhida Electric Technology Co., Ltd. is newly added to and Suzhou Mont Lighting Co., Ltd. is excluded from the consolidation scope. For details, see "Note VIII Changes in the consolidation scope".

IV Basis for preparation of financial statements

1. Preparation basis

The financial statements of the Company are based on the assumption of continuing operation, and are prepared according to the actual transactions and events, the *Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance (Decree No. 33 of the Ministry of Finance, revised by Decree No. 76 of the Ministry of Finance), 41 specific accounting standards, the guidelines on the application of accounting standards for business enterprises, the interpretation of accounting standards for business enterprises and other relevant provisions (hereinafter referred to as the *Accounting Standards for Business Enterprises*) promulgated and revised on and after 15 February 2006, as well as the disclosure requirements of *Rules for the Information Disclosure of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Reporting* of China Securities Regulatory Commission (Revised 2014).

According to the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting is based on accrual basis. Except certain financial instruments, these financial statements are based on historical costs. The amount of non-current assets held for sale is valued at fair value less the estimated amount and the original book value at the time when the conditions for sale are satisfied, whichever is lower. If the asset is impaired, the corresponding provision for impairment shall be made in accordance with the relevant provisions.

2. Continuation

The Company has no matters affecting the continuing operation of the Company and is expected to have the

ability to continue to operate in the next 12 months. The financial statements of the Company are prepared on the basis of continuing operation.

V Important accounting policies and estimations

Is the Company subject to any disclosure requirements for special industries?

No.

Reminders of the specific accounting policies and accounting estimations:

Naught

1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's and the consolidated financial positions, business results and cash flows, as well as other relevant information.

2. Fiscal Year

A fiscal year starts on 1 January and ends on 31 Dec. according to the Gregorian calendar.

3. Operating cycle

A normal operating cycle refers to a period from the Group purchasing assets for processing to realizing cash or cash equivalents. An operating cycle for the Group is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

4. Recording Currency

Renminbi is the recording currency for the statements of the Company and its subsidiaries, as well as for the consolidated financial statements.

5. Accounting treatment methods for business combinations under the same control or not under the same control

A business combination refers to a transaction or event that combines two or more separate businesses to form a reporting entity. Business combinations are divided into the combination under the same control and the combination under different controls.

(1) Business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. For the combination under the same control, the party obtaining control over other companies involved in the combination on the combination day is the combining party, and other companies are combined parties. Combination day is the date on which the obtaining party actually obtains control over the combined parties.

The assets and liabilities acquired by the combining party are measured at the book value of the combined parties

at the date of combination. The capital reserve (share premium) is adjusted by the difference between the book value of the net assets obtained by the combining party and the book value of the paid combination consideration (or total nominal value of the issued shares); if the capital reserve (share premium) is insufficient to offset, adjust the retained earnings.

The direct costs incurred by the combining party in the conduct of the business combination shall be recorded into the current profits and losses when incurred.

(2) Business combinations not under the same control

It is business combination under different controls if the companies involved in the combination are not subject to the final control of the same party or same multiple parties before and after the combination. For the combination under different controls, the party obtaining control over other companies involved in the combination on the combination day is the combining party, and other companies are combined parties. Combination day is the date on which the obtaining party actually obtains control over the combined parties.

For the combination under different controls, the costs of combination include the assets paid, liabilities incurred or assumed by the purchaser and the fair value of the equity securities issued by the purchaser for the acquisition of the acquiree, and the audit fees, legal services, assessment consulting and other intermediary service fees and other management fees incurred for the business combination are included in the current profits and losses. The transaction costs of the equity securities or debt securities issued by the purchaser as combination consideration shall be included in the initial recognized amount of the equity securities or the debt securities. The involved contingent consideration shall be included in the combination cost at the fair value at the purchase date, and if contingent consideration should be adjusted due to new or further evidence within 12 months after the purchase date, the consolidated goodwill should be adjusted accordingly. The combination costs incurred by the acquirer and the identifiable net assets acquired in the combination are measured at the fair value at the acquisition date.

The difference of the combination cost greater than the fair value of the identifiable net assets of the acquiree acquired at the acquisition date is recognized as goodwill. If the combination cost is less than the fair value of the identifiable net assets of the acquiree acquired in the combination, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the combination costs shall be reviewed first. If the combination cost is still less than the fair value of the identifiable net assets of the acquiree acquired in the combination, the difference shall be recorded into the current profits and losses.

If the deductible temporary difference obtained by the purchaser from the acquiree has not been confirmed on the date of purchase due to the non-compliance with the recognition criteria of deferred income tax assets, the relevant deferred income tax assets shall be recognized and the goodwill shall be reduced if new or further information is obtained within 12 months after the date of purchase showing that the relevant circumstances are already present and it is expected that the economic benefits brought by the deductible temporary difference of the acquiree on the date of purchase may be realized. If the goodwill is insufficient to offset, the difference shall be recognized as profit or loss for the current period. Except for the above, the deferred income tax assets related to the business combination shall be recognized and included in the current profits and losses.

6. Methods for preparing consolidated financial statements

(1) Principle of determining the scope of consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. Control means that the Company has the right to invest in the investee and enjoy a variable return through

the participation of the relevant activities of the investee, and has the ability to use the power over the investee to affect the amount of its return. The scope of consolidation includes the Company and all subsidiaries. Subsidiary means the subject controlled by the Company.

The Company will conduct a reassessment once the changes in the relevant facts and circumstances result in the changes to the relevant elements of aforesaid control definition.

(2) Principles, procedures and methods for the preparation of consolidated statements

The Company starts to incorporate it into the scope of consolidation from the date of obtaining the actual control over the net assets and decision-making of production and operation of the subsidiaries, and ceases to incorporate it in the scope of consolidation from the date of losing the actual control. For the disposed subsidiaries, the operating results and cash flow before the date of disposal have been properly included in the consolidated income statement and consolidated cash flow statement; for the subsidiaries disposed in current period, the beginning amount of the consolidated balance sheet isn't adjusted. For the subsidiaries added due to the business combination under different controls, the operating results and cash flow after the date of purchase have been properly included in the consolidated income statement and the consolidated cash flow statement, and the beginning amount and the contrast amount of the consolidated financial statements are not adjusted. For the subsidiaries added due to the business combination under same control, the operating results and cash flow from the period begin of the combination to the date of combination have been properly included in the consolidated income statement and the consolidated cash flow statement, and the contrast amount of the consolidated financial statements is adjusted at the same time.

In the preparation of the consolidated financial statements, if the subsidiaries are inconsistent with the accounting policies or accounting periods adopted by the Company, the necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the Company's accounting policies and accounting periods. For subsidiaries acquired by business combination under different controls, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date.

As for the subsidiaries acquired from the enterprise combine not under the same control, the individual financial statement should be adjusted based on the fair value of the identifiable net assets on the purchase date when compiling the consolidated financial statements; as for the subsidiaries acquired from the enterprise combine under the same control, should be regarded as exist as the current state when each involved combine party starting to execute the control in the ultimate control party, and should include the assets, liabilities, operating results and the cash flow in the consolidated financial statements since the year-begin of the combine period and to adjust the previous compared financial statement according to the above principles.

All significant balances, transactions and unrealized profits in the Company are set off at the time of preparation of the consolidated financial statements.

The part of shareholders' equity and the net profit or loss for the current period of the subsidiaries that are not of the Company are listed in shareholders' equity and net profits in the consolidated financial statements as the minority interests and minority gains and losses separately. The share of minority interests in the current net profit or loss of the subsidiaries is presented under the item "Minority gains and losses" under the net profit item of the consolidated income statement. The losses shared by the minority shareholders of the subsidiary exceeding its share in the shareholders' equity at the period begin still off set the minority shareholders' equity.

7. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement refers to an arrangement jointly controlled by two participants or above and be divided into joint operations and joint ventures.

When the Company is the joint venture party of the joint operations, should recognize the following items related to the interests share of the joint operations:

- (1) Recognize the assets individually held and the assets jointly held by recognizing according to the holding share;
- (2) Recognize the liabilities undertook individually and the liabilities jointly held by recognizing according to the holding share;
- (3) Recognize the revenues occurred from selling the output share of the joint operations enjoy by the Company;
- (4) Recognize the revenues occurred from selling the assets of the joint operations according to the holding share;
- (5) Recognize the expenses individually occurred and the expenses occurred from the joint operations according to the holding share of the Company.

When the Company is the joint operation party of the joint ventures, should recognize the investment of the joint ventures as the long-term equity investment and be measured according to the said methods of the notes of the long-term equity investment of the financial statement.

8. Recognition standard for cash and cash equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

9. Foreign currency and accounting method for foreign currency

(1) Foreign currency business

Foreign currency shall be recognized by employing systematic and reasonable methods, and shall be translated into the amount in the functional currency at the exchange rate which is approximate to the spot exchange rate of the transaction date. On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period except that the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be capitalized. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date.

(2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. The revenues and the expenses items of the income statement should be translated according to the spot rate on the exchange date.

The difference of the foreign currency financial statements occurred from the above translation should be listed under the "other comprehensive income" item of the owners' equity of the consolidated financial statement. As for the foreign currency items which actually form into the net investment of the foreign operation, the exchange difference occurred from the exchange rate changes should be listed under the "other comprehensive income" of the owners' equity among the consolidated financial statement when compile the consolidated financial statement.

When disposing the foreign operation, as for the discounted difference of the foreign financial statement related to the foreign operation should be transferred in the current gains and losses according to the proportion. The foreign cash flow adopts the spot exchange rate on the occurring date of the cash flow. And the influenced amount of the exchange rate changes should be individually listed among the cash flow statement.

10. Financial instruments

(1) Classification, recognition and measurement of financial assets

Financial assets shall be classified into the following four categories when they are initially recognized: financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period, loans and the account receivables, financial assets available for sale and the investments which will be held to their maturity.

① Financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period refer to financial assets held by the Company for the purpose of selling in the near future, including transactional financial assets, or financial assets designated by the management in the initial recognition to be measured at fair value with variations recorded in the gains and losses for the current period. Financial assets measured at fair value and of which variations are recorded in the profits and losses for the current period are subsequently measured at their fair values. Interest or cash dividends arising from such assets during the holding period are recognized as investment gains. Gains or losses arising from fair value changes are recorded in the gains and losses for the current period at the end of the Reporting Period. When such assets are disposed, the difference between their fair values and initially recognized amounts is recognized as investment gains and the gains and losses arising from fair value changes are adjusted accordingly.

② Loan and accounts receivable: the non-derivative financial assets for which there is no quoted price in the active market and of which the recoverable amount is fixed or determinable shall be classified as loan and accounts receivable. The Company shall make subsequent measurement on its loan and accounts receivable on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when loan and accounts receivable are terminated from recognizing, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

③ Available-for-sale Financial Assets: the non-derivative financial assets which are designated as available-for-sale financial assets when they are initially recognized as well as the non-derivative financial assets other than loans and accounts receivables, investments held until their maturity; and transaction financial assets. The Company shall make subsequent measurement on available-for-sale financial assets at fair value and recognize the interests or the cash bonus acquired the holding period as the investment income, as well as directly include the profits or losses formed by the changes of the fair value into the owners' equity at the period-end, until the said financial assets shall be transferred out when they are terminated from recognizing or are impaired, which shall be recorded into the profits and losses of current period.

④ Held-to-maturity Investments: non-derivative financial asset with a fixed date of maturity, a fixed or determinable recoverable amount and which the Company's management holds for a definite purpose or the Company's management is able to hold until its maturity. The Company shall make subsequent measurement on its Held-to-maturity Investments on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when loan and accounts receivable are terminated from recognizing, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

(2) Classification, Recognition and Measurement of Financial Liabilities

Financial liabilities shall be classified into the following two categories when they are initially recognized: (1) the transactional financial liabilities; and (2) other financial liabilities. The financial liabilities initially recognized by

the Company shall be measured at their fair values. For the transactional financial liabilities, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

① As for the financial liabilities measured by fair value and its changes be included in the current gains and losses, which including trading financial liabilities and the financial liabilities be appointed to be measured by fair value with the changes be included in the current gains and losses when being initially recognized, should be executed subsequent measurement according to the fair value with the profits or losses formed by the changes of the fair value be included in the current gains and losses.

② Other financial liabilities: The Company shall make subsequent measurement on its other financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when other financial liabilities are terminated from recognizing or amortized, shall be recorded into the profits and losses of the current period.

(3) Recognition and measurement of financial asset transfers

As for the Company transferred nearly all of the risks and rewards related to the ownership of a financial asset to the transferee, should derecognize the financial assets; as for maintained nearly all of the risks and rewards related to the ownership of a financial asset, should continue to recognize the transferred financial assets and recognize the received counter price as a financial liability. Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset (that is to say, it is not under a circumstance as mentioned in Article 7 of these Standards), it shall deal with it according to the circumstances as follows, respectively: (1) If it gives up its control over the financial asset, it shall stop recognizing the financial asset; (2) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period: (1) The book value of the portion whose recognition has been stopped; (2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped.

(4) De-recognition conditions of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability. If executed practical modification on the whole or part of the contract regulations of the existing financial liabilities, should terminate to recognize the existing financial liabilities or certain part of it and at the same time recognize the revised financial liabilities as a new financial liabilities.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

If the Company re-purchase part of the financial liabilities, should distribute the whole book value of the financial liabilities according to the comparatively fair value between the continued reorganization part and the terminated reorganization part on the re-purchase date. And the difference between the book value distributed to the terminated recognition part and the counter price of the paid part (including the rolled out non-cash assets or the new financial liabilities undertook) should be included in the current gains and losses.

(5) Recognition method of the fair value of the financial assets and the financial liabilities

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

(6) Impairment test of financial assets (excluding the accounts receivable) and withdrawal method of impairment provision

The Company inspects the book value of the financial assets on the balance sheet date to judge whether there are evidences indicate that the financial assets had occurred impairment owing to the occurrence of one or multiple events.

As for the measurement for impairment of financial assets measured on the basis of the post-amortization costs, where there is any objective evidence proving that a financial asset measured on the basis of post-amortization costs is impaired, should be recognized by the carrying amount of the difference between the said financial asset which shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred) and the amount of the as written down which shall be recognized as loss of the impairment of the asset. When calculating the current value of the estimated future cash flow, should adopt the original effective interests' rate of the financial assets as the discount rate. The book value of the assets should be written down to the estimated recoverable amount through impairment provision items with the written down amount be included in the current gains and losses. As for the financial assets with individual significant amount, should adopt the individual assessment for ensure whether there are objective evidences indicate the impairment provision and as for the other assets with insignificant amount, should be inspected by individual or group assessment for ensure whether there are objective evidences indicate the impairment provision.

As for the financial assets measured by cost, if there are evidences indicate the impairment of the financial instruments without market price which had not measured by fair value because the fair value could not be reliable measured, the amount of the impairment losses should be measured by the difference between the book value of the financial assets and the current value of the estimated future cash flow acquired from the discounting measurement of the current market return rate of the similar financial assets.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

11. Receivables

(1) Accounts receivable with significant single amount for which the bad debt provision is made individually

Definition or amount criteria for an account receivable with a significant single amount	Top five accounts receivable with the largest balances or accounts accounting for over 10% of the total balance of receivables.
Making separate bad-debt provisions for accounts receivable with a significant single amount	For an account receivable with a significant single amount, the impairment test shall be carried out on it separately. If there is any objective evidence of impairment, the impairment loss is recognized and the bad-debt provision is made according to the difference between the present value of the account receivable's future cash flows and its carrying amount. As for non-significant accounts receivable for which separate impairment provisions are not necessary as proved by the impairment test, as well as other significant accounts receivable that have not been impaired as proved by a separate impairment test, they shall be grouped according to their credit risks and account ages, and then the impairment test is carried out on a group basis.

(2) Accounts receivable which the bad debt provision is withdrawn by credit risk characteristics

Group name	Withdrawal method of bad debt provision
Common transaction group	Aging analysis
Internal transaction group	Age analysis method

In the groups, those adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Aging	Withdrawal proportion of account receivables	Withdrawal proportion of other account receivables
Within 1 year (including 1 year)	3.00%	3.00%
1 to 2 years	10.00%	10.00%
2 to 3 years	30.00%	30.00%
3 to 4 years	50.00%	50.00%
4 to 5 years	80.00%	80.00%
Over 5 years	100.00%	100.00%

In the groups, those adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

In the groups, those adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(3) Accounts receivable with an insignificant single amount but for which the bad debt provision is made independently

Reason of individually withdrawing bad debt provision	There are definite evidences indicate the obvious difference of the returnability
Withdrawal method for bad debt provision	Withdraw the bad debt provision according to the difference of which the future cash flow lower than the book value.

12. Inventory

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Classification of inventory

Inventory refers to finished products, goods in process, and materials consumed in the production process or the provision of labor services held by the Company for sale in daily activities, mainly including raw materials, goods in process, materials in transit, finished products, commodities, turnover materials, and commissioned processing materials. Turnover materials include low-value consumables and packaging.

(2) Pricing method of inventory sent out

The inventory is valued at actual cost when acquired, and inventory costs include procurement costs, processing costs and other costs. The weighted average method is used when receiving or sending out inventory.

(3) Basis for determining the net realizable value of inventory and the method of withdrawal for inventory impairment

Net realizable value refers to the estimated selling price of the inventory minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and the relevant taxes and fees in daily activities. In determining the net realizable value of inventory, the conclusive evidence obtained is used as the basis and the purpose of holding the inventory and the impact of the events after the balance sheet date should be taken into account.

For finished products, the materials used for sale and other goods used for direct sale, the net realizable value is determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes in the process of normal production and operation.

For materials inventory needs to be processed, the net realizable value is determined by the estimated selling price of the finished products minus the estimated cost to be incurred, the estimated sales costs and the relevant taxes and fees in the process of normal production and operation.

(4) Inventory system

The inventory system of the Company is perpetual inventory.

(5) Amortization method of turnover materials

Low-value consumables are amortized in one-off method.

The packaging is amortized in one-off method.

13. Divided as assets held for sale

The Company divides the non-current financial assets which simultaneously meet with the following conditions (excluding financial assets) as the assets held for sale: ① the composition part should and could be immediately sold only according to the usual and idiomatic clauses of selling such composition part under the current

circumstance; ② had made a solution on the disposing of the composition part; ③ had signed a irrevocable transfer agreement with the transferee; ④ the transfer probably be completed within 1 year.

The assets classified as separate non-current assets and disposal groups held for sale are presented separately in the current assets of the balance sheet; liabilities classified as associated with the transferred assets in the disposal group held for sale are presented separately in the current liabilities of the balance sheet.

For an asset or disposal group classified as held for sale but no longer meets the conditions for recognition of non-current assets held for sale, the Company ceases to classify it as held for sale and measure according to the amount of the following two items, whichever is lower:

1. The book value of the asset or disposal group before being classified as held for sale is measured by the amount adjusted according to the depreciation, amortization or impairment that should be recognized as it isn't classified as held for sale.
2. The recoverable amount at the date decided not to sell.

14. Long-term equity investments

Long-term equity investment refers to the Company's long-term equity investment with control, joint control or significant influence on the investee. The long-term equity investment of the Company which has no control, joint control or significant influence on the investee is accounted for as financial assets available-for-sale or financial assets at fair value and changes recognized in profit or loss for the current period. For details of accounting policies, please refer to *Note 5: Important accounting policies and accounting estimates*, and *Note 10: Financial instruments*.

Joint control refers to the control that is common to an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participant who has shared the control. Significant influence refers to the Company has the power to participate in decision-making on the financial and operating policies of the investee, but can't control or jointly control the formulation of these policies with other parties.

(1) Investment cost recognition for long-term equity investments

- ① For the merger of enterprises under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment, and the direct relevant expenses occurred for the merger of enterprises shall be included into the profits and losses of the current period.
- ② For the merger of enterprises not under the same control, The combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquiree, and all relevant direct costs incurred to the acquirer for the business combination. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the Company shall record the said amount into the combination costs.
- ③ The cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.
- ④ The cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

⑤ The cost of a long-term investment obtained by the exchange of non-monetary assets (having commercial nature) shall be recognized base on taking the fair value and relevant payable taxes as the cost of the assets received.

⑥ The cost of a long-term equity investment obtained by recombination of liabilities shall be recognized at the fair value.

(2) Subsequent measurement of long-term equity investment and recognized method of profit/loss

The long-term equity investment with joint control (except for the common operator) or significant influence on the investee is accounted by equity method. In addition, the Company's financial statements use cost method to calculate long-term equity investments that can control the investee.

(1) Long-term equity investment accounted by cost method

When the cost method is used for accounting, the long-term equity investment is priced at the initial investment cost, and the cost of the long-term equity investment is adjusted according to additional investment or recovered investment. Except the price actually paid when acquired investment or cash dividends or profits that have been declared but not yet paid included in the consideration, current investment income is recognized by the cash dividends or profits declared by the investee.

(2) Long-term equity investment accounted by equity method

When the equity method is used for accounting, if the initial investment cost of the long-term equity investment is greater than the fair value of the investee's identifiable net assets, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value of the investee's identifiable net assets, the difference shall be recorded into the current profits and losses, and the cost of the long-term equity investment shall be adjusted at the same time.

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized separately according to the net profit or loss and other comprehensive income realized by the investee, and the book value of the long-term equity investment shall be adjusted at the same time. The part entitled shall be calculated according to the profits or cash dividends declared by the investee, and the book value of the long-term equity investment shall be reduced accordingly. For other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When the share of the net profit or loss of the investee is recognized, the net profit of the investee shall be adjusted and recognized according to the fair value of the identifiable assets of the investee when the investment is made. If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment income and other comprehensive income shall be recognized accordingly. For the transactions between the Company and associates and joint ventures, if the assets made or sold don't constitute business, the unrealized gains and losses of the internal transactions are offset by the proportion attributable to the Company, and the investment gains and losses are recognized accordingly. However, the loss of unrealized internal transactions incurred by the Company and the investee attributable to the impairment loss of the transferred assets shall not be offset. If the assets made to associates or joint ventures constitute business, and the investor makes long-term equity investment but does not obtain the control, the fair value of the investment shall be taken as the initial investment cost of the new long-term equity investment, and the difference between initial investment and the book value of the investment is fully recognized in profit or loss for the current period. If the assets sold by the Company to joint ventures or associates constitute business, the difference between the consideration and the book value of the business shall be fully credited to the current profits and losses. If the assets purchased by Company from joint ventures or associates constitute business, conduct accounting treatment in accordance with the

provisions of *Accounting Standard for Business Enterprises No. 20 - Business combination*, and the profits or losses related to the transaction shall be recognized in full.

When the net loss incurred by the investee is recognized, the book value of the long-term equity investment and other long-term equity that substantially constitute the net investment in the investee shall be written down to zero. In addition, if the Company has an obligation to bear additional losses to the investee, the estimated liabilities are recognized in accordance with the obligations assumed and included in the current investment losses. If the investee has realized net profit in later period, the Company will resume the recognition of the income share after the income share has made up the unrecognized loss share.

(3) Acquisition of minority interests

In the preparation of the consolidated financial statements, capital reserve shall be adjusted according to the difference between the long-term equity investment increased due to the purchase of minority interests and the share of the net assets held by the subsidiary from the date of purchase (or the date of combination) calculated according to the proportion of the new shareholding ratio, and retained earnings shall be adjusted if the capital reserve is insufficient to offset.

(4) Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment in the subsidiary without the loss of control, and the difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is included in the shareholders' equity. If the disposal of long-term equity investment in subsidiaries results in the loss of control over the subsidiaries, handle in accordance with the relevant accounting policies described in *Note 5: Important accounting policies and accounting estimates*, and *Note 6: Preparation method of consolidated financial statements*.

In other cases, the difference between the book value and the actual acquisition price shall be recorded into the current profits and losses for the disposal of the long-term equity investment.

For long-term equity investment accounted by the equity method and residual equity after disposal still accounted by the equity method, other comprehensive income originally included in the shareholders' equity shall be treated in the same basis of the investee directly disposing related assets or liabilities by corresponding proportion. The owner's equity recognized by the change of the owner's equity of the investee other than the net profit or loss, other comprehensive income and profit distribution is carried forward proportionally into the current profits and losses.

For long-term equity investment accounted by the cost method and residual equity after disposal still accounted by the cost method, other comprehensive income accounted by equity method or recognized by financial instrument and accounted and recognized by measurement criteria before the acquisition of the control over the investee is treated in the same basis of the investee directly disposing related assets or liabilities, and carried forward proportionately into the current profits and losses. Other changes of owner's equity in net assets of the investee accounted and recognized by the equity method other than the net profit or loss, other comprehensive income and profit distribution are carried forward proportionally into the current profits and losses.

(3) Impairment provisions for long-term equity investments

For the relevant testing method and provision making method, see "22. Impairment of long-term assets" herein.

15. Investment real estates

Measurement mode of investment real estates

Not applicable

16. Fixed assets

(1) Recognition conditions

Fixed assets of the Company refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one accounting year and unit price is higher. No fixed assets may be recognized unless it simultaneously meets the conditions as follows: ① The economic benefits pertinent to the fixed asset are likely to flow into the Company; and ② The cost of the fixed asset can be measured reliably.

(2) Depreciation method

Category of fixed assets	Method	Useful life	Expected net salvage value	Annual depreciation
Housing and building	Average method of useful life	3—30 years	5%	31.67%-3.17%
Machinery equipments	Average method of useful life	2—10 years	5%	47.50%-9.50%
Transportation vehicle	Average method of useful life	5—10 years	5%	19.00%-9.50%
Electronic equipment	Average method of useful life	2—8 years	5%	47.50%-11.88%

(3) Recognition basis, pricing and depreciation method of fixed assets by finance lease

Not applicable

17. Construction in Progress

Is the Company subject to any disclosure requirements for special industries?

No.

1. Pricing of construction in progress

The constructions are accounted according to the actual costs incurred. The constructions shall be carried forward into fixed assets at the actual cost when reach intended usable condition. The borrowing expenses eligible for capitalization incurred before the delivery of the construction are included in the construction cost; after the delivery, the relevant interest expense shall be recorded into the current profits and losses.

2. Standard and time of construction in progress carrying forward into fixed assets

The Company's construction in progress is carried forward into fixed assets when the construction completes and reaches intended usable condition. The criteria for determining the intended usable condition shall meet one of the following:

- (1) The physical construction (including installation) of fixed assets has been completed or substantially completed;
- (2) Has been produced or run for trial, and the results indicate that the assets can run normally or can produce stable products stably, or the results of the trial operation show that it can operate normally;
- (3) The amount of the expenditure on the fixed assets constructed is little or almost no longer occurring;
- (4) The fixed assets purchased have reached the design or contract requirements, or basically in line with the

design or contract requirements.

3. Provision for impairment of construction in progress

Please refer to *Note 5: Important accounting policies and accounting estimates* and *Note 22: Long-term deferred expenses* for the impairment test method and provision for impairment of construction in progress.

18. Borrowing costs

The borrowing costs refer to interest and other related costs incurred by the Company as a result of borrowings, including interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of assets eligible for capitalization are capitalized and included in the cost of the relevant assets. Other borrowing costs are recognized as expenses according to the amount at the time of occurrence, and are included in the current profits and losses.

1. Principle of capitalization of borrowing costs

Borrowing costs can be capitalized when all the following conditions are met: Asset expenditure has already occurred; borrowing costs have already occurred; construction or production activities necessary to bring the assets to the intended useable or sellable status have already begun.

2. Capitalization period of borrowing costs

Capitalization period refers to the period from the capitalization of borrowing costs starting to the end of capitalization, excluding the period when capitalization is suspended.

If assets that meet the conditions of capitalization are interrupted abnormally in the course of construction or production, and the interruption time exceeds 3 consecutive months, the capitalization of borrowing costs shall be suspended. The borrowing costs incurred during the interruption are recognized as expenses and included in current profits and losses until the acquisition or construction of the assets is resumed. The capitalization of the borrowing costs continues if the interruption is a procedure necessary for the purchase or production of assets eligible for capitalization to meet the intended useable or sellable status.

The borrowing costs shall cease to be capitalized when the purchased or produced assets that meet the conditions of capitalization meet the intended useable or sellable status. The borrowing costs incurred after the assets eligible for capitalization meet the intended useable or sellable status can be included in the current profits and losses when incurred.

3. Calculation method of capitalized amount of borrowing costs

During the period of capitalization, the capitalization amount of interests (including amortization of discounts or premiums) for each accounting period is determined in accordance with the following provisions:

(1) For special borrowings for the acquisition or construction of assets eligible for capitalization, the interest expenses actually incurred in the current period of borrowings shall be recognized after deducting the interest income obtained by depositing the unused borrowing funds into the bank or investment income obtained from temporary investment.

(2) Where the general borrowing is occupied for the acquisition or construction of assets eligible for capitalization, the Company multiplies the weighted average of the asset expenditure of the accumulated asset expenditure exceeding the special borrowing by the capitalization rate of the general borrowing to calculate the amount of interest that should be capitalized for general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

19. Biological assets

Not applicable

20. Oil-gas assets

Not applicable

21. Intangible assets**(1) Pricing method, useful life and impairment test****1. Recognition criteria of intangible assets**

Intangible assets are identifiable non-monetary assets that are owned or controlled by the Company without physical form. The intangible assets are recognized when all the following conditions are met: (1) Conform to the definition of intangible assets; (2) Expected future economic benefits related to the assets are likely to flow into the Company; (3) The costs of the assets can be measured reliably.

2. Initial measurement of intangible assets

Intangible assets are initially measured at cost. Actual costs are determined by the following principles:

(1) The cost of the acquisition of intangible assets, including the purchase price, relevant taxes and other expenses directly attributable to the intended use of the asset. The payment of purchase price of intangible assets exceeding normal credit terms is deferred, and the cost of intangible assets having financing nature in essence shall be recognized based on the present value of the purchase price. The difference between the actual payment price and the present value of the purchase price shall be recorded into the current profits and losses in the credit period except that can be capitalized in accordance with the *Accounting Standard for Business Enterprises No. 17 - Borrowing Cost*.

(2) The cost of investing in intangible assets shall be recognized according to the value agreed upon in the investment contract or agreement, except that the value of the contract or agreement is unfair.

3. Subsequent measurement of intangible assets

The Company shall determine the useful life when it obtains intangible assets. The useful life of intangible assets is limited, and the years of the useful life or output that constitutes the useful life or similar measurement units shall be estimated. The intangible assets are regarded as intangible assets with uncertain useful life if the term that brings economic benefits to the Company is unforeseeable

Intangible assets with limited useful life shall be amortized by straight line method from the time when the intangible assets are available until can't be recognized as intangible assets; intangible assets with uncertain useful life shall not be amortized. The Company reviews the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year, and reviews the estimated useful life of intangible assets with uncertain useful life in each accounting period. For intangible assets that evidence shows the useful life is limited, the useful life shall be estimated and the intangible assets shall be amortized in the estimated useful life.

4. Recognition criteria and withdrawal method of intangible asset impairment provision

The impairment test method and withdrawal method for impairment provision of intangible assets are detailed in *Note 5: Significant accounting policies and accounting estimates*, and *Note 22: Long-term asset impairment*.

(2) Accounting policy for internal research and development expenditures

The expenditures in internal research and development projects of the Company are classified into expenditures in research stage and expenditures in development stage. The expenditures in research stage are included in the current profits and losses when incurred. The expenditures in development stage are recognized as intangible assets when meeting the following conditions:

- (1) The completion of the intangible assets makes it technically feasible for using or selling;
- (2) Have the intention to complete and use or sell the intangible assets;
- (3) The way in which an intangible asset generates economic benefits, including the proof that the products produced with the intangible asset have market or the proof of its usefulness if the intangible asset has market and will be used internally;
- (4) Have sufficient technical, financial resources and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;
- (5) Expenditure attributable to the development stage of intangible assets can be measured reliably.

The cost of self-developed intangible assets includes the total expenditure incurred since meeting intangible assets recognition criterion until reaching intended use. Expenditures that have been expensed in previous periods are no longer adjusted.

Non-monetary assets exchange, debt restructuring, government subsidies and the cost of intangible assets acquired by business combination are recognized according to relevant provisions of *Accounting Standard for Business Enterprises No. 7 - Non-monetary assets exchange*, *Accounting Standard for Business Enterprises No. 12 - Debt restructuring*, *Accounting Standards for Business Enterprises No. 16 - Government subsidies*, *Accounting Standard for Business Enterprises No. 20 - Business combination* respectively.

22. Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited useful life, investment real estate measured in cost mode and long-term equity investments in subsidiaries, joint ventures and associates, the Company determines whether there is indication of impairment at balance sheet date. If there is indication of impairment, then estimate the amount of its recoverable value and test the impairment. Goodwill, intangible assets with uncertain useful life and intangible assets that have not yet reached useable state shall be tested for impairment every year, whether or not there is any indication of impairment.

If the impairment test results indicate that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made at the difference and included in the impairment loss. The recoverable amount is the higher of the fair value of the asset minus the disposal cost and the present value of the expected future cash flow of the asset. The fair value of the asset is recognized according to the price of the sales agreement in the fair trade; if there is no sales agreement but there is an active market, the fair value is recognized according to the buyer's bid of the asset; if there is no sales agreement or active market, the fair value of asset shall be estimated based on the best information that can be obtained. Disposal costs include legal costs related to disposal of assets, related taxes, handling charges, and direct costs incurred to enable the asset reaching sellable status. The present value of the expected future cash flows of the assets is recognized by the amount discounted at appropriate discount rate according to the expected future cash flows arising from the continuing use of the asset and the final disposal. The provision for impairment of assets is calculated and recognized on the basis of individual assets. If it is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group shall be recognized by the asset group to which the asset belongs. The asset group is the smallest portfolio of assets that can generate cash inflows independently.

The book value of the goodwill presented separately in the financial statements shall be apportioned to the asset group or portfolio of asset groups that is expected to benefit from the synergies of the business combination when the impairment test is conducted. The corresponding impairment loss is recognized if the test results indicate that the recoverable amount of the asset group or portfolio of asset groups containing the apportioned goodwill is lower than its book value. The amount of the impairment loss shall offset the book value of the goodwill apportioned to the asset group or portfolio of asset groups, and offset the book value of other assets in proportion

according to the proportion of the book value of other assets except the goodwill in the asset group or portfolio of asset groups. Once the impairment loss of the above asset is recognized, the portion that the value is restored will not be written back in subsequent periods.

23. Amortization method of long-term deferred expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods. Long-term deferred expense shall be amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

24. Payroll

(1) Accounting treatment of short-term compensation

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting treatment of the welfare after demission

Welfare after demission mainly includes defined contribution plans and defined benefit plans. Of which defined contribution plans mainly include basic endowment insurance, unemployment insurance, annuity funds, etc., and the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

(3) Accounting treatment of the demission welfare

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owing to relieve the labor relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

(4) Accounting treatment of the welfare of other long-term staffs

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition conditions of estimated liabilities.

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

25. Estimated liabilities

(1) Recognition of estimated debts

The obligation such as external guaranty, pending litigation or arbitration, product quality assurance, layoff plan, loss contract, restructuring and disposal of fixed assets, pertinent to a contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously: ① That obligation is a current obligation of the enterprise; ② It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and ③ The amount of the obligation can be measured in a reliable way.

(2) Measurement of estimated debts

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range. In other cases, the best estimate shall be conducted in accordance with the following situations, respectively: ① If the Contingencies concern a single item, it shall be determined in the light of the most likely outcome. ② If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. ③ When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The Company shall check the book value of the estimated debts on the balance sheet date. The amount of compensation is not exceeding the book value of the recognized estimated liabilities.

26. Share-based payment

Not applicable

27. Other financial instruments such as preferred shares and perpetual capital securities

Not applicable

28. Revenue

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Sale of goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: ① The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; ② The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; ③ The revenue amount could be reliably measured; and ④ The relevant economic benefits may flow into the Company, and the relevant cost which had occurred or will occur could be reliably measured.

Specific principles for recognition of the “domestic sale and export” incomes of the Company:

① Method for recognition of the domestic sale income: According to the buyer's requirements, the Company delivers to the buyer the products that have been considered qualified upon examination. The amount of the income has been determined and the sales invoice has been issued. The payment for the delivered products has

been received in full or is expectedly recoverable.

② Method for recognition of the export income: The Company produces the products according to the contract signed with the buyer. After the products have been examined as qualified, the Company completes the customs clearing procedure for export. The shipping company loads the products for shipping. The amount of the income has been determined and the export sales invoice has been issued. The payment for the delivered products has been received in full or is expectedly recoverable.

2. Provision of labor services

In the case that the results of the labor service transaction can be reliably estimated, the income from the provision of labor services shall be recognized at the balance sheet date by the percentage of completion method according to the progress of the labor transaction.

The result of the provision of labor services can be reliably estimated refers that all the following conditions are met: ① The amount of income can be measured reliably; ② The relevant economic benefits are likely to inflow to the enterprise; ③ The progress of the transaction can be reliably determined; ④ The cost incurred and to be incurred in the transaction can be measured reliably.

If the result of the provision of labor services can't be reliably estimated, the income from the provision of labor services shall be recognized according to the cost of labor services that have incurred and are expected to be compensated, and the cost of labor services that have incurred is recognized as the current expenses. If the cost of labor services already incurred isn't expected to be compensated, the income will not be recognized.

If the contract or agreement between the Company and other enterprises includes the sale of goods and the provision of labor services, and the sale of goods and the provision of labor services can be distinguished and measured separately, the sale of goods and the provision of labor services shall be dealt with separately; if the sale of goods and the provision of labor services can't be distinguished or can't be measured separately, the contract will be treated as sale of goods.

3. Income from transferring the right to use assets

The operating income is calculated and recognized according to the time and method stipulated by relevant contracts and agreements.

4. Interest income

Recognized when all the following conditions are met: ① The amount of income can be measured reliably; ② Economic benefits related to the transaction can inflow.

29. Government Subsidies

(1) Judgment basis and accounting treatment of government subsidies related to assets

The Company defines government subsidies obtained for acquisition, construction or otherwise formation of long-term assets as government subsidies related to assets. If the government documents do not specify the subsidy object, the subsidies are divided into income-related subsidies and assets-related subsidies in the following method: (1) If the specific items for which the subsidy is targeted are stipulated in government documents, divide according to the relative proportion of the amount of expenditure that forms assets and the amount of expenditure included in the cost in the budget for that particular project, and the proportion shall be reviewed at each balance sheet date and changed as necessary; (2) it is income-related government subsidies if the government documents only have a general statement of the purpose and do not specify a specific project.

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies

measured at their nominal amounts shall be directly included in the current profits and losses.

(2) Judgment basis and accounting treatment of government subsidies pertinent to incomes

Other government subsidies than those recognized as government subsidies pertinent to assets in (1) above are government subsidies pertinent to incomes.

The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

30. Deferred income tax assets/deferred income tax liabilities

At the balance sheet date, the Company recognizes the deferred income tax assets or deferred income tax liabilities in accordance with the balance sheet liability method for the temporary difference between the book value of assets or liabilities and its tax base.

The Company recognizes all taxable temporary differences as deferred income tax liabilities unless taxable temporary differences arise in the following transactions:

- (1) The initial recognition of goodwill or the initial recognition of the assets or liabilities arising from a transaction with the following characteristics: the transaction is not a business combination and neither the accounting profit nor the taxable income is incurred at the time of the transaction;
- (2) The time of write-back of taxable temporary differences related to the investments in subsidiaries, associates and joint ventures can be controlled and the temporary differences are likely to not be written back in the foreseeable future.

The Company recognizes the deferred income tax assets arising from deductible temporary differences, subject to the amount of taxable income obtained to offset the deductible temporary differences, unless the deductible temporary differences arise in the following transactions:

- (1) The transaction is not a business combination, and the transaction does not affect the accounting profit or the amount of taxable income;
- (2) The deductible temporary differences related to the investments in subsidiaries, associates and joint ventures are not met simultaneously: Temporary differences are likely to be written back in the foreseeable future and are likely to be used to offset the taxable income of deductible temporary differences in the future.

At the balance sheet date, the Company measures the deferred income tax assets and deferred income tax liabilities at the applicable tax rate of the period expected to recover the asset or pay off the liabilities according to tax law, and reflects the income tax effect of expected assets recovery or liabilities payoff method at the balance sheet date.

At the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income will not be available to offset the benefit of the deferred income tax assets in the future period, the book value of the deferred income tax assets will be written down. If it is probable that sufficient taxable income will be available, the amount of write-down will be written back.

31. Lease

(1) Accounting treatment of operating lease

For the leasee of the operating lease, the rent expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be recognized as the profits and losses of the current period; the contingent rents shall be recorded into the profits and losses of the current period in which they actually arise. A lessor shall include the assets subject to operating leases in relevant items of its balance sheets in light of the nature of the asset; The rents from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term; the initial direct costs incurred to a lessor shall be recorded into the profits and losses of the current period. As for the fixed assets subject to operating leases, the lessor shall calculate the depreciation of it by adopting depreciation policy for similar assets; as for other leased assets, systematic and reasonable methods shall be adopted for its amortization; the contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

(2) Accounting treatments of financial lease

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value 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 and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period; when amortizing the unrecognized financial charges during each period within the lease term, should recognize the current financial expenses by the actual interests rate; and the contingent rental should be included the current gains and losses when actually arise. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessee cannot obtain the lessor's interest rate implicit in the lease and no interest rate is provided in the lease agreement, the lessee shall adopt the borrowing interest rate of the bank for the same period as the discount rate. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life. On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time; the balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income; the unrealized financing income shall be allocated to each period during the lease term; the lessor shall calculate the financing income at the current period by adopting the effective interest rate method; contingent rents shall be recognized as an expense in the period in which they are actually incurred.

32. Other significant accounting policies and estimates

Not applicable

33. Changes in main accounting policies and estimates

(1) Change of accounting policies

☐ Applicable ☒ Not applicable

(2) Significant changes in accounting estimates

☒ Applicable ☐ Not applicable

Content and reason of the changes in accounting estimates	Approval procedure	Time point starting to apply	Remark
<p>The Company's provision for bad debts was calculated using aging analysis method based on the combination of credit risk characteristics, and the estimated proportion of bad debt provision for each aging group was 6%. The Company has changed the accruing proportion of provision for bad debts of accounts receivable in the current period according to the Accounting Standards for Business Enterprises in combination with the actual situation of the bad debts of the Company's receivables in order to reflect the recoverable situation and the risk situation of the Company's receivables more objectively and fairly, and prevent financial risks. The proportion of provision for bad debts of accounts receivable after the change is: 3% within 1 year; 10% for 1-2 years; 30% for 2-3 years; 50% for 3-4 years; 80% for 4-5 years; 100% for more than 5 years. This change in accounting estimate uses prospective application method.</p>	<p>The change was approved by the 9th board meeting of the Company.</p>	<p>September 22, 2016</p>	<p>The affected reporting items and amounts are as follows:</p> <p>1. Balance sheet items</p> <p>Provision for bad debts: RMB-7,956,755.73 yuan</p> <p>Deferred tax assets: RMB -1,193,513.36yuan</p> <p>2. Income statement items</p> <p>Asset impairment losses: RMB -7,956,755.73yuan</p> <p>Income tax: RMB -1,193,513.36 yuan</p> <p>3. Statement of changes in equity items</p> <p>Undistributed profit: RMB 6,763,242.37yuan</p> <p>Surplus reserve: RMB676,324.24yuan</p>

34. Other

Not applicable

VI Taxes

1. Main taxes and tax rates

Category of tax	Taxable amount	Tax rate
VAT	Balance after the offset of output and input VAT	11%、17%
Urban maintenance and construction tax	Turnover tax payable	7%、5%
Enterprise income tax	Taxable income	15%、25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Business tax	Taxable turnover	5%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Taxpayer	Income tax rate
Foshan Electrical and Lighting Co., Ltd.	15%
Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd.	25%
Foshan Chansheng Electronic Ballast Co., Ltd.	25%
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	25%
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	25%
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	25%
FSL New Light Source Technology Co., Ltd.	25%
Guangdong Fozhao Leasing Co., Ltd.	25%
Foshan Lighting Lamps and Lanterns Co., Ltd.	25%
FSL Zhida Electric Technology Co., Ltd.	25%

2. Tax preference

The Company passed the re-examination for the First Batch High-tech Enterprise in 2014 on 17 Mar. 2015, as well as won the “Certificate of High-tech Enterprise” with serial number GR201444001411 after approval by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Bureau of State Taxation and Guangdong Provincial Bureau of Local Taxation. In accordance with relevant provisions in Corporate Income Tax Law of the People's Republic of China and the Administration Measures for Identification of High-tech Enterprises promulgated in 2007, the Company paid the corporate income tax based on a tax rate of 15% within three years since 1 Jan. 2014.

3. Other

Paid according to the relevant regulation of the tax law.

VII. Notes to Main Items of Consolidated Financial Statements

1. Monetary funds

Unit: RMB Yuan

Item	Closing balance	Opening balance
Cash on hand	13,058.91	36,008.01
Bank deposits	1,477,005,924.93	855,342,849.29
Other currency funds	2,264,658.70	79,862,347.90
Total	1,479,283,642.54	935,241,205.20

Other notes

Note: The increase in the balance of bank deposits at the end of the Reporting Period was due to the sale of the stock of Guoxuan High-tech in the Reporting Period. The closing balances of the other monetary funds were the refundable deposits and the balance of the Alipay.

2. Financial assets measured by fair value and the changes be included in the current gains and losses

Unit: RMB Yuan

Item	Closing balance	Opening balance
Financial assets appointed to be measured by fair value with the changes be included in the current gains and losses		51,600.00
Investment on equity instruments		51,600.00
Total		51,600.00

3. Derivative financial assets

☐ Applicable ☒ Not applicable

4. Notes receivable

(1) Notes receivable listed by category

Unit: RMB Yuan

Item	Closing balance	Opening balance
Bank acceptance bill	67,925,843.74	58,819,605.04
Commercial acceptance bill		143,849,711.44
Total	67,925,843.74	202,669,316.48

(2) Notes receivable pledged by the Company at the period-end

Naught

(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Unit: RMB Yuan

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	116,606,122.95	
Total	116,606,122.95	

(4) Notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement

Naught

Other notes

The closing balance of the notes receivable decreased of RMB 134,743,472.74yuan by 66.48 % over the period-begin, which was mainly due to the Company no longer adopted the commercial acceptance bill for settling accounts.

5. Accounts receivable**(1) Accounts receivable disclosed by category**

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	10,064,664.92	1.59%	10,064,664.92	100.00%						
Accounts receivable withdrawn bad debt provision according	624,003,551.87	98.41%	28,745,597.87	4.61%	595,257,954.00	389,788,436.93	99.02%	23,387,306.21	6.00%	366,401,130.72

to credit risks characteristics										
Accounts receivable with insignificant single amount for which bad debt provision separately accrued						3,874,675.02	0.98%	3,874,675.02	100.00%	
Total	634,068,216.79	100.00%	38,810,262.79	6.12%	595,257,954.00	393,663,111.95	100.00%	27,261,981.23	6.93%	366,401,130.72

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

√ Applicable □ Not applicable

Unit: RMB Yuan

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Suzhou Mont Lighting Co., Ltd.	10,064,664.92	10,064,664.92	100.00%	The debtor has suffered continual losses due to the size of its business and the market reason, and it is now no longer able to produce again.
Total	10,064,664.92	10,064,664.92	--	--

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMB Yuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	574,738,196.78	17,242,145.90	3.00%
Subtotal within 1 year	574,738,196.78	17,242,145.90	3.00%
1 to 2 years	32,170,657.97	3,217,065.80	10.00%
2 to 3 years	2,522,921.32	756,876.40	30.00%
Over 3 years	14,571,775.80	7,529,509.77	51.67%
3 to 4 years	13,896,049.20	6,948,024.60	50.00%
4 to 5 years	471,207.14	376,965.71	80.00%
Over 5 years	204,519.46	204,519.46	100.00%
Total	624,003,551.87	28,745,597.87	4.61%

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 2,326,376.29yuan; the amount of the reversed or collected part during the Reporting Period was of RMB 3,535,749.69yuan.

Of which, the significant amount of the reverses or collected part of the bad debt provisions during the Reporting Period:

Unit: RMB Yuan

Name of units	Amount	Method
Foshan Sanshui Center of Science and Technology Industrial Park Development Co., Ltd.	2,069,866.90	Cash recover
Suzhou Mont Lighting Co., Ltd.	1,187,363.14	Equipment recover
Kunming Hong guangming Commerce and Trade Co., Ltd.	278,519.65	Cash recover
Total	3,535,749.69	--

(3) The actual write-off accounts receivable

Unit: RMB Yuan

Item	Amount
Suzhou Mont Lighting Co., Ltd.	2,012,636.86
Tianjin Jishi Shengda Lighting Co., Ltd.	160,306.56
Zhenjiang New Century Lighting Appliance Co., Ltd.	144,326.30
Foshan Sanshui Center of Science and Technology Industrial Park Development Co., Ltd.	4,603.10
Other retails accounts	189.74
Total	2,322,062.56

Notes of accounts receivable write-off:

The write-off process had been performed for the accounts receivable write-off of the Reporting Period in accordance with the provisions of the Company's bad debt management system.

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

Unit: RMB Yuan

Name of units	Relationship	Book balance	Proportion of the total accounts receivable	Withdrawal bad debt provision

First	Non-related relationship	90,616,666.15	14.29%	3,581,411.24
Second	Non-related relationship	19,547,480.15	3.08%	586,424.40
Third	Non-related relationship	15,980,885.31	2.52%	479,426.56
Fourth	Non-related relationship	14,566,977.79	2.30%	437,009.33
Fifth	Non-related relationship	12,487,543.99	1.97%	374,626.32
Total		153,199,553.39	24.16%	5,458,897.85

(5) Account receivable which terminate the recognition owing to the transfer of the financial assets

Naught

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Naught

6. Prepayment

(1) List by aging analysis

Unit: RMB Yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	25,191,421.39	83.16%	5,151,048.23	75.10%
1 to 2 years	3,788,046.20	12.51%	942,100.92	13.74%
2 to 3 years	616,046.47	2.03%	610,778.10	8.90%
Over 3 years	696,493.05	2.30%	155,023.16	2.26%
Total	30,292,007.11	--	6,858,950.41	--

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Unit: RMB Yuan

Name of units	Relationship	Closing balance	Proportion	Time
First	Non-related relationship	2,900,000.00	9.57%	2015

Second	Non-related relationship	2,601,400.00	8.59%	2016
Third	Non-related relationship	1,996,800.00	6.59%	2016
Fourth	Non-related relationship	1,387,092.80	4.58%	2016
Fifth	Non-related relationship	1,122,394.34	3.71%	2016
Total		10,007,687.14	33.04%	

7. Interest receivable

(1) Category of interest receivable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Deposits on a regular basis	2,555,260.82	3,022,646.23
Interests of the funds deposited in the bank	2,057,145.98	
Total	4,612,406.80	3,022,646.23

8. Dividend receivable

Naught

9. Other accounts receivable

(1) Other accounts receivable disclosed by category

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	13,527,149.04	97.86%	1,549,488.46	11.45%	11,977,660.58	18,418,727.80	100.00%	1,105,123.66	6.00%	17,313,604.14
Other accounts	295,120.	2.14%	295,120.	100.00%						

receivable with insignificant single amount for which bad debt provision separately accrued	00		00							
Total	13,822,269.04	100.00%	1,844,608.46	13.35%	11,977,660.58	18,418,727.80	100.00%	1,105,123.66	6.00%	17,313,604.14

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	8,709,017.41	261,270.53	3.00%
Subtotal within 1 year	8,709,017.41	261,270.53	3.00%
1 to 2 years	1,827,470.90	182,747.09	10.00%
2 to 3 years	2,657,553.61	797,266.08	30.00%
Over 3 years	333,107.12	308,204.76	92.52%
3 to 4 years	3,003.72	1,501.86	50.00%
4 to 5 years	117,002.48	93,601.98	80.00%
Over 5 years	213,100.92	213,100.92	100.00%
Total	13,527,149.04	1,549,488.46	11.45%

Notes:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 453,029.45yuan, the amount of reversed or recovered bad debt provision in the Reporting Period RMB 0.00yuan

(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

Naught

(4) Other account receivable classified by account nature

Unit: RMB Yuan

Nature	Closing book balance	Opening book balance
VAT export tax refunds		10,002,722.46
Performance bond	1,959,752.60	3,712,081.83
Staff borrow and deposit	5,767,808.81	843,146.81
Water & electricity fees	955,738.35	490,494.61
Advance money for street light construction	2,523,547.23	2,523,547.23
Internal business group	295,120.00	
Other	2,320,302.05	846,734.86
Total	13,822,269.04	18,418,727.80

(5) The top five other account receivable classified by debtor at period-end

Unit: RMB Yuan

Name of units	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
First	Advance money for street light construction	2,523,547.23	2-3 years	18.26%	757,064.17
Second	Margin	1,000,000.00	1-2 years	7.23%	100,000.00
Third	Social security charges	839,347.46	Within 1 year	6.07%	25,180.42
Fourth	Housing fund	754,015.98	Within 1 year	5.46%	22,620.48
Fifth	Certification application fee	565,834.50	Within 1 year	4.09%	16,975.04
Total	--	5,682,745.17	--	41.11%	921,840.11

(6) Accounts receivable involved with government subsidies

Naught

(7) Other account receivable which terminate the recognition owing to the transfer of the financial assets

Naught

(8) The amount of the assets and liabilities formed by the transfer and the continues involvement of other accounts receivable

Naught

10. Inventory

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Category of inventory

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	116,197,403.06	1,635,294.87	114,562,108.19	77,384,147.93	8,137,865.12	69,246,282.81
Goods in process	28,522,590.52		28,522,590.52	25,812,370.33		25,812,370.33
Inventory goods	443,843,318.14	14,938,179.05	428,905,139.09	366,582,258.72	17,263,510.85	349,318,747.87
Self-manufactured semi-finished product	179,867,083.78	579,873.99	179,287,209.79	116,119,714.01	3,963,130.61	112,156,583.40
Low-value fugitive items	2,404,557.60		2,404,557.60	3,117,943.80		3,117,943.80
Total	770,834,953.10	17,153,347.91	753,681,605.19	589,016,434.79	29,364,506.58	559,651,928.21

Whether the Company needs to comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 4 - Listed companies engaged in seed industry and planting business

No

(2) Falling price reserves of inventory

Unit: RMB Yuan

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	8,137,865.12	2,278,453.12		3,973,362.69	4,807,660.68	1,635,294.87
Inventory goods	17,263,510.85	19,553,813.25		20,170,040.53	1,709,104.52	14,938,179.05
Self-manufactured semi-finished	3,963,130.61	1,028,838.97		2,845,764.32	1,566,331.27	579,873.99

product						
Total	29,364,506.58	22,861,105.34		26,989,167.54	8,083,096.47	17,153,347.91

Note: Other decreases were due to Suzhou Mont Lighting Co., Ltd. (hereinafter referred to as Suzhou Mont) wasn't consolidated.

Item	Basis for provision for falling price of inventory	Reasons for the reverse or write-off of falling price reserves of inventory of Reporting Period	Remark
Raw materials	According to the lower of inventory cost and net realizable value	Raw materials sales or scrapping	
Inventory goods	According to the lower of inventory cost and net realizable value	Products sales or scrapping	

(3) Notes of the closing balance of the inventory which includes capitalized borrowing expenses

Naught

(4) Completed unsettled assets formed from the construction contract at the period-end

Naught

11. Assets divided as held-to-sold

Naught

12. Non-current assets due within 1 year

Naught

13. Other current assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
Deductible input tax of VAT	41,181,826.53	56,770,134.59
Advance payment of enterprise income tax	23,635.19	25,347,724.55
Unsettled assets profit and loss		8,942,983.75
Bank financial products (Note)	400,000,000.00	
Total	441,205,461.72	91,060,842.89

Other notes:

Note: For the bank financial products with maturity date more than three months but investment cycle shorter than a year are principal-guaranteed financial products.

14. Available-for-sale financial assets

(1) List of available-for-sale financial assets

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	1,738,000,857.01	5,850,000.00	1,732,150,857.01	3,098,266,162.34	5,850,000.00	3,092,416,162.34
Measured by fair value	1,427,901,096.63		1,427,901,096.63	2,787,166,401.96		2,787,166,401.96
Measured by cost	310,099,760.38	5,850,000.00	304,249,760.38	311,099,760.38	5,850,000.00	305,249,760.38
Total	1,738,000,857.01	5,850,000.00	1,732,150,857.01	3,098,266,162.34	5,850,000.00	3,092,416,162.34

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

Unit: RMB Yuan

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total
Cost of the equity instruments/amortized cost of the debt instruments	119,501,727.41			119,501,727.41
Fair value	1,427,901,096.63			1,427,901,096.63
Changed amount of the fair value that be accumulatively recorded in other comprehensive income	1,308,399,369.22			1,308,399,369.22

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

Unit: RMB Yuan

Investee	Book balance				Depreciation reserves				Shareholding proportion	Cash bonus of the
	Period-beg in	Increase	Decrease	Period-end	Period-beg in	Increase	Decrease	Period-end		

									among the investees	Reporting Period
Shenzhen Zhonghao (Group) Ltd.	5,850,000. 00			5,850,000. 00	5,850,000. 00			5,850,000. 00	Less than 5%	
Chengdu Hongbo Industrial Co., Ltd.	6,000,000. 00			6,000,000. 00					6.94%	
Xiamen Bank	292,574,13 3.00			292,574,13 3.00					6.91%	
Guangdon g Developm ent Bank Co., Ltd.	500,000.00			500,000.00					Less than 5%	
Foshan Fochen Road Developm ent Company Limited	6,175,627. 38		1,000,000. 00	5,175,627. 38					7.66%	
Total	311,099,76 0.38		1,000,000. 00	310,099,76 0.38	5,850,000. 00			5,850,000. 00	--	

(4) Changes of the impairment of the available-for-sale financial assets during the Reporting Period

Unit: RMB Yuan

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total
Withdrawn impairment balance at the period-begin	5,850,000.00			5,850,000.00
Withdrawn impairment balance at the period-end	5,850,000.00			5,850,000.00

(5) Relevant notes of the fair value of the available-for-sale equity instruments which seriously fell or temporarily fell but not withdrawn the impairment provision

Other notes

—The available-for-sale financial assets balance at the period-end decreased RMB 1,360,265,305.33yuan by 44 % on year-on-year basis due to the sale of the stock of Guoxuan High-tech.

—The revenue of the investee company, Foshan Fochan Road Development Company Limited had be included in the unified collection distribution system of Foshan road and bridge tolls, and the Company had executed amortization within the remained planting duration by regarding the investment balance as the usufruct and the amortized investment cost of the Reporting Period was of RMB 1,000,000.00yuan.

15. Investment held-to-maturity

Naught

16. Long-term accounts receivable

Naught

17. Long-term equity investment

Unit: RMB Yuan

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Qinghai FSL Lithium Energy Exploitation Co., Ltd.	382,637.52			3,769,010.96	25,684,598.14					29,836,246.62	
Shenzhen Primatron		180,000,000.00		558,686.07						180,558,686.07	

ix (Nanho) Electronic s Ltd.											
Subtotal	382,637.52	180,000.00		4,327,697.03	25,684,598.14					210,394.93	
Total	382,637.52	180,000.00		4,327,697.03	25,684,598.14					210,394.93	

Other notes

The Company entered into the Equity Transfer Agreement with (Hong Kong) Baiya Company Limited on July 25th, 2016, and accepted 32.85 % shares of Shenzhen Primatronix (Nanho) Electronics Ltd. held by (Hong Kong) Baiya Company Limited at the price of RMB180,000,000.00.

18. Investment property

(1) Investment property adopting cost measurement mode

☐ Applicable ☒ Not applicable

(2) Investment property adopting fair value measurement mode

☐ Applicable ☒ Not applicable

(3) List of the investment property failed to completed the property certificate

Naught

19. Fixed assets

(1) List of fixed assets

Unit: RMB Yuan

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Total
I. Original book value:					
1. Opening balance	638,249,602.24	906,292,098.16	21,230,148.30	24,043,747.30	1,589,815,596.00
2. Increased amount of the period	5,324,695.55	37,327,327.07	1,340,628.63	1,677,049.10	45,669,700.35
(1) Purchase	778,133.60	15,754,712.37	1,340,628.63	1,627,450.28	19,500,924.88

(2) Transfer of project under construction	4,546,561.95	21,572,614.70		49,598.82	26,168,775.47
(3) Enterprises combination increase					
3. Decreased amount of the period		133,026,442.68	450,616.48	1,744,635.56	135,221,694.72
(1) Disposal or scrap		126,341,986.48	450,616.48	1,407,928.86	128,200,531.82
(2) Equipment transformation		5,098,690.39			5,098,690.39
(3) Enterprises combination decrease		1,585,765.81		336,706.70	1,922,472.51
4. Closing balance	643,574,297.79	810,592,982.55	22,120,160.45	23,976,160.84	1,500,263,601.63
II. Accumulated desperation					
1. Opening balance	358,763,342.24	673,160,992.83	14,213,165.13	14,482,647.84	1,060,620,148.04
2. Increased amount of the period	26,370,120.20	44,325,340.30	1,344,648.60	3,416,369.69	75,456,478.79
(1) Withdrawal	26,370,120.20	44,325,340.30	1,344,648.60	3,416,369.69	75,456,478.79
(2) Enterprises combination increase					
3. Decreased amount of the period		119,870,239.50	462,887.95	1,556,046.90	121,889,174.35
(1) Disposal or scrap		116,111,229.93	462,887.95	1,324,360.04	117,898,477.92
(2) Equipment transformation		3,436,070.42			3,436,070.42
(3) Enterprises combination decrease		322,939.15		231,686.86	554,626.01
4. Closing balance	385,133,462.44	597,616,093.63	15,094,925.78	16,342,970.63	1,014,187,452.48
III. Depreciation reserves					
1. Opening		44,757,883.48		1,346.31	44,759,229.79

balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		4,689,092.02		918.28	4,690,010.30
(1) Disposal or scrap		4,600,537.59		918.28	4,601,455.87
(2) Equipment transformation		88,554.43			88,554.43
4. Closing balance		40,068,791.46		428.03	40,069,219.49
IV. Book value					
1. Closing book value	258,440,835.35	172,908,097.46	7,025,234.67	7,632,762.18	446,006,929.66
2. Opening book value	279,486,260.00	188,373,221.85	7,016,983.17	9,559,753.15	484,436,218.17

(2) List of temporarily idle fixed assets

Unit: RMB Yuan

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Remark
T5, T8, energy-saving lamp production line	119,489,755.23	82,549,826.64	36,623,780.03	316,148.56	

(3) Fixed assets leased in from financing lease

Naught

(4) Fixed assets leased out from operation lease

Naught

(5) Details of fixed assets failed to accomplish certification of property

Naught

20. Construction in progress

(1) List of construction in progress

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Construction in progress	71,479,325.91		71,479,325.91	32,488,518.68		32,488,518.68
Total	71,479,325.91		71,479,325.91	32,488,518.68		32,488,518.68

(2) Changes of significant construction in progress

Unit: RMB Yuan

Name of item	Estimated number	Opening balance	Increase d amount	Amount that transferr ed to fixed assets of the period	Other decrease d amount of the period	Closing balance	Proporti on estimate d of the project accumul ative input	Project progress	Accumul ative amount of capitaliz ed interests	Of which: the amount of the capitaliz ed interests of the period	Capitaliz ation rate of the interests of the period	Capital resources
D project of Gaoming standard workshop	30,000,000.00		19,074,163.23		124,543.67	18,949,619.56	63.58%	80.00%				Other
Fuwan standard workshop E	30,000,000.00		16,629,440.69		62,126.21	16,567,314.48	55.43%	70.00%				Other
9 assembly lines of LED (16005)	8,500,000.00		7,981,044.20			7,981,044.20	93.89%	90.00%				Other
Gaoming Jiangbin	4,350,000.00	2,206,740.00	2,079,870.00		99,041.50	4,187,570.00	98.54%	85.00%				Other

Shangri-La Garden commercial residential building	0.00	0.10	2.00		0	0.60						
LEDT8 automatic line transformation (16033)	2,950,000.00		2,907,398.19			2,907,398.19	98.56%	98.00%				Other
Self-manufactured LED lamp automatic production line (15012)	1,990,000.00	1,979,512.13	3,610.24			1,983,122.37	99.65%	98.00%				Other
Transformation of three aging machine in Gaoming T8 second workshop, work order number: 16011	1,650,000.00		1,642,963.50			1,642,963.50	99.57%	98.00%				Other
Steel platform construction for Gaoming tank	1,620,000.00		1,611,493.05			1,611,493.05	99.47%	99.00%				Other

furnace glass ninth cutting workshop												
Self-manufactured three dispensing pipe mills, work order number: 16029	1,700,000.00		1,488,235.48			1,488,235.48	87.54%	75.00%				Other
Gaoming staff dormitory buildings 8#9# (Incremental engineering)	1,200,000.00		1,139,068.24			1,139,068.24	94.92%	98.00%				Other
Total	83,960,000.00	4,186,252.23	54,557,288.82		285,711.38	58,457,829.67	--	--				--

(3) List of the withdrawal of the impairment provision of the construction in progress

Naught

21. Engineering material

Naught

22. Liquidation of fixed assets

Naught

23. Productive biological assets**(1) Productive biological assets adopting cost measurement mode**

☐ Applicable ☒ Not applicable

(2) Productive biological assets adopting fair value measurement mode

☐ Applicable ☒ Not applicable

24. Oil and gas assets

☐ Applicable ☒ Not applicable

25. Intangible assets**(1) Information**

Unit: RMB Yuan

Item	Land use right	Patent	Non-patents	Software use right	Total
I. Original book value					
1. Opening balance	211,719,938.60	20,700,700.00		1,636,664.95	234,057,303.55
2. Increased amount of the period				1,136,986.92	1,136,986.92
(1) Purchase				1,136,986.92	1,136,986.92
(2) Internal R &D					
(3) Increase from enterprise combination					
3. Decrease in the Reporting Period		20,500,700.00			20,500,700.00
(1) Disposal					
(2) Enterprises combination decrease		20,500,700.00			20,500,700.00
4. Closing balance	211,719,938.60	200,000.00		2,773,651.87	214,693,590.47
II. Total accrued					

amortization					
1. Opening balance	48,760,068.42	4,091,720.00		709,221.50	53,561,009.92
2. Increased amount of the period	4,344,643.08			349,262.34	4,693,905.42
(1) Withdrawal	4,344,643.08			349,262.34	4,693,905.42
3. Decrease in the Reporting Period		3,891,720.00			3,891,720.00
(1) Disposal					
(2) Enterprises combination decrease		3,891,720.00			3,891,720.00
4. Closing balance	53,104,711.50	200,000.00		1,058,483.84	54,363,195.34
III. Depreciation reserves					
1. Opening balance		16,608,980.00			16,608,980.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decrease in the Reporting Period		16,608,980.00			16,608,980.00
(1) Disposal					
(2) Enterprises combination decrease		16,608,980.00			16,608,980.00
4. Closing balance					
IV. Book value					
1. Book value of the period-end	158,615,227.10			1,715,168.03	160,330,395.13
2. Book value of the period-begin	162,959,870.18			927,443.45	163,887,313.63

The proportion the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the period-end was 0.00%.

(2) Details of fixed assets failed to accomplish certification of land use right

Other notes:

The decrease in the Reporting Period was mainly due to the bankruptcy liquidation of Suzhou Mont Lighting, which was no longer included in the scope of consolidation.

26. R&D expenses

Naught

27. Goodwill**(1) Original book value of goodwill**

Unit: RMB Yuan

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
Suzhou Mont Lighting Co., Ltd.	7,360,330.45				7,360,330.45	

(2) Impairment provision of goodwill

Unit: RMB Yuan

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
Suzhou Mont Lighting Co., Ltd.	7,360,330.45				7,360,330.45	

Notes to the recognition methods of the goodwill impairment test process, parameters and goodwill impairment losses:

The subsidiary Suzhou Mont Lighting Co., Ltd. is in the bankruptcy liquidation procedure and has been taken over by the manager. This year is no longer included in the consolidation, and the confirmation of the goodwill of Suzhou Mont terminates at end of the period.

28. Long-term unamortized expenses

Unit: RMB Yuan

Item	Opening balance	Increased amount	Amortization	Decrease	Closing balance
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			amount		
Maintenance and decoration expenses	406,425.35	9,912,547.95	3,100,100.12	321,753.40	6,897,119.78
Total	406,425.35	9,912,547.95	3,100,100.12	321,753.40	6,897,119.78

Other notes

Other decreases were due to the subsidiary Suzhou Mont was no longer included in the consolidation.

29. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets had not been off-set

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	128,070,435.31	19,448,040.38	136,195,788.86	20,975,403.88
Unrealized profits of internal transactions	1,356,293.17	203,443.98	1,195,795.66	179,369.35
Deductible losses	16,435,405.51	4,108,851.38	16,661,633.81	4,165,408.45
Depreciation of fixed assets	65,682,019.37	10,183,492.79	66,856,506.21	10,254,446.06
Payroll payable	63,987,177.61	9,604,089.91	47,800,672.81	7,170,100.92
Total	275,531,330.97	43,547,918.44	268,710,397.35	42,744,728.66

(2) Deferred income tax liabilities had not been off-set

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes of the fair value of the available-for-sale financial assets	1,308,399,369.22	196,259,905.39	2,603,516,654.14	390,527,498.12
Changes of the fair value of the tradable financial assets			44,595.00	6,689.25
Share of other	25,684,598.14	3,852,689.72		

comprehensive income of investees that cannot be reclassified into profit/loss under the equity method				
Total	1,334,083,967.36	200,112,595.11	2,603,561,249.14	390,534,187.37

(3) Deferred income tax assets or liabilities listed by net amount after off-set

Unit: RMB Yuan

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Amount of deferred income tax assets or liabilities after off-set at the period-end	Mutual set-off amount of deferred income tax assets and liabilities at the period-begin	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		43,547,918.44		42,744,728.66
Deferred income tax liabilities		200,112,595.11		390,534,187.37

(4) List of unrecognized deferred income tax assets

Naught

(5) Deductible losses of unrecognized deferred income tax assets will due the following years

Other notes:

—Deferred income tax liabilities at the period-end decreased RMB 190,423,430.16yuan by 48.76 % over the period-begin, which was mainly due to the sale of the stock of Guoxuan High-tech in the Reporting Period.

30. Other non-current assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
Land purchase and the ownership implicit of relevant items	41,755,700.00	41,755,700.00
Prepayments for business facilities	3,369,640.00	7,507,504.15
Total	45,125,340.00	49,263,204.15

31. Short-term loans

Naught

32. Financial liabilities measured by fair value and the changes included in the current gains and losses

Naught

33. Derivative financial liabilities☐ Applicable ☒ Not applicable**34. Notes payable**

The total unpaid notes payable due at the period end was RMB 0.00.

35. Accounts payable**(1) List of accounts payable**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Accounts payable	552,255,512.33	396,263,382.12
Total	552,255,512.33	396,263,382.12

(2) Notes of the accounts payable aging over one year

Naught

Other notes:

The accounts payable at the period-end increased RMB 155,992,130.21yuan by 39.37% over the period-begin, which was mainly due to the increase of the inventory reserve for the Company.

36. Advance from customers**(1) List of advance from customers**

Unit: RMBYuan

Item	Closing balance	Opening balance
Prepayments	41,180,818.13	71,531,790.37
Total	41,180,818.13	71,531,790.37

(2) Significant advance from customers aging over one year

Naught

(3) Particulars of settled but unfinished projects formed by construction contract at period-end

Naught

37. Payroll payable**(1) List of Payroll payable**

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	70,996,987.32	591,874,111.57	566,849,942.83	96,021,156.06
II. Welfare after demission - defined contribution plans		43,137,899.48	43,137,899.48	
III. Dismission welfare	1,008,000.00		1,008,000.00	
Total	72,004,987.32	635,012,011.05	610,995,842.31	96,021,156.06

(2) List of Short-term salary

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	70,635,830.10	520,927,326.54	495,967,763.15	95,595,393.49
2. Employee welfare		28,040,548.62	28,040,548.62	
3. Social insurance		26,171,693.81	26,171,693.81	
Including: Medical insurance premiums		21,535,834.98	21,535,834.98	
Work-related injury insurance		2,607,671.43	2,607,671.43	
Maternity insurance		2,028,187.40	2,028,187.40	
4. Housing fund		12,015,653.71	12,015,653.71	
5. Labor union budget and employee education budget	361,157.22	4,718,888.89	4,654,283.54	425,762.57
Total	70,996,987.32	591,874,111.57	566,849,942.83	96,021,156.06

(3) List of drawing scheme

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits		41,550,661.32	41,550,661.32	
2. Unemployment insurance		1,587,238.16	1,587,238.16	
Total		43,137,899.48	43,137,899.48	

38. Taxes payable

Unit: RMBYuan

Item	Closing balance	Opening balance
VAT	9,504,368.23	6,471,716.18
Corporate income tax	121,469,524.92	3,666,766.26
Personal income tax	452,181.32	869,010.09
Urban maintenance and construction tax	947,172.36	471,260.34
Business tax		300,148.90
Education surcharge	680,460.70	337,379.51
Property tax	4,259,219.31	308,905.60
Land use tax	804,737.31	204,737.31
Other taxes	164,980.57	339,166.12
Total	138,282,644.72	12,969,090.31

Other notes:

The tax payable at the period-end increased RMB 125,313,554.41 by 966.24 % over the period-begin, which was mainly due to the large amount of taxable income arisen from the sale of the stock of Guoxuan High-tech.

39. Interest payable

Naught

40. Dividends payable

Unit: RMBYuan

Item	Closing balance	Opening balance
Common stock dividends	6,287,923.09	
Total	6,287,923.09	

Other notes, including significant dividends payable unpaid for more than one year, should disclose the reason for non-payment:

Note: Subsidiary Foshan Taimei Times Lamps and Lanterns Co., Ltd. distributes the profits of the year 2013 and year 2014 in the

Reporting Period.

41. Other accounts payable**(1) Other accounts payable listed by nature of the account**

Unit: RMBYuan

Item	Closing balance	Opening balance
Compensation for lawsuit	1,762,533.43	13,872,398.53
Performance bond	20,564,161.28	9,053,678.50
Relevant fees of sale	15,634,331.32	1,924,886.76
Hosting housing fund, medical insurance, unemployment insurance, pension insurance	8,076,410.52	8,076,410.52
Other	4,066,902.26	3,603,126.91
Total	50,104,338.81	36,530,501.22

(2) Other significant accounts payable with aging over one year

Unit: RMBYuan

Item	Closing balance	Unpaid/ Un-carry-over reason
Hosting housing fund, medical insurance, unemployment insurance, pension insurance	8,076,410.52	
Total	8,076,410.52	--

Other notes

The balance of other payables at period-end increased RMB 13,573,837.59 by 37.16 % over the period-begin, which was mainly due to the increase in performance bond arisen from the increase in bid invitations, and the increase in business promotion expenses and other sales related expenses.

42. Liabilities classified as holding for sale

Naught

43. Non-current liabilities due within 1 year

Naught

44. Other current-liabilities

Naught

45. Long-term loan

Naught

46. Bonds payable

Naught

47. Long-term payable

Naught

48. Long-term payroll payable

Naught

49. Special payable

Naught

50. Accrued liabilities

Naught

51. Deferred income

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	10,722,275.02	480,000.00	752,506.53	10,449,768.49	Government subsidies related to assets income
Total	10,722,275.02	480,000.00	752,506.53	10,449,768.49	--

Items involved in government subsidies:

Unit: RMBYuan

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
LED production	9,852,274.95				9,852,274.95	Related to the

technical transformation project						assets
Production line of 50 million energy-saving fluorescent lamp	620,000.07		154,999.92		465,000.15	Related to the assets
New type of low cost silicon substrate LED light source module technology	250,000.00		220,331.68		29,668.32	Related to the income
Standard optical components testing laboratory capacity construction		480,000.00	377,174.93		102,825.07	Related to the income
Total	10,722,275.02	480,000.00	752,506.53		10,449,768.49	--

52. Other non-current liabilities

Naught

53. Share capital

Unit: RMBYuan

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	1,272,132,868.00						1,272,132,868.00

54. Other equity instruments

Naught

55. Capital reserves

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	289,084,024.29		10,508,536.76	278,575,487.53
Other capital reserves	7,240,351.29	5,620.25		7,245,971.54
Total	296,324,375.58	5,620.25	10,508,536.76	285,821,459.07

Other notes, including changes and reason of change:

The decrease of capital premium of the Reporting Period was difference between the adjusted cost paid to purchase the minority equity subsidiary Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd. and the net asset share that has been calculated since the beginning of the purchase of Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd. calculated in accordance with the new shareholding ratio.

Other capital reserves increased of RMB 5,620.25 during the Reporting Period, which mainly due to the income of the historical odd lots dividends of the listed companies returned by the Shenzhen Branch of CSDCC. The securities companies had cleared the historical odd lots dividends that kept by the securities companies according to the Notice of the Related Events of the Return of the Historical Odd Lots Dividends issued by Shenzhen Branch of CSDCC and had returned the historical odd lots dividends to the listed companies; at the same time, the listed companies included the historical odd lots dividends into the relevant reserved funds subjects of the shareholders' equities.

56. Treasury stock

Naught

57. Other comprehensive income

Unit: RMB Yuan

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
II. Other comprehensive income reclassify into profits and losses	2,212,989,156.02	-368,336,142.09	901,096,544.70	-190,414,903.02	-1,079,017,783.77		1,133,971,372.25
Of which: share of other comprehensive income of investees that will be reclassified into		25,684,598.14		3,852,689.72	21,831,908.42		21,831,908.42

profit/loss under the equity method							
Profits or losses from the change of fair value of available for sale financial assets	2,212,989.15 6.02	-394,020.74 0.23	901,096,544.7 0	-194,267.59 2.74	-1,100,849. 692.19		1,112,139 ,463.83
Total of other comprehensive income	2,212,989.15 6.02	-368,336.14 2.09	901,096,544.7 0	-190,414.90 3.02	-1,079,017. 783.77		1,133,971 ,372.25

58. Special reserves

Naught

59. Surplus reserves

Unit: RMBYuan

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	491,552,538.76	105,485,844.69		597,038,383.45
Discretionary surplus reserves	136,886,568.36			136,886,568.36
Total	628,439,107.12	105,485,844.69		733,924,951.81

Notes to the surplus reserves including the notes to the increase/decrease during the Reporting Period as well as the reasons:

The increase in the Reporting Period was accrued statutory surplus reserves based on 10% of the net profit of the parent company.

60. Retained profits

Unit: RMBYuan

Item	Amount	Withdrawal or distributed proportion
Opening balance of retained profits before adjustments	613,661,381.40	777,810,478.44
Opening balance of retained profits after adjustments	613,661,381.40	777,810,478.44
Add: Net profit attributable to owners of the Company	1,072,342,050.13	53,405,593.12
Less: Accrued statutory surplus reserve	105,485,844.69	2,270,666.26
Dividend of common stock payable	15,901,660.85	215,284,023.90
Closing retained profits	1,564,615,925.99	613,661,381.40

List of adjustment of opening retained profits:

1) RMB0.00 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

- 2) RMB0.00 opening retained profits was affected by changes on accounting policies.
- 3) RMB0.00 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB0.00 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB0.00 opening retained profits was affected totally by other adjustments.

61. Revenue and cost of sales

Unit: RMBYuan

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	3,339,220,526.54	2,499,713,813.01	2,845,925,254.23	2,163,709,639.63
Other operations	27,234,442.06	18,450,286.96	30,733,846.40	21,848,941.68
Total	3,366,454,968.60	2,518,164,099.97	2,876,659,100.63	2,185,558,581.31

62. Business tax and surcharges

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	15,047,836.70	14,040,573.35
Education surcharge	6,466,338.90	6,041,930.37
Property tax	4,539,974.31	
Land use tax	3,386,603.03	
Vehicle usage tax	3,185.40	
Stamp duty	893,633.80	
Business tax	233,406.51	1,570,072.79
Local education surcharge	4,310,892.68	4,027,937.70
Embankment protection fee	337.87	
Total	34,882,209.20	25,680,514.21

Other notes:

The five new taxes in the Current Period came from administrative expenses reclassification as per the Financial Accounting Document [2016] No. 22.

63. Sales expenses

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Salary	47,004,941.08	42,665,935.90
Service charges on promotion of	13,569,643.61	25,217,244.68

energy-saving products		
Sales promotion fee	14,998,126.80	13,381,454.04
Transport fees	68,158,701.23	62,901,799.56
Business travel charges	10,427,361.98	9,128,534.60
Dealer meeting expense	4,753,331.93	5,651,161.95
Other	19,627,871.29	11,778,675.52
Business propagandize fee	26,237,987.81	32,387,692.25
Total	204,777,965.73	203,112,498.50

64. Administration expenses

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Employee's remuneration	83,847,203.01	121,577,653.26
Depreciation charge	18,880,789.26	21,057,357.43
Tax expenses	5,216,708.43	16,341,074.77
Office expenses	9,577,225.25	5,702,172.93
Welfare fee	20,209,213.56	20,195,256.28
Amortization of intangible assets	4,693,905.42	6,617,836.08
Land rent and management fee	5,109,835.09	6,793,028.62
Other	63,877,382.45	43,301,134.72
Total	211,412,262.47	241,585,514.09

65. Financial expenses

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Interest expenses		
Less: Interest income	13,318,183.24	15,747,878.09
Exchange loss	-16,356,683.41	-15,110,552.47
Other	1,217,412.76	1,987,306.54
Total	-28,457,453.89	-28,871,124.02

66. Asset impairment loss

Unit: RMBYuan

Item	Reporting Period	Same period of last year
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I. Bad debt loss	2,779,405.74	6,204,880.86
II. Inventory falling price loss	22,861,105.34	19,419,051.26
VII. Impairment losses of fixed asset impairment loss		37,880,650.62
IX. Impairment losses of construction in process		2,000,000.00
XII. Impairment losses of intangible assets		16,608,980.00
XIII. Goodwill impairment loss		7,360,330.45
Total	25,640,511.08	89,473,893.19

Other notes:

The impairment loss of the assets of the Reporting Period decreased RMB 63,833,382.11 by 71.34 % over the previous year. The main reasons were as follows: 1. The Company accrued impairment provision RMB 37,880,650.62 for of idle equipment T5, T8 and energy saving lamp production line, and accrued impairment provision RMB 2,000,000.00 for construction in process - hard glass furnace; 2. Subsidiary Suzhou Mont had accrued total provision for impairment RMB 16,608,980.00 for the book value of intangible assets - patents in last period; 3. Suzhou Mont sustained losses due to the scale, market and other reasons, there was no conditions for production any longer, and accrued total impairment provision for the goodwill formed by purchasing Suzhou Mont in last period.

67. Gains and losses from changes in fair value

Unit: RMBYuan

Sources	Reporting Period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses		35,935.00
Total		35,935.00

68. Investment income

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	4,327,697.03	-3,307,086.87
Investment income received from financial assets measured by fair value and the changes be included in the current profits and losses during holding period		19,505.00
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and	373,528.38	2,353,948.21

losses during holding period		
Investment income received from holding of available-for-sale financial assets	14,474,805.76	3,449,696.24
Investment income received from disposal of available-for-sale financial assets	858,346,116.55	17,063,266.56
Investment and financial products income	7,694,508.91	
Other	-3,137,134.86	-55,571.28
Total	882,079,521.77	19,523,757.86

Other notes:

Note: Other items of the Reporting Period were mainly forward foreign exchange settlement earnings.

69. Non-operating gains

Unit: RMBYuan

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	20,253.97	182,286.57	20,253.97
Including: Gains from disposal of fixed assets	20,253.97	182,286.57	20,253.97
Government subsidies	1,669,377.53	5,141,174.13	1,669,377.53
Other	2,051,054.77	2,304,506.54	2,051,054.77
Total	3,740,686.27	7,627,967.24	3,740,686.27

Government subsidies recorded into current profits and losses

Unit: RMBYuan

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Project of FGD fly ash removal of furnace system		Subsidy	Due to engaged in special industry that the state encouraged	No	No		28,166.86	Related to the assets

			and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					
Production line of 50 million energy-saving fluorescent lamp		Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	No	No	154,999.92	154,999.89	Related to the assets
Standard optical components testing laboratory capacity construction and products quality guarantee engineering		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No	377,174.93		Related to the assets
New type of low cost silicon substrate LED light source		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No	220,331.68		Related to the assets

module technology								
Subsidiary from wangjiayizhan		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No		2,019,056.20	Related to the income
Leadership growth project sales award		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No		1,196,830.00	Related to the income
Clean energy reward		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No		330,000.00	Related to the income
Suzhou Industrial Park science and technology development fund		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No	93,600.00	104,812.00	Related to the income
Electroless capacitor drive power technology		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No		690,391.50	Related to the income
Other odd government subsidies		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No	823,271.00	616,917.68	Related to the income
Total	--	--	--	--	--	1,669,377.53	5,141,174.13	--

70. Non-operating expenses

Unit: RMBYuan

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	5,796,711.34	8,354,989.42	5,796,711.34
Including: Loss on disposal of fixed assets	5,796,711.34	8,354,989.42	5,796,711.34
Donations	50,549.74	90,231.94	50,549.74
Lawsuit compensation		130,497,453.69	
Inventory loss	4,872,903.24	1,288,079.32	4,872,903.24
Fine expenses	1,196,550.68		1,196,550.68
Overdue fine	6,572.30		6,572.30
Other	699,267.00	1,083,135.16	699,267.00
Total	12,622,554.30	141,313,889.53	12,622,554.30

71. Income tax expense**(1) Lists of income tax expense**

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Current income tax expense	200,786,513.07	12,134,618.15
Deferred income tax expense	-809,879.03	-3,826,349.62
Total	199,976,634.04	8,308,268.53

(2) Adjustment process of accounting profit and income tax expense:

Unit: RMBYuan

Item	Reporting Period
Total profits	1,273,233,027.78
Current income tax expense accounted by tax and relevant regulations	190,984,954.17
Influence of different tax rate suitable to subsidiary	4,294,276.08
Influence of income tax before adjustment	8,241,244.39
Effect of non-deductible costs, expenses and losses	2,242,218.70
Effect of allowing to make up for the amount of tax losses in	-155,884.24

previous years	
Effect of deferred tax assets	-809,879.03
Investment income and dividends	-4,871,148.50
As sales	37,675.77
Other	13,176.70
Income tax expense	199,976,634.04

72. Other comprehensive income

For details, please refer to Notes on major items in consolidated financial statements of the Company, 57.

73. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities:

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Deposit interest	13,785,568.65	14,826,507.40
Income from insurance compensation (Note)	13,376,161.79	
Guaranteed income	11,861,861.00	
Property and rental income	2,331,426.63	2,895,455.72
Income from subsidy	1,732,404.67	4,907,615.88
Other	9,834,976.95	4,451,157.93
Total	52,922,399.69	27,080,736.93

Notes for other cash received relating to operating activities:

Note: The significant increase in income from insurance compensation of the Reporting Period was mainly due to for the insurance indemnity for warehouse water stains

(2) Other cash paid relevant to operating activities:

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Management fees paid with cash	34,441,711.07	46,287,176.76
Selling expenses paid with cash	111,440,656.67	147,647,779.81
Financial expenses paid with cash	1,198,307.44	1,987,306.54
Lawsuit compensation	13,700,478.57	178,063,330.32

Other	34,047.72	930,040.37
Total	160,815,201.47	374,915,633.80

(3) Other cash received relevant to investment activities

Naught

(4) Other cash paid relevant to investment activity

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Subsidiary liquidation expenses	39,877.93	
Total	39,877.93	

(5) Other cash received relevant to financing activities

Naught

(6) Other cash paid relevant to financing activities

Naught

74. Supplemental information for Cash Flow Statement**(1) Supplemental information for Cash Flow Statement**

Unit: RMBYuan

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	1,073,256,393.74	37,684,725.39
Add: Provision for impairment of assets	25,640,511.08	89,473,893.19
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	75,456,478.79	66,958,262.29
Amortization of intangible assets	4,693,905.42	6,617,836.08
Long-term unamortized expenses	3,100,100.12	1,122,171.38
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	5,776,457.37	2,462,027.70
Loss on retirement of fixed assets (gains:	1,765,606.37	5,710,675.15

negative)		
Losses from variation of fair value (gains: negative)		-35,935.00
Financial cost (gains: negative)		-8,150,854.62
Investment loss (gains: negative)	-882,079,521.77	-19,523,757.86
Decrease in deferred income tax assets (gains: negative)	-692,850.33	-1,048,513.87
Increase in deferred income tax liabilities (“-” means decrease)	-6,689.25	-2,777,835.75
Decrease in inventory (gains: negative)	-215,842,269.53	46,723,993.01
Decrease in accounts receivable from operating activities (gains: negative)	-123,344,623.02	65,879,278.93
Increase in payables from operating activities (decrease: negative)	322,255,269.49	-102,770,776.59
Net cash flows generated from operating activities	289,978,768.48	188,325,189.43
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of cash	1,479,283,642.54	933,546,108.37
Less: Opening balance of cash	933,546,108.37	989,701,235.60
Net increase in cash and cash equivalents	545,737,534.17	-56,155,127.23

(2) Net Cash paid of obtaining the subsidiary

Naught

(3) Net Cash receive from disposal of the subsidiary

Naught

(4) Cash and cash equivalents

Unit: RMBYuan

Item	Closing balance	Opening balance
I. Cash	1,479,283,642.54	933,546,108.37
Including: Cash on hand	13,058.91	36,008.01
Bank deposit on demand	1,477,005,924.93	853,647,752.46

Other monetary funds on demand	2,264,658.70	79,862,347.90
III. Closing balance of cash and cash equivalents	1,479,283,642.54	933,546,108.37
Of which: the parent company or subsidiaries within the group use restricted cash and cash equivalents	0.00	1,695,096.83

75. Notes to items of changes in owner's equity

Note to name of "other" item adjusted closing balance and the adjustment amount:

Not applicable

76. The assets with the ownership or use right restricted

Unit: RMBYuan

Item	Closing book value	Restricted reason
Monetary capital	0.00	
Notes receivable	0.00	
Inventory	0.00	
Fixed assets	0.00	
Intangible assets	0.00	
Total	0.00	--

77. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMBYuan

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital	--	--	2,638,044.00
Including: USD	369,531.81	6.9370	2,563,442.16
EUR	10,209.92	7.3068	74,601.84
Accounts receivable	--	--	257,668,120.36
Including: USD	37,144,027.73	6.9370	257,668,120.36
Accounts payable			1,755,558.66
Including: USD	253,071.74	6.9370	1,755,558.66
Advance from customers			13,550,084.65

Including: USD	1,942,773.05	6.9370	13,477,016.65
EUR	10,000.00	7.3068	73,068.00

(2) Note to overseas entities including: for significant overseas entities, shall disclose main operating place, recording currency and selection basis, if there are changes into recording currency, shall also disclose the reason.

☐ Applicable ☒ Not applicable

78. Arbitrage

Qualitative and quantitative information of relevant arbitrage instruments, hedged risk in line with the type of arbitrage to disclose:

Not applicable

79. Other

Not applicable

VIII. Changes of merge scope

1. Business combination not under the same control

(1) Business combination under the same control during the Reporting Period

Naught

(2) Combination cost and goodwill

Naught

(3) Identifiable assets and liabilities of acquiree on purchase date

Naught

(4) Profits or losses of residual equity held before purchase date recalculated in line with fair value

Whether there is a transaction that through multiple transaction step by step to realize enterprises merger and gaining the control during the Reporting Period

☐ Yes ☒ No

(5) Note to merger could not be determined reasonable consideration or Identifiable assets, Fair value of liabilities of the acquiree at acquisition date or closing period of the merge

Naught

(6) Other notes

Naught

2. Business combination under the same control**(1) Business combination under the same control during the Reporting Period**

Naught

(2) Combination cost

Naught

(3) The book value of the assets and liabilities of the combined party at combining date

Naught

3. Counter purchase

Naught

4. The disposal of subsidiary

Whether there is a single disposal of the investment to subsidiary and lost control

☐ Yes ☒ No

Whether there are multiple transactions step by step dispose the investment to subsidiary and lost control in Reporting Period

☐ Yes ☒ No

5. Other reasons for the changes in combination scope**Original subsidiaries no longer incorporated in the consolidation of present year**

The subsidiary Suzhou Mont was filed for bankruptcy by creditors. On June 2, 2016, (2016) SU0591 MP No. 03 Decision of the trial court Suzhou Industrial Park People's Court designated Jiangsu Yingyuan Law Firm as the administrator of Suzhou Mont. The company lost the control to Suzhou Mont from that date. According to the Accounting Standards for Business Enterprises, Suzhou Mont was not included in the consolidated financial statements of the Company at the end of the Reporting Period (the Company only included the Profit Statement and Cash Flow Statement of Suzhou Mont in the consolidation from January to May 2016).

Main body incorporated in the consolidation of present year

Name	Net assets at period-end	Net profit of Reporting Period
Foshan Lighting Zhida Electric Technology Co., Ltd	35,460,469.91	-39,530.09

6. Other

Naught

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Foshan Chansheng Electronic Ballast Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Foshan Lighting Lamps & Components Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Guangdong Fozhao New Light Sources Technology Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd.	Foshan	Foshan	Production and sales	100.00%		Newly established
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	Foshan	Foshan	Production and sales	70.00%		Newly established
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	Xinxiang	Xinxiang	Production and sales	100.00%		Newly established
Guangdong Fozhao Leasing	Foshan	Foshan	Finance lease	100.00%		Newly established

Co., Ltd.						
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Nanjing	Nanjing	Production and sales	100.00%		Purchase
Foshan Lighting Zhida Electric Technology Co., Ltd	Foshan	Foshan	Production and sales	51.00%		Newly established

(2) Significant not wholly owned subsidiary

Unit: RMBYuan

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	30.00%	1,723,931.64	6,287,923.10	5,027,436.18
Foshan Lighting Zhida Electric Technology Co., Ltd	49.00%	-19,369.74		9,980,630.26

(3) The main financial information of significant not wholly owned subsidiary

Unit: RMBYuan

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	66,911,991.61	7,126,979.81	74,038,971.42	57,280,850.82		57,280,850.82	51,164,104.98	8,097,170.56	59,261,275.54	27,289,850.07		27,289,850.07
Foshan Lighting Zhida	38,927,748.34	13,176.70	38,940,925.04	3,480,455.13		3,480,455.13						

Electric Technology Co., Ltd												
Suzhou Mont Lighting Co., Ltd.						7,308,641.50	1,847,171.96	9,155,813.46	27,826,967.12			27,826,967.12
Total	105,839,739.95	7,140,156.51	112,979,896.46	60,761,305.95		60,761,305.95	58,472,746.48	9,944,342.52	68,417,089.00	55,116,817.19		55,116,817.19

Unit: RMBYuan

Name	Reporting Period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	131,088,201.96	5,746,438.79	5,746,438.79	4,828,194.91	128,813,369.96	5,903,925.36	5,903,925.36	-5,018,556.05
Foshan Lighting Zhida Electric Technology Co., Ltd	433,043.67	-39,530.09	-39,530.09	1,859,128.47				
Suzhou Mont Lighting Co., Ltd.	248,781.50	-1,611,812.15	-1,611,812.15	6,893.12	26,198,849.98	-28,830,585.17	-28,830,585.17	-3,858,454.50

(4) Significant restrictions of using enterprise group assets and pay off enterprise group debt

Naught

(5) Provide financial support or other support for structure entities incorporate into the scope of consolidated financial statements

Naught

2. The transaction of the Company with its owner's equity share changed but still controlling the subsidiary

(1) Note to owner's equity share changed in subsidiary

Naught

(2) The transaction's influence to equity of minority shareholders and attributable to the owner's equity of the parent company

Unit: RMBYuan

Purchase cost / disposal price	40,507,350.00
--Cash	40,507,350.00
Total purchase cost / disposal price	40,507,350.00
Less: share of net assets of subsidiaries calculated according to the percentage of equity acquired / disposed of	29,998,813.24
Difference	10,508,536.76
Of which: adjusted additional paid-in capital	10,508,536.76

3. Equity in joint venture arrangement or associated enterprise

(1) Significant joint venture arrangement or associated enterprise

Naught

(2) Main financial information of significant joint venture

Naught

(3) Main financial information of significant associated enterprise

Naught

(4) Summary financial information of insignificant joint venture or associated enterprise

Unit: RMBYuan

	Closing balance/ Reporting Period	Opening balance /last period
Joint venture:	--	--
Total investment book value	210,394,932.69	382,637.52
The total of following items according to the shareholding proportions	--	--

-- Net profits	4,327,697.03	-3,307,086.87
-- Other comprehensive income	21,831,908.42	
-- Total comprehensive income	26,159,605.45	-3,307,086.87
Associated enterprise:	--	--
The total of following items according to the shareholding proportions	--	--

(5) Note to the significant restrictions of the ability of joint venture or associated enterprise transfer funds to the Company

Naught

(6) The excess loss of joint venture or associated enterprise

Naught

(7) The unrecognized commitment related to joint venture investment

Naught

(8) Contingent liabilities related to joint venture or associated enterprise investment

Naught

4. Significant common operation

Naught

5. Equity of structure entity not including in the scope of consolidated financial statements

Naught

6. Other

Naught

X. The risk related financial instruments

The financial instruments of the Company included: monetary funds, accounts receivable, notes receivable, accounts payable, etc. The details of each financial instrument see relevant items of note V.

The main risks of the Company due to financial instruments were credit risk, liquidity risk and market risk. The operating management of the Company was responsible for the risk management target and the recognition of the policies.

(I) Credit risk

Credit risk was one party of the contract failed to fulfill the obligations and causes loss of financial assets of the other party. The credit risk the Company faced was selling on credit which leads to customer credit risk.

The Company will evaluate credit risk of new customer, and set credit limit, once the balance of account receivable over credit limit, require the customer to pay or producing and delivering goods shall be approved by the management of the Company.

The Company through monthly aging analysis of account receivable and monitoring the collection situation of the customer ensured the overall credit risk of the Company was in control scope. Once appear abnormal situation, the Company should conduct necessary measures to requesting the payment timely.

(II) Liquidity Risk

Liquidity risk is referred to their risk of incurring capital shortage when performing settlement obligation in the way of cash payment or other financial assets. The policies of the Company are to ensure that there was sufficient cash to pay the due liabilities. The liquidity risk is centralized controlled by the Financial Department of the Company. The financial department through supervising the balance of the cash and securities can be convert to cash at any time and the rolling prediction of cash flow in future 12 months to ensure the Company have sufficient cash to pay the liabilities under the case of all reasonable prediction, Each financial liability of the Company was estimated due within 1 year.

(III) Market risk

Market risk was referred to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including: exchange rate risk, interest rate risk and other price risk.

1. Exchange rate risk

Exchange rate risk was referred to the possible loss due to changes of exchange rate in the financial activities that economic agents held or used the foreign exchange. The Company's export business was settled by USD which avoided exchange risk the Company faced in transaction.

2. Interest rate risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price. There was no bank loan in the Company, thus no RMB benchmark interest rate changes

3. Other price risk

Naught

XI. The disclosure of the fair value**1. Closing fair value of assets and liabilities calculated by fair value**

Unit: RMBYuan

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value	--	--	--	--

measurement				
(II) Available-for-sale financial assets	1,427,901,096.63			1,427,901,096.63
(2) Equity tool investment	1,427,901,096.63			1,427,901,096.63
Total assets of consistent fair value measurement	1,427,901,096.63			1,427,901,096.63
II. Inconsistent fair value measurement	--	--	--	--

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

The recognition judgment of the fair value measurement items at level 1 was the stock price on assets balance sheet date

3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2

Naught

4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3

Naught

5. Sensitiveness analysis on unobservable parameters and adjustment information between opening and closing book value of consistent fair value measurement items at level 3

Naught

6. Explain the reason for conversion and the policy governing when the conversion happens if conversion happens among consistent fair value measurement items at different levels

Naught

7. Changes in the valuation technique in the current period and the reason for change

Naught

8. Fair value of financial assets and liabilities not measured at fair value

Naught

9. Other

Naught

XII. Related party and related Transaction

1. Information related to parent company of the Company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Hong Kong Wah Shing Holding Company Limited	Hong Kong	/	/	13.47%	13.47%
Shenzhen Guangsheng Investment Development Co., Ltd.	Shenzhen	Investment	RMB120 million	5.12%	5.12%
Guangdong Electronics Information Industry Group Ltd.	Guangzhou	Production, sale	RMB462 million	4.74%	4.74%
Guangsheng Investment Development Co., Ltd.	Hong Kong	/	/	1.82%	1.82%
Guangdong Rising Finance Holdings Limited	Zhuhai	Investment	RMB1,393 million	0.54%	0.54%
Total				25.70%	25.70%

Notes: Information on the parent company:

On 9 September 2015, the Company's original first majority shareholder OSRAM Holding Company Limited signed Equity Transfer Agreement with Guangdong Electronics Information Industry Group Co., Ltd. (Hereinafter referred to as "Electronics Group") Germany OSRAM Company Limited transfer its 100% share equity to Electronics Group. The relevant transaction was completed on 4 December 2015. Electronics Group became only controlling shareholder of OSRAM Holding (Renamed as Hong Kong Wah Shing Holding Company Limited (hereinafter referred to as "Hong Kong Wah Shing Holding") and indirectly became the first majority shareholder of the Company.

The first majority shareholder of the Company, Hong Kong Huasheng Holding Co., Ltd. was the wholly owned

subsidiary of Electronics Group, and Electronics Group, Shenzhen Guangsheng Investment Development Co., Ltd. (hereinafter referred to as “Shenzhen Guangsheng”), Guangdong Rising Finance Holdings Limited Holdings Limited (hereinafter referred to as “Rising Finance”) and Guangsheng Investment Development Co., Ltd. (hereinafter referred to as “Guangsheng Investment”) were the wholly owned subsidiaries of Guangdong Rising Assets Management Co., Ltd. In line with the relevant stipulation of Corporation Law and Rules on Listed Companies Acquisition, Electronics Group, Shenzhen Guangsheng and Guangsheng Investment were persons acting in concert. As of 31 December 2016, the aforesaid persons acting in concert holding total A, B share of the Company 326,899,130 shares, 25.70% of total share equity of the Company. Guangsheng becomes the actual controller of the Company.

The final controller of the Company is Guangdong Rising Assets Management Co., Ltd. (GRAM).

2. Subsidiaries of the Company

See details to Notes IX. Equity in other entities, 1. Equity in subsidiary.

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

The details of significant joint venture and associated enterprise of the Company, please refer to Notes IX. Equity in other entities, 3. Equity in the joint venture arrangement or associated enterprise

4. Information on other related parties of the Company

Name	Relationship
PROSPERITY LAMPS & COMPONENTS LTD	Shareholder owning over 5% shares
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Company controlled by related natural person
Hangzhou Times Lighting and Electrical Co., Ltd.	Company controlled by related natural person
Prosperity Electrical (China) Co., Ltd.	Company controlled by related natural person
Prosperity (Xinxiang) Electro-optical Machinery Co., Ltd.	Company controlled by related natural person
Prosperity (Xinxiang) Lighting Machinery Co., Ltd.	Company controlled by related natural person
Siteco Prosperity Lighting (Langfang) Co., Ltd.	Company affected by related natural person
Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	Related natural person as a senior manager in the company
Foshan NationStar Optoelectronics Co. Ltd.	Under same actual controller
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Under same actual controller
Henan Guangsheng Technology Investment Co., Ltd.	Under same actual controller
Guangdong Rising Finance Limited	Under same actual controller
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Under same actual controller
Guangdong Huayuebao New Energy Co., Ltd.	Under same actual controller
OSRAM (China) Lighting Co., Ltd.	An acting-in-concert party of corporation that held over 5%

	shares of the Company within the past 12 months
OSRAM Asia Pacific Ltd.	An acting-in-concert party of corporation that held over 5% shares of the Company within the past 12 months

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Information on acquisition of goods and reception of labor service

Unit: RMBYuan

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not Whether exceed trade credit or not	Same period of last year
Foshan NationStar Optoelectronics Co., Ltd.	Purchase of raw material	94,159,851.42	300,000,000.00	No	76,444,384.33
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Purchase of raw material	8,545,092.81	20,000,000.00	No	1,889,435.70
Prosperity Electrical (China) Co., Ltd.	Purchase of raw material	6,368,027.48	15,000,000.00	No	22,850,547.95
Prosperity Lamps and Components Ltd.	Purchase of raw material	1,930,525.20	6,500,000.00	No	7,847,567.70
Hangzhou Times Lighting and Electrical Co., Ltd.	Purchase of raw material	1,749,294.75	3,500,000.00	No	3,110,065.22
Guangdong Huayuebao New Energy Co., Ltd.	Purchase of raw material	1,391,666.63			
OSRAM (China) Lighting Co., Ltd.	Purchase of raw material			No	66,000.00
Prosperity (Xinxiang) Electro-Optical Machinery Co., Ltd	Purchase of raw material			No	169,129.06
Prosperity Lamps and Components Ltd.	Sales commission			No	1,143,599.60

Prosperity (Xinxiang) Electro-Optical Machinery Co., Ltd	Purchase of equipment			No	305,266.00
Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	Purchase of raw material			No	129,270.08
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Purchase of equipment	366,464.78			
Total		114,510,923.07			113,955,265.64

Information of sales of goods and provision of labor service

Unit: RMBYuan

Related party	Content	Reporting Period	Same period of last year
Prosperity Lamps and Components Ltd.	Sale of products	26,343,909.02	37,595,265.96
OSRAM Asia Pacific Ltd.	Sale of products	5,480,151.82	20,274,496.35
OSRAM (China) Lighting Co., Ltd.	Sale of products	5,049,289.31	11,694,540.97
Prosperity Electrical (China) Co., Ltd.	Sale of products	295,866.44	1,066,171.84
Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	Sale of products	156,300.94	233,882.48
Foshan NationStar Optoelectronics Co., Ltd.	Sale of products	139,981.43	460,630.77
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Sale of products	132,536.76	2,519,651.15
Total		37,598,035.72	73,844,639.52

(2) Related trusteeship/contract

Naught

(3) Information of related lease

The Company was lessor:

Unit: RMBYuan

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	House property	84,054.08	90,000.00

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in this year	The lease fee confirmed in last year
Guangdong Electronics Information Industry Group Ltd.	Vehicles	16,666.67	

(4) Related-party guarantee

Naught

(5) Inter-bank lending of capital of related parties

Unit: RMBYuan

Related party	Amount	Starting date	Due date	Note
Borrow				
Offer				
Guangdong Rising Finance Limited	100,000,000.00			The Company deposited RMB 100,000,000.00 to Guangdong Rising Finance Co., Ltd. in 2016 according to the Financial Services Agreement signed by both parties and the annualized interest rate was 3.80%. The interest income incurred and recognized in the Reporting Period was RMB42,222.22.

(6) Related party asset transfer and debt restructuring

Naught

(7) Rewards for the key management personnel

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Chairman of the Board		2,598,750.00
Director & GM	1,707,000.00	1,417,500.00
Chairman of the Supervisor		520,000.00
Chairman Secretary	1,045,600.00	716,600.00
CFO	985,900.00	1,559,250.00
Other	7,465,500.00	3,577,700.00
Total	11,204,000.00	10,389,800.00

(8) Other related-party transactions

Naught

6. Receivables and payables of related parties**(1) Receivables**

Unit: RMBYuan

Name of item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Interest receivable	Guangdong Rising Finance Limited	42,222.22			
Accounts receivable	Prosperity Lamps and Components Ltd.	4,121,642.27	123,649.27	8,110,971.49	486,658.29
Accounts receivable	OSRAM (China) Lighting Co., Ltd.	117,554.16	3,526.62	2,305,508.76	138,330.53
Accounts receivable	Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	86,367.27	25,910.18	1,183,367.27	71,002.04
Accounts receivable	Prosperity Electrical (China) Co., Ltd.	26,156.80	784.70		
Accounts receivable	Shanghai Linxian Mechanical and Electrical Equipment Co., Ltd.	21,723.08	651.69	115,788.02	6,947.28

Accounts receivable	Foshan NationStar Optoelectronics Co., Ltd.			538,938.00	32,336.28
Accounts receivable	OSRAM Asia Pacific Ltd.			5,551,463.20	333,087.79
Other accounts receivable	Henan Guangsheng Technology Investment Co., Ltd.	117,000.00	93,600.00	117,000.00	
Other accounts receivable	Guangdong Electronics Information Industry Group Ltd.	5,000.00	150.00		
Prepayment	Prosperity Electrical (China) Co., Ltd.	92,424.45			
		4,630,090.25	248,272.47	17,923,036.74	1,068,362.21

(2) Payables

Unit: RMBYuan

Name of item	Related party	Closing book balance	Opening book balance
Accounts payable	Foshan NationStar Optoelectronics Co., Ltd.	19,840,379.88	28,114,401.12
Accounts payable	Guangdong Fenghua Advanced Technology Holding Co., Ltd.	2,492,269.85	440,962.32
Accounts payable	Prosperity Electrical (China) Co., Ltd.	1,286,052.41	6,457,303.92
Accounts payable	Guangdong Huayuebao New Energy Co., Ltd.	1,391,666.63	
Accounts payable	Prosperity Lamps and Components Ltd.	331,774.70	1,733,345.47
Accounts payable	Hangzhou Times Lighting and Electrical Co., Ltd.	243,897.33	275,413.63
Other account payable	Prosperity Electrical (China) Co., Ltd.	100,000.00	
Other account payable	Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	47,860.00	
Advance from customers	OSRAM Asia Pacific Ltd.	2,947.78	
Advance from customers	Prosperity Electrical (China)		18,133.90

	Co., Ltd.		
Total		25,736,848.58	37,039,560.36

7. Related party commitment

(1)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About share lock-up

Contents: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that within 12 months from the completion of their acquisitions, they shall not transfer or entrust others to manage the shares directly or indirectly held by them in the Company, nor shall they allow the Company to repurchase those shares, except for the case where those shares may be transferred for no compensation due to any business or asset integration with their actual controller or their actual controller's controlled subsidiaries.

Date of commitment making: 2015-12-04

Term of commitment: 12 months

Fulfillment: In execution

(2)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Content: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that the business of Foshan NationStar Optoelectronics Co., Ltd. that is in competition with the business of the Company takes up only a small part in NationStar's total business, they shall gradually reduce or eliminate the horizontal competition as planned through business integration or other ways or arrangements within the coming 24 months.

Date of commitment making: 2015-12-04

Term of commitment: 24 months

Fulfillment: In execution

(3)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant

assets and business of them and their relevant enterprises. 2. All the commitments made by them to eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

(4)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About reduction and regulation of related-party transactions

Content: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. Strictly abide by the regulatory documents of the CSRC and the SZSE, the Company's Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the "Relevant Enterprises" for short) will try their best to avoid or reduce related-party transactions with the Company or the Company's subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the Company, and withdraw from voting when a related-party transaction with them or their Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws, regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

(5)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About independence

In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is substantially in competition with the Company's business. And (4) They promise that they and their related

parties will try their best to reduce related-party transactions between them and the Company; for necessary and unavoidable related-party transactions, they promise to operate fairly following the market-oriented principle and at fair prices, and execute the transaction procedure and the duty of information disclosure pursuant to the applicable laws, regulations and regulatory documents. 2. They will ensure the independence of the Company in personnel: (1) They promise that the Company's GM, deputy GMs, CFO, Company Secretary and other senior management personnel will work only for and receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor. (2) They promise the Company's absolute independence from their related parties in labor, human resource and salary management. And (3) They promise to follow the legal procedure in their recommendation of directors, supervisors and senior management personnel to the Company and not to hire or dismiss employees beyond the Company's Board of Directors and General Meeting. 3. They will ensure the independence and completeness of the Company in asset: (1) They promise that the Company will have a production system, an auxiliary production system and supporting facilities for its operation; legally have the ownership or use rights of the land, plants, machines, trademarks, patents and non-patented technology in relation to its production and operation; and have independent systems for the procurement of raw materials and the sale of its products. (2) They promise that the Company will have independent and complete assets all under the Company's control and independently owned and operated by the Company. And (3) They promise that they and their other controlled subsidiaries will not illegally occupy the Company's funds and assets in any way, or use the Company's assets to provide guarantees for the debts of themselves or their other controlled subsidiaries with. 4. They will ensure the independence of the Company in organization: (1) They promise that the Company has a sound corporate governance structure as a joint-stock company with an independent and complete organization structure. (2) They promise that the operational and management organs within the Company will independently execute their functions according to laws, regulations and the Company's Articles of Association. 5. They will ensure the independence of the Company in finance: (1) They promise that the Company will have an independent financial department and financial accounting system with normative, independent financial accounting rules. (2) They promise that the Company will have independent bank accounts and not share bank accounts with its related parties. (3) They promise that the Company's financial personnel do not hold concurrent positions in its related parties. (4) They promise that the Company will independently pay its tax according to law. And (5) They promise that the Company can make financial decisions independently and that they will not illegally intervene in the Company's use of its funds.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

8. Other

Naught

XIII. Stock payment

1. The Stock payment overall situation

☐ Applicable ☒ Not applicable

2. The Stock payment settled by equity

☐ Applicable ☒ Not applicable

3. The Stock payment settled by cash

☐ Applicable ☒ Not applicable

4. Modification and termination of the stock payment

Naught

5. Other

Naught

XIV. Commitments**1. Significant commitments**

Significant commitments at balance sheet date

1. Significant commitments

Significant commitments on the balance sheet date

As of December 31, 2016, the Company had the following commitments:

Commitment: Commitment made to small and medium shareholders of the company

Type of commitment: Commitment about cash dividends

Contents: The annual profits distributed in cash by the Company shall be not less than 30% of the distributable profits of the year.

Date of commitment making: 2009-5-27

Term of commitment: Long-standing

Fulfillment: In execution

2. Contingency**(1) Significant contingency at balance sheet date**

1. According to the judgment made by Guangzhou Intermediate People's Court in (2016) GD01 MC No. 5-16 *Civil Judgment*, the litigation request of disputes over the misrepresentation of securities of the 12 plaintiff was rejected. The plaintiff arrested the judgment, appealed to the Guangdong Provincial Higher People's Court, and requested to revoke the (2016) GD01 MC No. 5-16 *Civil Judgment* made by Guangzhou Intermediate People's Court. On December 26, 2016, the Guangdong Provincial Higher People's Court made (2016) GDMZ No. 1841-1852 Civil Judgment, rejected the appeal and upheld the original judgment.

2. As Dongguan FSL Lindun Energy-saving Technology Co., Ltd. (hereinafter referred to as "Dongguan Lindun") defaulted on the payment of the Company, the Company filed a lawsuit with Dongguan First People's Court on

March 22, 2016 (case No.: (2016) GD1971 MCZ No. 6481), and demanded a verdict that Dongguan Lindun should pay overdue payment RMB 9,559,837.55 and liquidated damages RMB 955,983.76 (total: RMB 10,515,821.31). Dongguan Lindun filed Civil Counterclaim with Dongguan First People's Court on April 28, 2016 against the Company on the grounds of quality problems in the goods provided by the Company, and requested the Court to order the Company to indemnify a loss of RMB 11,727,003.10 and pay liquidated damages RMB 1,552,159.76 (total: RMB 13,279,162.86). As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

3. The company undertook the northern mountain area streetlight project tender 7 for township streetlight construction in Guangzhou jointly with Guangdong Hengyu Construction Engineering Co., Ltd. (hereinafter referred to as "Guangdong Hengyu"). As Guangdong Hengyu was in arrears with project payments, the Company filed a lawsuit with Foshan Chancheng District People's Court on August 5, 2016, and demanded a verdict that Guangdong Hengyu shall pay the project payments and interest (calculated from January 1, 2016 to the actual payment date by the loan interest rate of the People's Bank of China of the same period). On January 12, 2017, five streetlight construction contractors of the above-mentioned project filed Civil Litigation with Foshan Chancheng District People's Court, and requested the court to order the Company to pay the construction payment of RMB 1,241,844.93 in total. As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

4. In November 2016, the administrator of Suzhou Mont filed a lawsuit with Suzhou Industrial Park People's Court, and requested the court to order the Company to pay the commissions of RMB 1,070,294.11. As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

(2) The Company have no significant contingency to disclose, also should be stated

There was no significant contingency in the Company.

3. Other

Naught

XV. Events after balance sheet date

1. Significant events had not adjusted

Naught

2. Profit distribution

Unit: RMBYuan

Profits or dividends to be distributed	534,295,804.56
Profits or dividends to be declared and distributed after approval	534,295,804.56

3. Sales return

Naught

4. Notes of other significant events

On January 19, 2017, the twelfth meeting of the 8th Board of Directors of the Company passed the *Proposal on Transferring the Equity of Qinghai FSL Lithium Energy Exploitation Co., Ltd.*, and the Company intended to transfer 38% equity of the joint venture Qinghai FSL Lithium Energy Exploitation Co., Ltd. held by the Company at RMB 189,817,600 to potential counterparties. As of December 31, 2016, the book value of Company's investment in Qinghai FSL Lithium Energy Exploitation Co., Ltd. was RMB 29.8362million.

Except the above, the Company has no other matters that need to be disclosed after the balance sheet date.

XVI. Other significant events

1. The accounting errors correction in previous period

Naught

2. Debt restructuring

Naught

3. Replacement of assets

Naught

4. Pension plan

Naught

5. Discontinuing operation

Naught

6. Segment information

Naught

7. Other important transactions and events have an impact on investors' decision-making

Naught

8. Other

(I) About equity incentive fund

On May 16, 2002, the resolution of the Shareholders' General Meeting of the year 2001 of the Company passed the proposal of establishing equity incentive system for middle and senior executives, which stipulated that the

assessment target shall be annual return on net assets of 6%. When the annual return on net assets reached 6%, withdraw equity incentive funds by 5% of the net profit, the accruing proportion of incentive funds and the increase ratio of return on net assets should increase simultaneously. The scheme was implemented from the fiscal year 2001. The accrued equity incentive fund of the Company was RMB 17.50million for the present year.

(II) About bankruptcy liquidation of Suzhou Mont Lighting Co., Ltd.

Subsidiary Suzhou Mont failed to pay off the debts due, and was filed for bankruptcy on April 13, 2016 by the creditor Suzhou Liftall Electronics Co., Ltd. with Suzhou Industrial Park People's Court. On April 27, 2016, Suzhou Industrial Park People's Court accepted the bankruptcy liquidation application filed by Suzhou Liftall Electronics Co., Ltd. against Suzhou Mont in (2016) SU0591 MP No. 3 *Civil Order*.

On June 2, 2016, (2016) SU0591 MP No. 03 Decision issued by Suzhou Industrial Park People's Court designated Jiangsu Yingyuan Law Firm as the administrator of Suzhou Mont.

At present, the bankruptcy liquidation of Suzhou Mont is ongoing.

(III) The lawsuit with Foshan Yixin

The Company entrusted Foshan Yixin Equity Trusteeship Services Limited (the actual year was from 1995 to 2009) (hereinafter referred to as "Foshan Yixin") to handle the dividend payout from 1994 to 2008. As Foshan Yixin didn't provide the distribution details of dividend payment and the proof of actual receipt by the shareholders, the Company filed a lawsuit with Foshan Chancheng District People's Court (Case No.: (2015) FC FECZ No. 911) and demanded a verdict that Foshan Yixin should provide the distribution details of dividend payment and the proof of actual receipt by the shareholders and return the dividend payment that hadn't been actually distributed to the shareholders to the Company. As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

XVII. Notes of main items in the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable classified by category

Unit: RMBYuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	10,064,664.92	1.55%	10,064,664.92	100.00%		12,986,752.44	3.05%	12,986,752.44	100.00%	
Accounts receivable	640,256,	98.45%	28,400,6	4.44%	611,855,4	410,900	96.40%	23,029,47	5.60%	387,870,57

withdrawn bad debt provision according to credit risks characteristics	170.33		73.43		96.90	,049.63		1.45		8.18
Accounts receivable with insignificant single amount for which bad debt provision separately accrued						2,352,989.65	0.55%	2,352,989.65	100.00%	
Total	650,320,835.25	100.00%	38,465,338.35	5.91%	611,855,496.90	426,239,791.72	100.00%	38,369,213.54	9.00%	387,870,578.18

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

√ Applicable □ Not applicable

Unit: RMBYuan

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Suzhou Mont Lighting Co., Ltd.	10,064,664.92	10,064,664.92	100.00%	The debtor has suffered continual losses due to the size of its business and the market reason, and it is now no longer able to produce again.
Total	10,064,664.92	10,064,664.92	--	--

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMBYuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	573,508,845.24	17,205,265.36	3.00%
Subtotal within 1 year	573,508,845.24	17,205,265.36	3.00%
1 to 2 years	31,285,996.22	3,128,599.62	10.00%
2 to 3 years	2,436,831.19	731,049.36	30.00%
Over 3 years	14,249,154.92	7,335,759.09	51.48%
3 to 4 years	13,638,308.80	6,819,154.40	50.00%
4 to 5 years	471,207.14	376,965.71	80.00%

Over 5 years	139,638.98	139,638.98	100.00%
Total	621,480,827.57	28,400,673.43	4.57%

Notes:

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 2,273,861.07; the amount of the reversed or collected part during the Reporting Period was of RMB 3,535,749.69.

Significant amount of reversed or recovered bad debt provision:

Unit: RMBYuan

Name of units	Amount	Method
Foshan Sanshui Center of Science and Technology Industrial Park Development Co., Ltd.	2,069,866.90	Cash recover
Suzhou Mont Lighting Co., Ltd.	1,187,363.14	Equipment recover
Kunming Hong guangming Commerce and Trade Co., Ltd.	278,519.65	Cash recover
Total	3,535,749.69	--

(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Unit: RMB Yuan

Item	Amount
Suzhou Mont Lighting Co., Ltd.	2,012,636.86
Foshan Sanshui Center of Science and Technology Industrial Park Development Co., Ltd.	4,603.10
Tianjin Jishi Shengda Lighting Co., Ltd.	160,306.56
Other retails accounts	189.74
Subtotal	2,177,736.26

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

Unit: RMBYuan

Name of units	Relationship	Book balance	Proportion of the total accounts receivable	Withdrawal bad debt provision

First	Non-related relationship	90,616,666.15	13.93%	3,581,411.24
Second	Non-related relationship	19,547,480.15	3.01%	586,424.40
Third	Non-related relationship	15,980,885.31	2.46%	479,426.56
Fourth	Non-related relationship	14,566,977.79	2.24%	437,009.33
Fifth	Non-related relationship	12,487,543.99	1.92%	374,626.32
Total		153,199,553.39	23.56%	5,458,897.85

(5) Derecogniton of account receivable due to the transfer of financial assets

Naught

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Naught

2. Other accounts receivable

(1) Other account receivable classified by category

Unit: RMBYuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	58,237,702.22	99.50%	1,522,852.38	2.61%	56,714,849.84	48,263,507.82	99.39%	1,088,491.67	2.26%	47,175,016.15
Other accounts receivable with insignificant single amount for which bad debt provision	295,120.00	0.50%	295,120.00	100.00%		295,120.00	0.61%	295,120.00	100.00%	

separately accrued										
Total	58,532,822.22	100.00%	1,817,972.38	3.11%	56,714,849.84	48,558,627.82	100.00%	1,383,611.67	2.85%	47,175,016.15

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMBYuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	8,174,274.74	245,228.25	3.00%
Subtotal within 1 year	8,174,274.74	245,228.25	3.00%
1 to 2 years	1,793,982.90	179,398.29	10.00%
2 to 3 years	2,657,553.61	797,266.08	30.00%
Over 3 years	325,862.12	300,959.76	92.36%
3 to 4 years	3,003.72	1,501.86	50.00%
4 to 5 years	117,002.48	93,601.98	80.00%
Over 5 years	205,855.92	205,855.92	100.00%
Total	12,951,673.37	1,522,852.38	11.76%

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 434,360.71, the amount of reversed or recovered bad debt provision in the Reporting Period RMB0.00

(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

Naught

(4) Other account receivable classified by account nature

Unit: RMBYuan

Nature	Closing book balance	Opening book balance
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Internal business group	45,581,148.85	30,417,099.89
VAT export tax refunds		10,002,722.46
Performance bond	1,959,752.60	3,554,295.96
Staff borrow and deposit	5,587,226.25	730,813.84
Water & electricity fees	936,834.08	490,494.61
Advance money for street light construction	2,523,547.23	2,523,547.23
Other	1,944,313.21	839,653.83
Total	58,532,822.22	48,558,627.82

(5) The top five other account receivable classified by debtor at period-end

Unit: RMBYuan

Name of units	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
First	Interdepartmental account	28,959,393.89	Within 2 year	49.47%	0.00
Second	Interdepartmental account	8,568,323.24	Within 2 year	14.64%	0.00
Third	Interdepartmental account	4,024,850.39	Within 2 year	6.88%	0.00
Fourth	Interdepartmental account	3,291,024.13	Within 2 year	5.62%	0.00
Fifth	Advance money for street light construction	2,523,547.23	2-3 years	4.31%	757,064.17
Total	--	47,367,138.88	--	80.92%	757,064.17

(6) Account receivable involving government subsidies

Naught

(7) Other account receivable derecognized due to the transfer of financial assets

Naught

(8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement

Naught

3. Long-term equity investment

Unit: RMBYuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	507,957,289.76	24,360,000.00	483,597,289.76	441,949,939.76	24,360,000.00	417,589,939.76
Investment to joint ventures and associated enterprises	210,394,932.69	0.00	210,394,932.69	382,637.52	0.00	382,637.52
Total	718,352,222.45	24,360,000.00	693,992,222.45	442,332,577.28	24,360,000.00	417,972,577.28

(1) Investment to the subsidiary

Unit: RMBYuan

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Foshan Chansheng Electronic Ballast Co., Ltd.	2,744,500.00			2,744,500.00		
Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd.	42,000,000.00	40,507,350.00		82,507,350.00		
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	350,000.00			350,000.00		
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	72,000,000.00			72,000,000.00		
Guangdong Fozhao New Light Sources Technology Co., Ltd.	50,077,000.00			50,077,000.00		

Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	35,418,439.76			35,418,439.76		
Guangdong Fozhao Leasing Co., Ltd.	200,000,000.00			200,000,000.00		
Foshan Lighting Lamps & Components Co., Ltd.	15,000,000.00			15,000,000.00		
Foshan Lighting Zhida Electric Technology Co., Ltd		25,500,000.00		25,500,000.00		
Suzhou Mont Lighting Co., Ltd.	24,360,000.00			24,360,000.00		24,360,000.00
Total	441,949,939.76	66,007,350.00		507,957,289.76		24,360,000.00

(2) Investment to joint ventures and associated enterprises

Unit: RMBYuan

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Qinghai FSL Lithium Energy Exploitation Co., Ltd.	382,637.52			3,769,010.96	25,684,598.14					29,836,246.62	
Shenzhen Primatronix		180,000,000.00		558,686.07						180,558,686.07	

(Nanho) Electronic s Ltd.											
Subtotal	382,637.52	180,000,000.00		4,327,697.03	25,684,598.14					210,394,932.69	
Total	382,637.52	180,000,000.00		4,327,697.03	25,684,598.14					210,394,932.69	0.00

(3) Other notes

Naught

4. Revenue and Cost of Sales

Unit: RMBYuan

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	3,316,069,235.74	2,561,443,178.44	2,905,137,467.71	2,309,203,166.69
Other operations	103,108,787.15	81,804,226.85	26,597,499.01	15,786,736.36
Total	3,419,178,022.89	2,643,247,405.29	2,931,734,966.72	2,324,989,903.05

Other notes:

5. Investment income

Unit: RMBYuan

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	14,671,820.57	
Long-term equity investment income accounted by equity method	4,327,697.03	-3,307,086.87
Investment income received from financial assets measured by fair value and the changes be included in the current profits and losses during holding period		19,505.00
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	373,528.38	2,353,948.21
Investment income received from holding of available-for-sale financial assets	14,474,805.76	3,449,696.24

Investment income received from disposal of available-for-sale financial assets	858,346,116.55	17,063,266.56
Investment and financial products income	7,490,856.14	
Other	-3,951,100.00	-55,571.28
Total	895,733,724.43	19,523,757.86

6. Other

Naught

XVIII. Supplementary materials

1. Items and amounts of extraordinary gains and losses

√ Applicable □ Not applicable

Unit: RMBYuan

Item	Amount	Note
Gains/losses on the disposal of non-current assets	-5,776,457.37	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	1,669,377.53	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	853,216,065.17	Mainly due to the sale of the stocks of Guoxuan High-tech held by the Company through block trading in the Reporting Period
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately	3,535,749.69	
Other non-operating income and expenses other than the above	-4,774,788.19	
Less: Income tax effects	127,331,306.57	
Minority interests effects	-566,092.70	
Total	721,104,732.96	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

☐ Applicable ☒ Not applicable

2. Return on equity and earnings per share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	21.40%	0.8429	0.8429
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	7.01%	0.2761	0.2761

3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

☐ Applicable ☒ Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

☐ Applicable ☒ Not applicable

(3) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

Naught

4. Other

Naught

Section XII Documents Available for Reference

Investors and relevant departments may refer to the following materials placed in the Board Secretariat in the office building of the Company:

1. Financial statements signed and sealed by the legal representative, the accounting head for the Report and the manager of the finance department;
2. Original of the audit report signed and sealed certified public accountants and stamped by accounting firm.
3. All originals of the Company's documents and announcements disclosed on China Securities Journal, Securities Times, and Ta Kung Pao in the Reporting Period.

The Board of Directors
Foshan Electrical and Lighting Co., Ltd.
March 28, 2017