



Shenzhen SEG Co., Ltd.

2017 Semi-annual Report

August 2017

Chapter 1 Important Notice, Contents, and Definitions

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

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

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

The future plans, development strategies and other forward-looking statements mentioned in the semi-annual report do not constitute substantial commitments to investors of the Company. Investors are advised to pay attention to investment risks.

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

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Definitions

Definition	refers to	Description
This Company, the Company, the listed company, SHEN SEG	refers to	Shenzhen SEG Co., Ltd.
SEG Group	refers to	Shenzhen SEG Group Co., Ltd.
Longgang SEG	refers to	Shenzhen SEG Electronics Market Management Co., Ltd.
Suzhou SEG	refers to	Suzhou SEG Electronics Market Management Co., Ltd.
Suzhou SEG Digital	refers to	Suzhou SEG Digital Plaza Management Co., Ltd.
Nanjing SEG	refers to	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.
Xi'an SEG	refers to	Xi'an SEG Electronics Market Co., Ltd.
Xi'an Hairong SEG	refers to	Xi'an Hairong SEG Electronics Market Co., Ltd.
Changsha SEG	refers to	Changsha SEG Development Co., Ltd.
Wujiang SEG	refers to	Wujiang SEG Market Management Co., Ltd.
Wuxi SEG	refers to	Wuxi SEG Electronics Market Co., Ltd.
Shunde SEG	refers to	Foshan Shunde SEG Electronics Market Management Co., Ltd. in Foshan
Nanning SEG	refers to	Nanning SEG Digital Plaza Management Co., Ltd.
Shanghai SEG	refers to	Shanghai SEG Electronics Market Operation Management Co., Ltd.
SEG Baohua	refers to	Shenzhen SEG Baohua Enterprise Development Co., Ltd.
SEG Industry	refers to	Shenzhen SEG Industrial Investment Co., Ltd.
SEG Credit	refers to	Shenzhen SEG Credit Co., Ltd.
Nantong SEG	refers to	Nantong SEG Times Plaza Development Co., Ltd.
Nantong SEG Operation Company	refers to	Nantong SEG Commercial Operation Management Co., Ltd.
SEG Intelligent	refers to	Suzhou SEG Intelligent Technology Co., Ltd.
SEG Investment	refers to	Shenzhen SEG Investment Management Co., Ltd.
SEG Application	refers to	Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.
SEG Longyan Technology	refers to	Shenzhen SEG Longyan Energy Technology Co., Ltd.
SEG Lianzhong	refers to	SEG Lianzhong Internet Technology Co., Ltd.
SEG Zhongtong	refers to	Shenzhen SEG Zhongtong Technology Co., Ltd.
SEG Real Estate	refers to	SEG Real Estate Investment Co., Ltd.
SEG Property Development	refers to	SEG Property Development Co., Ltd.
SEG Kangle	refers to	SEG Kangle Enterprise Development Co., Ltd.
SegMaker	refers to	Shenzhen SegMaker Co., Ltd.
SEG Property Management	refers to	SEG Property Management Co., Ltd.

SEG New Urban	refers to	Shenzhen SEG New Urban Construction Development Co., Ltd.
Object companies	Refer to	Four companies transferred inward through this asset re-organization, including SEG Real Estate, SEG Property Development, SEG Kangle and SegMaker
Xi'an SEG Kanghong	refers to	Xi'an SEG Kanghong Property Co., Ltd.
Huizhou Qunxing	refers to	Huizhou Qunxing Real Estate Co., Ltd.
Beijing SEG	refers to	Beijing SEG Property Development Co., Ltd.
SEG Wisdom	refers to	SEG Wisdom Sports and Culture Development Co., Ltd.
Mellow Orange Hotel	refers to	Shenzhen Mellow Orange Business Hotel Management Co., Ltd.
Maker Hotel	refers to	SEG Maker Hotel Management Co., Ltd.
Huakong SEG	refers to	Shenzhen Huakong SEG Co., Ltd.
SEG Navigations	refers to	Shenzhen SEG GPS Scientific Navigations Co., Ltd.
CEEC	refers to	China International Consumer Electronics Exchange/Exhibition Center
Longyan Energy Technology	refers to	Longyan Energy Technology (Hangzhou) Co., Ltd.
Wangyu Technology	refers to	Shanghai Wangyu Information Technology Co., Ltd.
Tencent	refers to	Shenzhen Tencent Computer System Co., Ltd.
Fujian Babycat	refers to	Fujian Babycat Animation Technology Co., Ltd.
Zhuhai Zhongtong	refers to	Zhuhai Zhongtong Lexing Network Technology Co., Ltd.
Allied eSports	refers to	Tianjin Allied eSports Internet Technology Co., Ltd.
Shenzhen SASAC	refers to	State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality
CSRC	refers to	China Securities Regulatory Commission
Shenzhen Securities Regulatory Bureau	refers to	Shenzhen Securities Regulatory Bureau of China Securities Regulatory Commission
<i>Articles of Association</i>	refer to	<i>The Articles of Association of Shenzhen SEG Co., Ltd.</i>
Unless otherwise specified, the amount referred to in the report	refers to	Amount in CNY

Chapter 2 Company Profile and Major Financial Indexes

I. Company profile

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

II. Contact information

	Secretary of the Board of Directors	Securities affairs representative
Name	Zheng Dan	Zhang Xin
Contact address	31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen	31/F, Tower A, the Stars Plaza, Huaqiang Road (N), Futian District, Shenzhen
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III. Other information

1. Contact information of the Company

Are the registered address, office address, zip code, website and e-mail address of the Company changed in the reporting period?

☐ Applicable ☒ Not applicable

No changes in the registered address, office address, zip code, website and e-mail address of the Company in the reporting period, please refer to 2016 Annual Report.

2. The place of information disclosure and filing

Is the information disclosure and filing site changed in the reporting period?

☐ Applicable ☒ Not applicable

The newspaper specified by the Company to disclose information, the website specified by CSRC to publish the semi-annual report and the filing site for the semi-annual report are not changed in the reporting period, please refer to 2016 Annual Report for detailed information.

IV. Major accounting data and financial indexes

Are retrospective adjustments required to previous financial statements?

☒ Yes ☐ No

Reason for retrospective adjustments or restatement

Merger of enterprises under common control

	Amount of the reporting period	Amount of the same period of the previous year		Year-on-year increase/decrease
		Before adjustment	After adjustment	After adjustment
Operating revenue (Yuan)	592,346,626.22	362,673,236.85	724,213,525.00	-18.21%
Net profit attributable to shareholders of the listed company (Yuan)	50,008,785.42	26,856,270.42	104,913,059.48	-52.33%
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss (Yuan)	30,778,883.27	28,696,459.47	27,187,695.79	13.21%
Net cash flow arising from operating activities (Yuan)	93,125,278.74	-99,314,028.40	70,386,258.79	32.31%
Basic EPS (Yuan/Share)	0.0405	0.0342	0.0849	-52.30%
Diluted EPS (Yuan/Share)	0.0405	0.0342	0.0849	-52.30%
Weighted average ROE	2.67%	1.82%	4.67%	-2.00%
	Closing amount	Year-end amount		Year-on-year increase/decrease
		Before adjustment	After adjustment	After adjustment
Total assets (Yuan)	7,423,262,800.40	2,548,276,265.32	6,923,273,093.64	7.22%
Net assets attributable to shareholders of the listed company (Yuan)	1,793,775,473.28	1,548,200,647.55	2,412,301,070.04	-25.64%

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VI. Items and amount of non-recurring profit or loss:

☒ Applicable ☐ Not applicable

Unit: Yuan

Item	Amount	Remarks
Profit or loss on disposal of non-current assets (including the write-off of assets depreciation reserves)	-111,492.83	

Government subsidies included in current profit or loss (except those closely related with corporate business and enjoyed according to national standards or certain quota)	3,716,243.11	
Capital occupation fee collected from non-financial enterprises recognized in current profit or loss	1,676,532.33	
Current net profit or loss of subsidiaries arising from merger of enterprises under common control from the beginning of the period to the date of merger	10,632,970.72	
Trustee fee income from entrusted operation	68,759.04	
Other non-recurring profit or loss items	10,467,166.60	
Less: Amount of affected income tax	3,242,832.45	
Amount of influence of minority shareholders' equity (after tax)	3,977,444.37	
Total	19,229,902.15	--

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

☐ Applicable ☒ Not applicable

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

Chapter 3 Summary of Company Business

I. Main business in the reporting period

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

No.

(I) Main business and operation model

In order to reduce horizontal competition, enhance the profitability and core competitiveness of the Company, and complete transformation and upgrading of the existing business, the Company has carried out major assets restructuring. the Company intended to purchase 100% of the equity of SegMaker, 55% of the equity of SEG Kangle, 100% of the equity of SEG Property Development and 79.02% of the equity of SEG Real Estate held by SEG Group by means of issuing shares and paying cashes to acquire assets (see the *Report of Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions* for details). On January 17, 2017, the Company received the approval on the major assets restructuring issued by the CSRC. The Company has completed asset transfer and issued 450,857,239 shares to SEG Group, and the newly issued shares were listed on March 6, 2017.

After reconstructing, the main business of the Company has not changed greatly, including the development and operation of electronics markets and supporting projects, property leasing services, city complex (industrial park) real estate business, marker business, new energy business, value-added small loan business, economical hotel business, trade and channel business.

Business model: On the basis of the electronics markets, commercial real estate (industrial parks), and CdTe solar energy, the Company combines multiple business models, develops the overall resource advantages, accelerate transformation and upgrading of the original main business, expands from operation of a single business platform to the content production and operation, creates a business model combining multiple business types, including the maker ecosystem, culture & education, intelligent technology, sports & entertainment, virtual experience, e-sports, financial services, and construction of industrial parks, and builds a new SEG industrial ecosystem. The Company marches from a single role of electronics market leasing into diversified strategic emerging industries and high-end manufacturing and services. By innovating in the business model and integrating business resources, the Company aims to create a platform for diversified strategic emerging industries and become a leader in high-end manufacturing and services. The Company supports innovative business relying on the traditional electronics market business, deploys full industry chains, and develops electronic information products, smart electronic applications, supply chain financial services, strategic emerging industries, high-end manufacturing and services.

(II) Current situation of industries which the Company mainly deals in

(1) Electronics market industry

Under the continuous impact of e-commerce, the traditional electronics market industry focuses on innovation in the original business model: a. transforms from a single electronic trading platform to a complex business type platform combining culture, science & technology, intelligence, sports, and financial services; b. transforms enterprises engaged in electronics market operation from a single leasing role to platform operators and service providers that integrate online and offline resources; c. supports innovative business based on the existing electronics market business resource platform, deploys full industry chains, and develops electronic information products, smart electronic applications, supply chain financial services, strategic emerging industries, high-end manufacturing and services.

(2) Commercial real estate industry

In recent years, in the context of economic policy stimulus, rapid growth of total retailing of social consuming goods, and transformation of the traditional department stores, China's commercial real estate witnesses continuous rapid development. At present, China's real estate market enters the new normal state. The government becomes more rational and attaches more importance to market regulation and control. As the market mechanism and the investor sentiment become mature, commercial real estate will step into a rational and stable development stage.

(3) Maker industry

Relying on its advantages in the electronic component industry, Shenzhen has initially formed three maker clusters, namely Qianhai, Civic Center, and Huaqiangbei, and has full maker industry chains including the maker space, venture capital, crowd funding platforms, incubators, and electronic supply chains. The construction of the maker ecosystem is an important trend for economic transformation and upgrading of Huaqiangbei. At present, the maker industry enters the stage of survival of the fittest, and equity investment tends to be rational.

(III) Industrial position of the Company

Having been dedicated to the electronics market industry for nearly 29 years, the Company is the founder of the electronics market operation model of China and a leader in the industry. The Company has established more than 20 electronics markets in China by means of direct operation, joint operation, and entrusted operation, has formed an electronics market chain system covering Zhujiang River Delta and Yangtze River Delta and radiating the whole country, and has gained high brand influence both at home and abroad.

II. Significant changes in main assets**1. Significant changes in main assets**

Main assets	Description of Significant Changes
Equity	Long-term equity investment decreases by RMB 6.99 million (or 3.43%) over the beginning of the period, mainly due to losses of Huakong SEG, CEEC, SEG Real Estate, CEEC and SEG Wisdom based on accounting by the equity method in the reporting period.
Fixed assets	There is no significant change in the reporting period.
Intangible assets	Intangible assets increase by RMB 28.55 million (or 1,064.52%) over the beginning of the period, mainly because SEG Longyan obtained the land use right in Shenzhen-Shantou Cooperation Zone in the reporting period.
Construction in progress	Construction in progress increases by RMB 7.81 million (or 21.05%) over the beginning of the period, mainly due to increased investment in the property decoration and renovation of SEG Kangle Building in the reporting period.
Lending funds	Lending funds decrease by RMB 40 million (or 100%) over the beginning of the period, mainly because SEG Credit recovered lending funds in the reporting period.
Accounts receivable	Accounts receivable increase by RMB 21.24 million (or 36.04%) over the beginning of the

	period, mainly because accounts receivable arising from trading business of SEG Industry increased by RMB 6.67 million, and property management expenses receivable on the accrual basis increased by RMB 13.13 million.
Other non-current assets	Other non-current assets increase by RMB 75.18 million (or 544.62%) over the beginning of the period, mainly because prepayment for key equipment in the production line of CdTe film PV cell modules (RMB 88 million) of SEG Longyan was included in this item.

2. Main overseas assets

☐ Applicable ☒ Not applicable

III. Analysis of the core competitiveness

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

No.

Shenzhen SEG Electronics market operated by the Company is the founder of the electronics market operation model in China, leading in the industry. It has won honorable titles successively including "Five-star Market of Electronic Products in China", "Most Influential Market in Shenzhen Special Area in 30 Years", "Top 10 Most Influential Shenzhen Branded Markets in China", "China's Top 10 Electronics Markets in 2016", and "China's Electronics Market Operation Innovation Prize in 2016".

Dedicated to the electronics market for 29 years, the Company has acquired abundant market merchant resources and mature market operation and management experience. As of today, the Company has set up more than 20 electronics markets in China by means of direct operation, joint operation and entrusted operation, has formed an electronics market chain system covering Zhujiang River Delta and the Yangtze River Delta and radiating the whole country, has become the largest comprehensive electronics market in China and even in Asia covering electronic components, digital IT and communication products, and has gained high brand influence both at home and abroad.

For the past several years, the Company has been exploring, innovating in, and practicing electronics market business transformation and upgrading based on the traditional main business. Faced with new consumption, new channels, and new retail, the Company expands from operation of a single business platform to the content production and operation, creates a business model combining multiple business types, including the maker ecosystem, culture & education, intelligent technology, sports & entertainment, virtual experience, e-sports, and financial services, builds a new SEG industrial ecosystem, and provides one-stop and comprehensive consumption experience to consumers.

In the reporting period, the Company has completed major assets restructuring and is raising funds. After restructuring, by asset injection into quality electronics markets, property management, and commercial real estate, the Company has reduced horizontal competition to the maximum extent, enriched the business structure, enhanced the profitability and core competitiveness of the listed company, and achieved strategic integration, transformation and upgrading of the existing business.

At present, the Company has developed in-depth cooperation with Longyan Energy Technology, Wangyu Technology, Alibaba, Fujian Babycat, Tencent, and Zhuhai Zhongtong in new business fields, such as new energy, e-sports, e-commerce, animation, makers, and WiFi on G-series high-speed trains. The Company has promoted

the transformation and upgrading of the original business, developed new business, and achieved coordinated development of multiple business types. The Company will develop diversified strategic emerging industries, high-end manufacturing, and services.

Chapter 4 Management Discussion and Analysis

I. Overview

In the first half of 2017, China's economy features stable consumption growth in the short term, pick up in investment, and downward pressure.

In the reporting period, the Company has completed major assets restructuring. Benefiting from injection of core business assets into the electronics market, the scale of the main business of the Company will expand. Benefiting from asset injection into commercial real estate and property management, the business of the Company will interwork. In this way, the core competitiveness and sustainable operating ability of the Company will be enhanced.

Facing fierce market competition and the continuous impact of e-commerce, the Company is dedicated to user value, integrates resources, further expands the industrial chain, improves the service quality of electronics markets, creates a business model combining multiple business types, including the maker ecosystem, culture & education, intelligent technology, sports & entertainment, virtual experience, e-sports, and financial services, vigorously promotes transformation and upgrading of the traditional electronics market business, explores new business development models, and continuously improves the operating capacity and profitability of the Company.

In the reporting period, the total operating income from the Company amounted to RMB 625,086,000 and decreased by 19.22% over the same period last year. The total profit amounted to RMB 103,484,000 and decreased by 49.21% over the same period last year. Main reasons for decrease in the operating income: (1) As the sales revenue of the project of SEG New Urban is not eligible for recognition, the real estate income and profit of SEG Real Estate is expected to be recognized in the second half of 2017; (2) The purchasing agent business of SEG Industry is gradually terminated. The main reason for decrease in the total profit: (1) In the same period of last year, SEG Real Estate transferred 48 sets of properties and received the nonbusiness income of RMB 60,590,000, but such a business income did not occur in this year. (2) As the sales revenue of the project of SEG New Urban cannot be recognized now, the real estate income and profit of SEG Real Estate is expected to be recognized in the second half of 2017.

II. Analysis of main business

Overview

The main business of the Company includes the development and operation of electronics markets and supporting projects, property leasing services, city complex (industrial park) real estate business, marker business, new energy business, small loan business, economical hotel business, trade and channel business.

1. Operation of electronics markets

With the rapid development of various shopping behaviors, such as online shopping, the electronics markets have been affected to some extent. In face of the difficulties, the Company actively transforms and upgrades its existing electronics market business, and adopts a compound business model to create a comprehensive electronics market where multiple business patterns can harmoniously co-exist. These efficient measures ensure a stable operating ability for the Company, and also create new profit opportunities. As of June 2017, the new projects of the Company had been operating stably, and the corporate transformation and development strategy had gained obvious achievements.

In the reporting period:

Children's amusement park project: The park in Nantong branch store has been operating stably. The project team is planning to open a new park in Longgang branch store and the park is currently under decoration.

Internet café and e-sports project: The "Nantong Area Finals of the Second SEG E-Sports Suzhou-Nantong Competition" have been successfully rolled out in the Nantong branch store. The Nantong store has also cooperated with Nantong TV Station and local colleges to jointly host multiple e-sports competitions. The e-sports business also has been officially launched in the Suzhou branch store.

SEG-OURGAME e-sports stadium: The construction of e-sports stadium in Shenzhen branch store has been finished by now, and the procedures of applying for examination and approval of fire protection and for relevant certificates and licenses. After the stadium is transferred and handed over, it will be able to host e-sports competitions.

Taobao e-commerce project: By the project, the Company cooperates with Taobao strategically to develop value-added service in O2O electronics market with SEG characteristics through build up on-line and off-line business platform. By the end of June 2017, the Gross Merchandise Volume (GMV) of the Company's online shop is about 1 billion yuan. Around 2600 suppliers have applied to move in the shop, among them 1500 have officially started their businesses. Up to date, SEG has already started to charge operation fees from the suppliers moved in.

2. Property leasing and management services

The property leasing services of the Company are carried out both by its headquarters and holding companies, including SEG Baohua, SEG Real Estate, SegMaker, SEG Kangle, and Nantong SEG Business Operation Company. During the reporting period, the Company implemented many efficient operation measures, including improving its property management capabilities and service quality, cutting down costs and expenses, and attracting more investments. The occupancy rates of SEG Baohua and SEG Kangle properties maintain at 99%. The overall performance of the property leasing services is stable and strong.

Since its operations, Nantong SEG Times Plaza has been improving its internal management quality and coordinating various external resources to introduce investments. With these efforts, the passenger traffic of the square has been increasing and the brand influence and market value of SEG are greatly enhanced in the Nantong area. As of the end of June 2017, the occupancy rate of SEG Times Plaza had reached 86.1%. Through brand adjustment, the square has introduced many renowned children training institutes to move in, including the Starlight Dance Training, YMM Art Education Group, and Rise Subject English. The children training businesses of the square have formed a considerable scale. In the first half of 2017, the Animation Industrial Park of Nantong SEG Times Plaza received a cultural fund of 300,000 yuan from Nantong municipal government. At the same time, the original animation products of the industrial park won the Best Works Award granted by the Jiangsu provincial government. The influence of the animation industrial park is obviously promoted.

Aiming at the dwelling demand of customers who are dealing in domestic and foreign trade in Huaqiangbei electronics industry, SEG Business Apartment of SEG Maker adopts the method of combining long-term and short-term lease to enhance the property value. At the same time, it interacts and share resources with SEG Communication Market. The apartment was set up through rebuilding Building 6, SEG Garden which is situated in Huaqiangbei and Huaqiangnan metro circle. Since the operation from 2013, the occupation rate has been stabilized around 90%, much higher than that of the surrounding apartments of the same type.

In the reporting period, Beijing SEG, the holding subsidiary of SEG Real Estate, leases 17F (whole floor), Office Tower A, Air China Building, No.36, Xiaoyun Road, Chaoyang District, Beijing, with an covered area of 1694.73m², which is woned by Beijing CA Property & Hotel Management Co., Ltd. CA Building Branch, and plans to rebuilt the building into a business center of operation and service type. This project is the first one through which SEG Real Estate enters into north China market as an important step for SEG Real Estate to march towards the whole China. It will surely promote the influence of SEG Real Estate's brand.

3. City complex (industrial park) real estate business

After its reorganization, the real estate business of the Company includes two major projects: the development and construction of urban complexes conducted by SEG Real Estate Company and Nantong SEG Times Plaza.

Progress of relevant real estate business in the reporting period:

(1) Nantong Times Plaza Project

Engineering closing audit: Nantong Times Plaza Project now has completed the stage of engineering closing audit and nown has entered into the stage of second audit (interim).

LOFT sales: As of the end of the reporting period, Nantong SEG has signed contracts of purchasing 11 sets of property with an subscribed area of 688.65m².

(2) SEG New Urban Plaza (Phase 2) Project (SEG ECO Center)

SEG New Urban Plaza (Phase 2) Project is developed by SEG New Urban Investment Company, the holding subsidiary of SEG Real Estate. The project locates at the intersection of Bulong Road in Buji Sub-district, Longgang District, Shenzhen and Lianzhong Road (under planning). The total area of development of SEG New Urban (Phase 2) is 108,000 m², as a landmark complex project integrating 5A class office, regional flagship commerce, luxioury business apartment and enterprise's HQ base together. The project is awarded the title of "Shenzhen Significant Project" ans recommended by Shenzhen Development & Reform Committee to be listed ibn Guangdong Province major projects. At present, the project is under completion and acceptance phase.

The project has obtained the license of pre-selling. As of the end of this report period, the total amount of pre-sales transaction of this complex project has reached 1,431 million yuan (the final transaction amount is subject to the cost of formally signed contracts), therein, 510 sets of apartments with the transaction amount of 796 million yuan; 77 sets of pre-sold offices with the transaction amount of about 379 million yuan; and 55 sets of pre-sold commercial property with transaction amount of 256 million yuan. The complex project is estimated to finish completion and acceptance within this year.

(3) Huizhou Qunxing SEG Plaza Project

Huizhou Qunxing launched another landmark project in Huizhou in late 2012, i.e. SEG Holiday Plaza with 30,000 m². The whole project is scheduled to be developed through three phases. The positioning of the project is a life and fashion and culture center in Huizhou, i.e. a commercial complex integrating shopping, relaxation, catering, culture and entertainment. Now the first phase of the project is under construction with an area of 100,000 m², comprising “5A class eco-office + experiencing-type commercial shopping center”. The sale of 5A Class eco-office of SEG Holiday Plaza (Phase 1), i.e., SEG Plaza, was the champion in both 2015 and 2016 even when the sale of real estate was in depression. On April 14, 2017, SEG Holiday Plaza opens officially and now the investment is being attracted worldwide.

In the report period, the business of SEG Holiday Plaza (Phase 2) is actively pushed forward. Now the calculation of feasibility of Phase 2 project has been finished and the initial concept scheme is waiting for examination and approval. On April 15, 2017, SEG Qunxing signed with the government of Huicheng District and China Film Association Animation Film Working Committee the *Framework Agreement of Placing Tianma Cup Competition in Huizhou*, deciding to organize activities to promoting the 2nd Tianma Cup of Chinese animation and films competition to facilitate holding Tianma Cup event in Huizhou. Through building “Huizhou SEG International cartoon and animation Industry Zone” in Huizhou and organize the event of “International Cartoon and animation Week for One Belt and One Road (OBOR)”, SEG will promote Chinese cartoon and animation and film industry to develop towards internationalization.

(4) Xi'an SEG Plaza Project

Xi'an “SEG Plaza Project” is invested and built by Xi'an SEG Kanghong Investment Company, the holding subsidiary of SEG Real Estate. The project locates at No.40, No.6 Gaoxin Road, Gaoxin District, Xi'an (i.e. the south-west corner of intersection of No.2 Keji Road and No.6 Gaoxin Road). The project will integrate the commercial activities including electronics market, relaxation and entertainment, catering, finance, and high-end office and apartment and etc., and build self-owned property “SEG IT MALL” to form an experiencing-type metropolitan complex with regional radiating influence mainly in office, electronics market, movie theatre and relaxation and catering.

In the reporting period, the project has completed all the procedures of planning and applying for approval, and also obtained the *License of Construction Project Planning*.

(5) SEG Wisdom Sports Industry Project

In sports industry, SEG Real Estate cooperates with Shenzhen Wisdom Sports Building Investment Co., Ltd. and they have established a joint venture SEG Wisdom Company, and will jointly invest in developing and operating the “Internet + Sports” complex sports project Dongle Rubik's Cube, and exploring the “Cloud” management platform for sports and health, smart sports facilities display and experience, and physical sports buildings.

SEG Wisdom has established strategic cooperation relation with the governments of Futian District and Bao'an District, and successfully signed agreement on organizing the first round of OBOR Marathon series games, i.e. Shenzhen International Marathon Competition and on September 7, 2016, launched the 1st Bao'an Marathon Competition in Shenzhen. Furthermore, in 2017, SEG Wisdom promotes business in many fields, such as sports games (Marathon and football), training (basketball, badminton and teenage's football and so on), and sports building project (sports theme park and so on). At present, the first sports building operated by SEG Wisdom, Bao'a, Songgang Sports Center officially opened on July 25, 2017.

4. Maker business

The Company centers on the maker ecological industry, and its maker business includes SEG business centers, SEG business apartments, and SEG Maker Space. SEG Maker Space was established in June 2015. Based on the maker business in the Huaqiangbei commercial area and the various business sectors of SEG Group, the Maker Space utilizes the advantages of SEG in the industry, brand, and capital, gathers possible resources from the electronics information industry and market, and provides all-round services to maker groups, satisfying their requirements on product launch, exhibition, road show, market expansion, sales, financing, experience sharing, and training. SEG Maker Space aims to facilitate the industrial development of maker products, and to enable the deep integration of the industrial chain and innovation chain.

During the reporting period, SEG Maker Space was certified by Shenzhen Municipal Development and Reform Commission as well as Shenzhen Human Resources and Social Security Bureau as the "First Batch of Innovation and Entrepreneurship Bases in Shenzhen" and "Shenzhen Overseas Returnees Entrepreneurship Park". It has gained a special support fund of 5.25 million yuan from Shenzhen Municipal Government. At the same time, it has launched many maker activities, including the "Canadian High-end Project Road Show and Cooperation Fair", "Taiwan Young Entrepreneur Representatives Seminar", "China – Italy Innovation & Entrepreneurship Investment and Cooperation Fair", "2017 Huaqiangbei – SEG Maker Banquet", and "Huawei LiteOS Hackathon Competition". These activities offered the maker teams in and outside China a good opportunity to share experience. On one hand, the activities can generate good social effects and boost the popularity of SEG Maker Space. On the other hand, they can win more maker project opportunities for SEG Maker Space, ensuring its sustainable development.

(1) Equity investment: SEG Maker Space has reached cooperative intentions with Ouwo and Baonuo entrepreneurial teams, and agreed to exchange market expansion resources and rent for project equities.

(2) Space leasing: The overall occupancy rate of SEG Maker Space maintains at 90%. A total of 260 entrepreneurial teams and small- and medium-size enterprises have moved in, covering such fields as TMT, artificial intelligence, robots, smart hardware, VR, and 3D printing.

Hongtu SEG Intelligence Industry Investment Funds: As of the end of the report period, Shenzhen Hongtu SEG Investment Management Co., Ltd. and Shenzhen Hongtu SEG Intelligence Industry Investment funds (limited partnership) have completed the procedures of registration of industry and commerce and now are handling the procedures of registration and record in China Securities Investment Fund Industry Association. At the same time, the project preparation and investigation are just being carried out. On August 16, 2017, the event jointly organized by SEG Group and Shenzhen Chuangxin Investment Co., Ltd. under the name of "Innovation in China: Shenzhen Station, SEG Creates Future" (and the news press of Hongtu SEG Funds) was successfully held in Shenzhen Wuzhou Hotel, attracting over 300 guests nationwide, including important VC investors, famous and young entrepreneurs and media professionals.

After re-organization, the company's maker business focuses on the business of Maker Branch and SegMaker.

Under the background of national strategy, i.e. "Mass entrepreneurship and innovation", the company takes innovative products as its core competence, and invested and established Maker Branch in August 2015 responsible for operating the project of CEEC". Through the one-year development, Maker Branch has set up cooperation relation with more than 60 brand manufacturers, signed cooperation agreement with above 50 institutions and held over 60 events covering various themes, and over 300 types of products are exhibited in CEEC. All these efforts are popular in the business circle. Meanwhile, Maker Branch also actively promotes educational projects on maker for teenagers. As of the end of June 2017, the educational project on maker for teenagers has been awarded the title "Shenzhen Educational Base of Popularization of Science" by Shenzhen Association for Science and Technology. Such educational training on various topics was held for over 40 times. .

In the reporting period, in order to further develop the educational project on maker for teenagers and build up complete SegMaker eco-sphere, the company and Shenzhen Yingmengxin Technology Co., Ltd. jointly invested RMB 10 million yuan in establishing Shenzhen SEG Yicheng Technology Co., Ltd. (the specific name is subject to the registration in the industry and commerce administration). The capital will be used to build SEG Maker Education and Technology Exploration Hall (For details, please refer to *Notice of Investing to Establish Shenzhen SEG Yicheng Technology Co., Ltd. and Build SEG Maker Education and Technology Exploration Hall* disclosed by the Company on August 11, 2017). The original project professionals of Maker Branch merged into the business team of that company.

The SegMaker's maker business focuses on the maker's ech-sphere integrating SEG business center, SEG business hotel and SEG maker space as a whole. Therein, SEG Maker Space was founded in June 2015, relying on Huaqiangbei maker business and the business sections of SEG Group, and integrating the advantages of industries, brands and capital of SEG Group and coordinating the industrial and marketing advantages in IT industry to provide the makers with the comprehensive serves including new products issuance, display, route-show, promotion, transaction, financing and makers' communication and training to help the development of maker products industrialization and to deeply merge industrial chains and innovational chain.

5. New energy business

The new energy market has a great potential. With its green and environment-friendly features, it is supported and facilitated by the government. Among the enterprises that embark on the CdTe thin-film industry, Longyan Energy

Technology (Hangzhou) Co., Ltd. owns completely independent intellectual property rights in the CdTe thin-film battery modules, and is an industry-leading company in the world. In April 2017, Longyan Application won the bidding for the use right of a parcel of state-owned construction land numbered "E2016-0025" in Ebu Town, a special cooperation district between Shenzhen and Shantou, with 28.01 million yuan. The success of this bidding ensures the smooth rollout of the CdTe thin-film project. At present, the project is under site leveling and land consolidation.

6. Small loan business

In the first half of 2017, the China central government launched a series of strategies to protect finance security and stabilize economic development. In order to reduce operating risks, SEG Credit has carried out a variety of measures, such as shrinking business size, standardizing its business process, reinforcing project approval and supervision, strictly investigating important projects and customers, and strengthening interest collection. With these measures, the company has achieved a normal operation.

7. Economical hotel business

The economical hotel business of the Company consists of two brands: the SEG Baohua Mellow Orange Hotels and SEG Maker Hotels. At present, there are four Mellow Orange Hotels in Changsha, Xingsha, Bao'an, and Dongmen. The Mellow Orange Hotel in Dongmen has been in trial operation since January 2017.

SEG Maker Hotel began soft opening in early 2017. Because it locates in the prime area of Huaqiangbei and Huaqiangnan commercial circle, which metro runs through and accompanies with Maker Space and SEG Communication Market, it operates well by far.

8. Trade and channel business

The trade and channel business of the Company includes SEG Industrial Company and SEG Intelligent Technology Co., Ltd. During the reporting period, SEG Intelligent Technology Co., Ltd. expanded its business to the smart home and engineering market, and segmented its existing services. By doing so, the Company becomes more agile to the market situation and can efficiently capture market opportunities. The SEG Industrial Company has filed a law suit against its previous cooperation partner for its late payment, and is trying to protect the Company's interests through legal measures. Now, the relevant trade services have been halted.

Year-on-year changes in main financial data

Unit: Yuan

	The reporting period	The same period of the previous year	Year-on-year increase/decrease (%)	Reason for change
Total operating income	625,085,852.24	773,791,120.91	-19.22%	
Operating cost	426,661,521.04	527,378,769.17	-19.10%	
Sale expenses	18,930,296.04	15,452,527.47	22.51%	
Management expenses	62,603,332.15	48,360,132.61	29.45%	In the reporting period, Nantong SEG Times Plaza and SEG Longyan incurred management expenses. In the same period last year, Nantong SEG Times Plaza was not open yet and SEG Longyan was not established yet.
Financial cost	9,997,883.43	5,084,244.72	96.64%	Nantong SEG Times Plaza has been put into operation, and the capitalization of the borrowing cost of the project is stopped.
Income tax	38,782,427.00	58,174,040.67	-33.33%	Compared with the same period of previous year, total profits decreases, so the income tax fell accordingly.
R&D investment	156,656.92	127,447.60	22.92%	

	The reporting period	The same period of the previous year	Year-on-year increase/decrease (%)	Reason for change
Net cash flow from operating activities	93,125,278.74	70,386,258.79	32.31%	Properties held and leased by the Company increased over the same period last year, and cashes from operating activities increased.
Net cash flow from investing activities	-112,220,284.03	21,719,468.61	-616.68%	Cashes used by SEG Longyan to purchase the CdTe production line and the land use right increased.
Net cash flow arising from financing activities	110,562,243.93	244,451,134.98	-54.77%	In the reporting period, borrowed cashes of the Company decreased over the same period last year.
Net increase in cash and cash equivalents	91,467,238.64	336,556,880.18	-72.82%	Borrowed cashes decreased and cashes paid for investment increased.
Tax and surtax	10,579,222.45	39,850,665.86	-73.45%	In the reporting period, the Company paid the value-added tax (VAT). In January through April, before the implementation of the program of replacing business tax with VAT, the Company paid the business tax for real estate development, electronics markets, property management, and financial business. VAT is a tax excluded in prices and not listed in the income statement. The business tax is a tax included in prices and included in tax and surtax item of the income statement.
Loss of impairment of assets	-542,043.79	-3,854,024.82	-85.94%	In the same period last year, SEG Credit granted loans and carried out write-off of provisions for the impairment of advances, which did not occur in the reporting period.
Income from investment	408,928.49	4,177,657.94	-90.21%	In the reporting period, CEEC incurred the loss of RMB 7.32 million, and the Company's income from investment decreased by RMB 2.2 million. In the same period last year, CEEC was not open yet. In the reporting period, the income from bank financing decreased.
Non-operating income	7,226,958.33	61,732,465.54	-88.29%	The main cause is that in order to guarantee the successfully promote the asset reorganization, in the same period last year, SEG Real Estate obtained non-operating income RMB 60.59 million from transfer of 48 houses. In the reporting period, no such income was obtained.
non-operating expense	549,897.70	3,208,366.60	-82.86%	In the same period last year, the Company paid the litigation compensation incurred by Nanning SEG.

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

☐ Applicable ☒ Not applicable

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

Composition of main business

Unit: Yuan

	Operating income	Operating cost	Gross profit rate	Year-on-year increase/decrease of operating income	Year-on-year increase/decrease of operating cost	Year-on-year increase/decrease of gross profit rate
Classified by industry						
Electronics market	193,479,031.00	116,350,738.85	39.86%	10.37%	13.85%	-1.84%
Property leasing	121,726,160.66	68,705,515.52	43.56%	130.64%	138.22%	-1.80%
Property management	118,900,199.47	102,337,645.71	13.93%	12.07%	15.32%	-2.43%
Trade	87,570,279.99	88,442,699.84	-1.00%	-45.85%	-44.73%	-2.04%
Real estate development	52,297,147.71	30,100,136.48	42.44%	-74.32%	-72.97%	-2.87%
Finance	32,739,226.02	3,624,611.86	88.93%	-33.96%	-73.07%	16.07%
Hotel	18,373,807.39	17,100,172.78	6.93%	47.02%	53.95%	-4.19%
Classified by product						
Classified by region						
Shenzhen	423,517,409.24	256,863,576.72	39.35%	11.60%	1.83%	5.82%
Huizhou	35,990,750.45	18,688,272.10	48.07%	-83.66%	-84.15%	1.62%
Suzhou	91,981,251.40	88,328,125.18	3.97%	-13.36%	-13.99%	0.70%
Xi'an	28,834,389.94	22,339,234.01	22.53%	-7.06%	4.67%	-8.69%
Changsha	19,830,361.95	14,523,155.59	26.76%	1.08%	5.25%	-2.90%
Nanjing	12,064,470.86	13,873,176.03	-14.99%	-2.63%	-12.19%	-14.99%
Nantong	9,160,022.94	8,327,899.94	9.08%			
Wuxi	2,187,708.92	2,242,230.77	-2.49%	-35.13%	10.32%	-42.22%
Foshan	1,519,486.54	1,475,850.70	2.87%	2.68%	7.65%	-4.48%

Property leasing: SEG Group transferred 170 houses to SegMaker for free in July 2016. Since then the incomes belong to SegMaker, resulting in the operating income and profit increase dramatically. SEG Group transferred 170 houses to SegMaker for free in July 2016. Since then the incomes belong to SegMaker, resulting in the operating income and profit increase dramatically.

Trade: SEG Industrial Company terminated its trade business, leading to the sharp decrease of income of trade business in the reporting period.

Real estate development: A large sum of house payments of Huizhou Stars Real Estate project were carried forward in profit and loss in the same period last year while remaining buildings of the project are sold in the reporting period and fewer house payments are carried forward. The plaza project of New Urban has sold out the property of RMB 1.431

billion yuan but the income is not eligible for recognition in the reporting period. It is estimated that part of such income will be brought forward from the Quarter 4, 2017.

Finance: SEG Credit's business shrinkage results in the decrease of operating income, however, the company practices strict economy to lower down costs and improve its gross profit rate. .

III. Analysis of non-main business

√ Applicable □ Not applicable

Unit: Yuan

	Amount	Percentage in the total profit	Reason	Sustainable or not
Income from investment	408,928.49	0.40%	Financing income and income from investment in associates	Sustainable
Impairment of assets	-542,043.79	-0.52%	Recognition of provisions for bad debt and write-off of provisions for credit losses in the previous year	Partly sustainable
Non-operating income	7,226,958.33	6.98%	Government subsidies received and income from liquidated damages	Partly sustainable
Non-operating expense	549,897.70	0.53%	1. Loss on disposal non-current assets RMB 110,000; 2. Donation RMB 100,000; 3. attorney fee for the lawsuit of Nanning SEG, energy-saving service fee, and other costs RMB 300,000.	Not sustainable

IV. Assets and liabilities

1. Material changes in the composition of assets

Unit: Yuan

	End of the reporting period		End of the same period last year (before trace)		Increase or decrease in percentage	Notes to material changes
	Amount	Percentage in total assets	Amount	Percentage in total assets		
Monetary fund	1,222,990,879.83	16.48%	143,304,754.16	5.78%	10.70%	Increase in the monetary fund of the subject company
Accounts receivable	80,193,593.82	1.08%	79,456,363.98	3.20%	-2.12%	
Inventory	3,673,901,099.84	49.49%	568,759,249.94	22.94%	26.56%	The property of SEG Real Estate increased. Development

Investment real estate	695,584,278.68	9.37%	434,510,747.94	17.52%	-8.15%	
Long-term equity investment	196,671,333.80	2.65%	189,295,871.13	7.63%	-4.98%	
Fixed assets	51,807,396.55	0.70%	36,910,218.56	1.49%	-0.79%	
Construction in progress	44,898,411.15	0.60%	-	0.00%	0.60%	
Short-term borrowing	545,000,000.00	7.34%	311,438,652.00	12.56%	-5.22%	
Long-term borrowing	772,250,000.00	10.40%	-	0.00%	10.40%	Increase in the long-term borrowing of the subject company

2. Assets and liabilities measured by fair value

√ Applicable □ Not applicable

Unit: Yuan

Item	Opening balance	Changes in fair value recognized in profit or loss in the reporting period	Changes in accumulated fair value recognized in equity	Impairment recognized in the reporting period	Monetary amount in the reporting period	Sales proceeds in the reporting period	Closing balance
Financial assets							
3. Available-for-sale financial assets	683,290.58	-214,210.99					469,079.59
Subtotal of financial assets	683,290.58	-214,210.99					469,079.59
Total	683,290.58	-214,210.99					469,079.59
Financial liabilities	0.00	0.00					0.00

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

□ Yes √ No

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

(1) Mortgaged assets

As of the end of the reporting period, the Company mortgaged self-owned houses for bank borrowings. The following are mortgaged houses and the net value at the end of the reporting period:

Owner	House name	Net value at the end of the reporting period	Remarks
Shenzhen SEG Co., Ltd.	4F of SEG Plaza	43,315,741.25	Mortgaged for bank borrowings
Shenzhen SEG Co., Ltd.	Some floors of Window to Modernization	51,476,952.71	Mortgaged for bank borrowings
Shenzhen SEG Co., Ltd.	31F of Stars Plaza	9,150,016.33	Mortgaged for bank borrowings
Shenzhen SEG Co., Ltd.	Other houses	6,572,813.17	Mortgaged for bank borrowings
Shenzhen SEG Real Estate Investment Co., Ltd.	See houses listed in Note VII (45)	28,232,606.94	Mortgaged for bank borrowings
Huizhou Stars Real Estate Development Co., Ltd.	Some houses of SEG Holiday Plaza	119,691,853.07	Mortgaged for bank borrowings
Total		258,439,983.47	

(2) Pledged assets

SEG New Urban, a sub-subsidiary of the Company, and Bohai International Trust Co., Ltd. ("Bohai Trust") have entered into a contract of loan on trust. Bohai Trust shall grant a total loan of RMB 500,000,000.00 to SEG New Urban. According to the *Right Pledge Contract* between SEG Real Estate, a subsidiary of the Company, and Bohai Trust, the pledged right is 52.0461% of the equity of SEG New Urban held by SEG Real Estate.

V. Analysis of the investment situation

1. General

√ Applicable □ Not applicable

Investment amount in the reporting period (Yuan)	Investment amount in the same period last year (Yuan)	Change
5,516,813,186.42	135,463,224.43	3972.55%

2. Significant equity investment in the reporting period

√ Applicable □ Not applicable

Unit: Yuan

Investee name	Main business	Investment mode	Investment amount	Shareholding percentage	Source of capital	Partner	Investment horizon	Product type	Progress as of the balance sheet date	Estimated income	Investment profit or loss in the reporting period	Lawsuit involved	Disclosure date (if any)	Disclosure index (if any)
SEG Real Estate Investment Co., Ltd.	Real estate development	Acquisition	2,113,984,200.00	79.02%	Issuance of shares and payment of considerations	Shenzhen Rongqi Mechanical and Electrical Equipment Co., Ltd., employees of SEG Real Estate, and the labor union of SEG Real Estate	Long-term	Real estate	Transfer completed	0.00	3,888,812.73	No	January 25, 2017	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on Transfer of Underlying Assets for Share Issuance and Cash Payment to Acquire Assets and Raise Funds & Connected Transactions</i>
SEG Kangle Enterprise Development Co., Ltd.	Electronics markets and property management	Acquisition	310,244,700.00	55.00%	Issuance of shares and payment of considerations	Harbin Haige Group Co., Ltd	Long-term	Electronics markets and property leasing services	Transfer completed	0.00	12,502,739.08	No		
SEG Property Development Co., Ltd.	Property management	Acquisition	135,235,900.00	100.00%	Issuance of shares and payment of considerations	None	Long-term	Property management	Transfer completed	0.00	6,560,017.61	No		
Shenzhen SegMaker	Electronics markets,	Acquisition	2,597,682,400.0	100.00%	Issuance of shares and	None	Long-term	Electronics markets,	Transfer	0.00	16,615,312.3	No		

Co., Ltd.	property management, and makers		0		payment of considerations			hotels, property management, and makers	completed		2			
SEG Longyan Energy Technology Co., Ltd.	New energy	Establishment	82,500,000.00	50.00%	Self-owned capital	Longyan Energy Technology (Hangzhou) Co., Ltd., Shenzhen Raytai Technology Photovoltaic Engineering Co., Ltd. and Shenzhen Energy Nanjing Energy Holding Limited	Long-term	CdTe Film PV power station and BIPV	In preparation	0.00	-2,395,988.98	No	November 12, 2016	http://www.cninfo.com.cn <i>Announcement of Shenzhen SEG Co., Ltd. on the Establishment of SEG Longyan Energy Technology Co., Ltd. and Launch of CdTe Film Photovoltaic Industrial Base</i>
Shenzhen SEG Lianzhong Internet Technology Co., Ltd.	Internet access services	Establishment	8,250,000.00	55.00%	Self-owned capital	Tianjin Allied eSports Internet Technology Co., Ltd.	Long-term	Internet access services	In preparation	0.00	-56,208.02	No	December 16, 2016	<i>Announcement of Shenzhen SEG Co., Ltd. on the Establishment of Shenzhen SEG Allied eSports Co., Ltd. and Launch of the E-Sports Stadium Project</i>
Shenzhen SEG Zhongtong Technology Co., Ltd.	Wi-Fi project of China Railway	Establishment	980,000.00	49.00%	Self-owned capital	Zhuhai Zhongtong Lexing Network Technology Co., Ltd. and	Long-term	Wi-Fi project of China Railway	In preparation	0.00	0.00	No	April 7, 2017	http://www.cninfo.com.cn <i>Announcement on the Investment and Establishment of Shenzhen SEG</i>

						Shenzhen Donglinde Investment Co., Ltd.								<i>Zhongtong Technology Co., Ltd. and Participation in the WiFi Project of China Railway</i>
Total	--	--	5,248,877,200.0 0	--	--	--	--	--	--	0.00	37,114,684.7 4	--	--	--

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

√ Applicable □ Not applicable

Unit: Yuan

Project name	Investment mode	Fixed asset investment or not	Industries involved in investment	Investment amount in the reporting period	Accumulated amount invested as of the end of the reporting period	Source of capital	Schedule	Estimated income	Accumulated income as of the end of the reporting period	Reasons for non-compliance with the schedule and the estimated income
Nantong SEG Times Plaza	Self-built	No	Real estate	151,925,986.42	749,190,834.01	Self-owned capital and bank loan	-	-	-13,140,910.06	-
Land use right in Shenzhen-Shantou Cooperation Zone of SEG Longyan	Self-built	Yes	New energy	28,010,000.00	28,010,000.00	Self-owned capital	-	-		-
CdTe production line of SEG Longyan	Self-built	Yes	New energy	88,000,000.00	88,000,000.00	Self-owned capital	-	-		-
Total	--	--	--	267,935,986.42	865,200,834.01	--	--	-	-13,140,910.06	--

4. Financial assets investment**(1) Security investment**

√ Applicable □ Not applicable

Stock type	Stock code	Short form of the security	Initial investment cost	Accounting measurement mode	Opening book value	Changes in fair value recognized in profit or loss in the reporting period	Changes in accumulated fair value recognized in equity	Monetary amount in the reporting period	Sales proceeds in the reporting period	Profit or loss in the reporting period	Closing book value	Accounting item	Source of capital
Share	600778	Youhao Group	90,405.00	Measurement of fair value	683,290.58		-214,210.99	0.00	0.00		469,079.59	Financial assets available for sale	Self-owned capital
Share	000068	Huakong SEG	279,307,046.38	Measurement by the cost method	174,552,073.99			0.00	0.00	-3,033,891.98	171,518,119.85	Long-term equity investment	Self-owned capital
Share	83277	SEG Navigation	8,275,321.43	Measurement by the cost	13,515,392.83			0.00	0.00		13,515,392.83	Financial assets	Self-owned capital

e	0	s		method								available for sale	d capital
Total			287,672,772.81	--	188,750,757.40	0.00	-214,210.99	0.00	0.00	-3,033,891.98	185,502,592.27	--	--

(2) Derivative investment

☐ Applicable ☒ Not applicable

There is no derivative investment in the reporting period.

VI. Sales of major assets and equities**1. Sales of major assets**

☐ Applicable ☒ Not applicable

No major assets are sold in the reporting period.

2. Sales of major equities

☐ Applicable ☒ Not applicable

VII. Analysis of main controlling and holding companies

☒ Applicable ☐ Not applicable

Main subsidiaries and holding companies accounting for more than 10% of the Company's net profit

Unit: Yuan

Company name	Company type	Major business	Industry	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Wujiang SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	23,695,323.42	5,209,241.58	8,116,494.24	2,331,356.60	1,760,782.60
Wuxi SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	18,508,376.38	4,393,076.67	2,187,708.92	-58,548.94	-78,304.19
Nantong SEG	Subsidiary	Development and operation of real estate	Development and operation of real estate	30,000,000.00	879,841,253.05	16,859,089.94	968,132.89	-6,761,655.34	-4,744,520.90
Shunde SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	6,000,000.00	5,479,681.19	3,307,872.58	1,519,486.54	26,954.39	56,542.99
SEG Credit	Subsidiary	Micro-credit	Finance	150,000,000.00	473,191,333.92	199,425,662.55	32,739,226.02	12,277,406.85	9,208,055.13
SEG Baohua	Subsidiary	Property operation and management and hotel	Property lease	30,808,800.00	168,159,234.05	101,251,525.05	45,122,397.06	19,964,006.28	15,071,605.22

		business							
SEG Industry	Subsidiary	Channel retail terminal of electronic products and property operation and management	Trade and property lease	25,500,000.00	87,347,077.32	43,675,554.58	35,864,919.96	-1,286,899.76	-971,026.31
Xi'an SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	36,959,842.93	13,127,687.71	17,717,142.22	5,282,947.98	4,506,707.84
Longgang SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	20,666,576.85	5,592,799.05	6,894,406.45	1,216,698.60	926,998.76
Suzhou SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	27,571,182.10	6,224,221.11	21,679,589.19	1,299,491.28	903,148.75
Changsha SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	35,000,000.00	94,129,784.36	72,833,241.63	11,863,928.52	4,093,123.82	3,070,809.45
Xi'an Hairong SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	3,000,000.00	23,582,288.79	4,989,237.15	11,117,247.72	1,645,440.80	1,478,392.41
Nanjing SEG	Subsidiary	Operation and management of professional electronics market	Electronics market	20,000,000.00	21,918,917.80	2,516,516.39	12,064,470.86	-1,945,379.00	-1,920,416.40
Suzhou SEG Digital	Subsidiary	Operation and management of professional electronics market	Electronics market	8,000,000.00	22,320,735.18	-950,720.29	10,014,693.68	1,464,765.63	1,098,574.24
Nantong SEG Operation	Subsidiary	Property operation	Property operation	5,000,000.00	13,901,528.23	-7,185,269.09	8,191,890.05	-2,989,053.48	-2,683,452.39
SEG Longyan	Subsidiary	New energy	Energy	165,000,000.00	136,275,031.30	136,204,011.02		-2,395,988.98	-2,395,988.98
SEG	Subsidiary	Internet access	Internet services	24,800,000.00	14,943,791.98	14,943,791.98		-56,208.02	-56,208.02

Lianzhong		service							
SEG Zhongtong	Subsidiary	Wi-Fi project of China Railway	manufacturing of communications equipment	20,000,000.00	2,000,000.00	2,000,000.00			
SEG Kangle	Subsidiary	Management of electronics markets and property management	Electronics markets and property leasing	5,000,000.00	66,409,171.07	44,014,778.46	26,265,254.11	16,681,587.67	12,502,739.08
SEG Property Development	Subsidiary	Property management	Property management	5,000,000.00	130,377,901.50	67,533,453.09	27,899,956.45	7,284,620.53	6,560,017.61
SegMaker	Subsidiary	Electronics markets, hotels, property management, and makers	Electronics markets, property leasing, and leasing	10,000,000.00	326,829,658.49	250,527,792.57	66,570,968.13	25,477,221.04	16,615,312.32
SEG Real Estate	Subsidiary	Real estate development and management	Real estate development and management	102,500,000.00	4,076,922,064.33	863,072,053.12	188,373,969.48	14,254,927.78	3,888,812.73
Huakong SEG	Holding company	Computer, communication and other electronic equipment manufacturing industries and economic information consulting	Communication equipment manufacturing	1,006,671,464.00	1,814,976,904.91	1,042,490,065.03	92,777,210.59	-17,112,598.42	-17,471,098.54
Shanghai SEG	Holding company	Operation and management of professional electronics market	Electronics market	5,000,000.00	18,618,373.35	9,240,145.38	2,663,245.69	-597,818.23	-552,724.94
CEEC	Holding company		Exhibition market	30,000,000.00	16,515,756.68	14,499,159.86		-7,318,486.45	-7,318,882.20

Acquisition and disposal of subsidiaries in the reporting period

√ Applicable □ Not applicable

Company name	Mode of acquisition and disposal of subsidiaries in the reporting period	Impact on the overall operation and performance
SEG Real Estate Investment Co., Ltd.	Acquisition of stocks	In the reporting period, the operating income is RMB 188,374,000, and the total profit achieved is RMB 14,930,000.
SEG Kangle Enterprise Development Co.,	Acquisition of stocks	In the reporting period, the operating income is RMB

Ltd.		26,265,300, and the total profit achieved is RMB 16,680,000.
SEG Property Development Co., Ltd.	Acquisition of stocks	In the reporting period, the operating income is RMB 27,900,000, and the total profit achieved is RMB 7,460,000.
Shenzhen SegMaker Co., Ltd.	Acquisition of stocks	In the reporting period, the operating income is RMB 66,571,000, and the total profit achieved is RMB 25,470,000.
SEG Longyan Energy Technology Co., Ltd.	Establishment	It is in preparation and has no operating income in the reporting period. As the organization expense is recognized in the cost, the loss is RMB 2,396,000 in the reporting period.
Shenzhen SEG Lianzhong Internet Technology Co., Ltd.	Establishment	It is in preparation and has no operating income in the reporting period. As the organization expense is recognized in the cost, the loss is RMB 56,200 in the reporting period.
Shenzhen SEG Zhongtong Technology Co., Ltd.	Establishment	It is in preparation and has no operating income in the reporting period.

Information on main controlling and holding companies

1. In the reporting period, the operating income of SEG Credit decreases by 33.97% year on year, mainly because its business shrinkage results in the decrease in both the income and the total profit.
2. In the reporting period, the operating income of SEG Industry decreases by 63.41% year on year, mainly because its termination of the trade business results in a loss of RMB 1,080,000.
3. In the reporting period, the operating income of Longgang increases by 50.44% year on year, mainly due to a change in the business mode. The net amount of some businesses is recognized as the operating income last year, while both the operating income and the operating expense are stated in the reporting period. The change of business mode does not affect its total profit.
4. In the reporting period, the loss of Nanjing SEG decreases by RMB 1,790,000, mainly because the rental costs decrease over the same period last year.
5. In the reporting period, the total profit of Wujiang SEG increases by 114.68% year on year, mainly because its market rental income and advertising revenue increase by 8.41%, and growth in its gross profit results in its profit growth. As its cooperation mode has changed, such growth is not sustainable.
6. In the reporting period, the loss of Nantong SEG is RMB 4,740,000, mainly because Nantong SEG Times Plaza was in initial stage and needs a period of time to test the water and the decoration expenses are amortized and recognized in current profit.
7. In the reporting period, the operating income of Wuxi SEG decreases by 35.01% year on year and the net profit declines sharply, mainly because its overall market occupancy rate decreases over the same period last year. At present, the company enters into the procedure of equity transfer.
8. In the reporting period, the total profit of Suzhou SEG decreases by 70.98% year on year, mainly because its property lessor Zongheng International Electronic Expo City (Suzhou) Co., Ltd. sold the property and it changed from direct operation and management to entrusted management. The change in the operation model has influenced the income and profit of Suzhou SEG to certain extent.
9. In the reporting period, the operating income of Suzhou SEG Digital decreases by 47.51% year on year, mainly because it adjusted the business type and terminated direct sales of digital products. As the new business has a higher return, the total profit of Suzhou SEG Digital increases greatly in the reporting period.
10. In the reporting period, the loss of SEG Intelligent decreases by RMB 1,820,000, mainly because it was open last year and the organization expense was recognized in current profit and loss in the same period last year.
11. In the reporting period, the operating income of Nantong SEG is RMB 8,190,000 and the loss is RMB 2,660,000, mainly because Nantong SEG Times Plaza was open at the end of last year and the market expansion cost increased.
12. In the reporting period, the operating income of SEG Real Estate decreases by 36.71% and the total profit decreases by 86.07% year on year, mainly because a large sum of house payments of Huizhou Stars Real Estate project were

carried forward in profit and loss in the same period last year while remaining buildings of the project are sold in the reporting period and fewer house payments are carried forward. The plaza project of New Urban has sold out the property of RMB 1.431 billion yuan but the income is not eligible for recognition in the reporting period. SEG Real Estate obtained RMB 60,590,000 from transfer of 48 houses in the same period last year, but has no such income in the reporting period.

13. In the reporting period, the operating income of SegMaker increases by 924.15% year on year and the total profit increases greatly, mainly because SEG Group transferred 170 houses to SegMaker for free in July 2016. Since then the incomes belong to SegMaker, resulting in the operating income and profit increase dramatically.

14. SEG Longyan is newly established company in the reporting period. It is engaged in the R&D, production, and sales of CdTe solar cell modules and EPC of the PV power generation system and BIPV engineering. The organization expense is recognized as the cost, leading to a loss in the early stage of the company's establishment.

15. CEEC, of which the Company holds 30% of the equity, is still in preparation. As the organization expense is recognized in current profit or loss, its loss is RMB 7,320,000 and its income from investment decreases by RMB 2,200,000 in the reporting period.

VIII. Structural entity controlled by the Company

☐ Applicable ☒ Not applicable

IX. Earnings forecasts from January to September 2017

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

☒ Applicable ☐ Not applicable

Earnings forecast: Upward trend compared with that (before adjustment) of the same period of previous year

Type of data: exact number

	From the beginning of the year to the end of next period	Same period last year (before adjustment)	Decrease or increase	
Estimated accumulated net profit (RMB 10,000)	5,400.00	4,227.85	Increase	27.72%
Basic earnings per share (Yuan/share)	0.044	0.054	Decrease	-19.07%
Notes to earnings forecast	<p>1. The Company has issued shares and purchased underlying assets for major assets restructuring in Q1 2017. Four target companies, that is, SEG Real Estate, SEG Kangle, SegMaker, and SEG property development, have completed asset transfer on January 19, 2017. As the Company includes these underlying assets in the consolidated statements in 2017, the profit or loss of the four target companies is included in earnings forecasts from January to September 2017.</p> <p>2. The Company issued 450,857,200 shares to SEG Group in the reporting period and handled equity registration and registration of change in its registered capital on February 15, 2017. In the same period last year, Huizhou Stars Real Estate project has a large sum of profit or loss carried forward. In the reporting period, remaining buildings of the project are sold and fewer profit or loss is carried forward. The plaza project of New Urban has sold out the property of RMB 1.431 billion yuan but the income is not eligible for recognition in the reporting period. It is estimated that the project will partly bring forward the profit or loss from Quarter 4, 2017 and that the range of profit increase will be lower than that of capital stock, leading to lowering down the earnings per share.</p> <p>3. Financial data in the foregoing earnings forecasts is not audited yet, and the disclosed data in Q3 2017 report shall prevail.</p>			

X. Company's risks and countermeasures

(1) Market competitions are fierce.

During recent years, the mobile Internet has been developing rapidly, and the emerging e-commerce platforms have been exploring the segmented market sectors. The growth of e-commerce poses great impacts on the traditional brick-and-mortar stores. In the future, as the e-commerce business continues to encroach on market shares, the sales revenues of the brick-and-mortar stores will be further adversely affected.

The competition among industrial rivals in the electronics market is also intense. Under the slumped macro-economy and the strong growth of e-commerce business, the companies embarking on the electronics market have to fiercely compete for both customer and manufacturer resources. As the whole industry keeps shrinking, the price war is doomed to become an important measure to win resources and maintain occupancy rates. In the future, this situation may cause some operation risks to the electronics market.

Countermeasures: The Company will reform and transform its previous operation mode in the electronics market and create a comprehensive and brand-new industrial eco-system with compound business patterns. At the same time, the Company will actively seek for new business opportunities, ensure the harmonious development of multiple business patterns, and expand its market to the strategic emerging industry, high-end manufacturing industry, and service industry.

(2) Supporting financing cannot complete fund raising as planned.

During the restructuring process, the Company plans to issue stock shares to less than 10 specific investors to raise supporting funds. The total amount of the supporting fund will not exceed 2 billion yuan, and the issue price will be no less than 9.91 yuan/share. However, this fund raising intention may be affected by the fluctuation of the stock market and the expectations of investors; therefore, a lot of uncertainty lies in whether the supporting financing can be successfully implemented.

Countermeasures: If the supporting fund fails to be raised or the actually raised amount is less than the planned amount, the Company will fill the funding gap by measures like self financing and bank loans.

Chapter 5 Important Matters

I. Annual general meetings and extraordinary general meetings in the reporting period

1. Annual general meetings in the reporting period

Session	Type of meeting	Investment proportion	Date of meeting	Date of disclosure	Disclosure index
1st extraordinary general meeting in 2017	Extraordinary general meeting	30.55%	March 2, 2017	March 3, 2017	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Resolutions of the 1st Extraordinary General Meeting in 2017
2nd extraordinary general meeting in 2017	Extraordinary general meeting	55.89%	March 16, 2017	March 17, 2017	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Resolutions of the 2nd Extraordinary General Meeting in 2017
22nd annual general meeting in 2016	Annual general meeting	56.05%	May 9, 2017	May 10, 2017	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Resolutions of the 22nd Annual General Meeting in 2016
3rd extraordinary general meeting in 2017	Extraordinary general meeting	55.90%	June 12, 2017	June 13, 2017	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Resolutions of the 3rd Extraordinary General Meeting in 2017
4th extraordinary general meeting in 2017	Extraordinary general meeting	55.92%	July 21, 2017	July 22, 2017	http://www.cninfo.com.cn Announcement of Shenzhen SEG Co., Ltd. on Resolutions of the 4th Extraordinary General Meeting in 2017

2. Request of preferred stockholders recovering voting powers for extraordinary general meetings

☐ Applicable ☒ Not applicable

II. Plan of profit distribution and transfer of capital reserves into share capital in the reporting period

☐ Applicable ☒ Not applicable

The Company plans not to distribute cash dividends or bonus shares and not to transfer reserves into share capital.

III. Commitments fulfilled in the reporting period or yet to be fulfilled as of the end of the reporting period by actual controllers, shareholders, affiliates, purchasers, or other promisers of the Company

√ Applicable ☐ Not applicable

Commitments	Subject	Type	Content	Commitment date	Commitment term	Fulfillment
Commitment for share reform						
Commitments in the Acquisition Report and the Report of Changes on Equity						
Commitments made at the time of restructuring of major assets	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. 100% shares of SEG Property have been entrusted to a share entrusting agency as required. Its equity form is authentic and valid, and the equity structure and ownership are clear. The Company has no objection to the share ownership, share quantity, and share holding percentage of SEG Property. The Company has no disputes over share ownership with SEG Property and other shareholders.</p> <p>2. In case any dispute over ownership of the 3.85% shares of SEG Property of which ownership has not been determine as of July 26, 2016 occurs in the future, the Company commits to SEG Property that the Company will provide any necessary assistant to SEG Property to solve the dispute, protect SEG Property from any loss caused thereby, and undertake corresponding responsibilities."</p>	August 3, 2016	Before completion of restructuring	Asset transfer is completed, and the commitment is fulfilled.
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>1. The Company does not exist any of the following situations as specified in Clause 6, Administrative Measures On Acquisition Of Listed Companies: (1) Damage legitimate rights and interests of the company acquired and its shareholders utilizing acquisition of listed company; (2) With large amount of outstanding debts and this in-debt status has lasted for a certain period of time; (3) Has actual or alleged serious illegal activities in recent three years; (4) Has serious behaviors of breaching promises in securities market in recent three years; (5) Other situations in which no acquisition of listed companies are allowed according to laws and administrative regulations and in the opinions of CSRC.</p> <p>2. The Company and its main managers have not suffered from any administrative punishment (administrative punishment obviously unrelated to security market excluded), criminal punishment, major civil lawsuit or arbitration related to economic disputes within the last five years. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG, and the subject company."</p>	August 3, 2016	Before completion of restructuring	Asset transfer is completed, and the commitment is fulfilled.
	Shenzhen SEG Group Co., Ltd.	Other commitment	"1. The Company is an enterprise incorporated in China that owns the full capacity for civil conduct and has the legal body qualification for participating in the restructuring, signing agreements with Shenzhen SEG, and performing rights and obligations under the	August 3, 2016	Before completion of restructuring	Asset transfer is completed, and the commitment is

		<p>agreement.</p> <p>2. Except that the property located at 4F, Block 2, SEG Industry Building of SEG Real Estate funded by the Company is to handle the transfer formality (with no legal impediment), the Company has fulfilled the obligation of contributing capital to the subject company, and has no acts against its obligations and responsibilities as a shareholder, such as false contribution, deferred investment, or withdrawal of capital. There are no circumstances that may affect the legal existence of the subject company.</p> <p>3. There is no dispute or potential dispute over ownership of equities of the subject company. There are no circumstances that may affect the legal existence of the subject company.</p> <p>4. The equities held by the Company in the subject company are actually legally owned. There is no dispute or potential dispute over ownership of equities, no trust, shareholding under entrustment or similar arrangement, no commitment or arrangement of forbidden transfer or limited transfer, no pledge, freezing, seals up, property preservation or other limitation of rights, and no lawsuit, arbitration or other forms of dispute which would affect the restructuring. Meanwhile, the Company guarantees that the equities it held in the subject company will maintain the status until the equities are registered under Shenzhen SEG after change of registration.</p> <p>5. The equities held by the Company in the subject company are assets with clear ownership. The Company undertakes that there are no legal obstacles to stock transfer after the restructuring of Shenzhen SEG is approved by CSRC, and no credit and debt disputes. The Company promises to complete formalities for ownership transfer of these equities within the agreed period.</p> <p>6. Before the equities are registered under Shenzhen SEG after change of registration, the Company undertakes that the subject company will maintain normal, orderly, and legitimate operation, and will not take actions irrelevant to normal production and management, such as disposal of assets, external guarantee, or additional major debts, or illegally transfer or conceal assets and business. If the foregoing actions are indeed necessary, provided that national laws, regulations, and normative documents are not violated, these actions can be taken only after written approval of Shenzhen SEG.</p> <p>7. The Company undertakes that there are not any ongoing or potential litigation, arbitration, or dispute that may affect the Company's equity transfer, and all agreements or contracts do not contain restrictive clauses that may affect the Company's equity transfer. The articles of association, internal management system documents, and contracts or agreements do not contain restrictive clauses that may affect the Company's equity transfer. In case of breach of the foregoing commitments, the Company will bear all</p>			fulfilled.
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			losses thus incurred to Shenzhen SEG."			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. In the recent 5 years, the Company has not been subject to any administrative penalty (except those not related to the securities market) or criminal penalty.</p> <p>2. In the recent 5 years, except for those cases that have been concluded, such as the case of Hainan SEG International Trust and Investment Company, Zhongshi case, GTJA case and Dasheng case, the Company is not involved in other major civil proceedings or arbitration (the subject in dispute of 10 million yuan) related to economic disputes.</p> <p>3. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the foregoing commitments, the Company will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	Completed
	Bo Hongxi, Cao Xiang, Fan Zhiqing, Li Luoli, Liu Fusong, Liu Zhijun, Ru Guiqin, Song Pingping, Tang Chongyin, Wang Li, Xu Ning, Yu Qian, Zhang Guangliu, Zhang Haifan, Zheng Dan, Zhu Longqing	Other commitment	<p>"1. I have not been subject to any administrative penalty by the CSRC in recent 36 months, or public censure by the Stock Exchange in the recent 12 months.</p> <p>2. I have not been investigated by judicial authorities due to alleged crimes or by CSRC due to alleged irregularities.</p> <p>In case of breach of the following commitments, I will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	Completed
	Directors, supervisors, and senior executives of Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"1. In the recent 5 years, the Company has not been subject to any administrative penalty or criminal penalty or involved in other major civil proceedings or arbitration related to economic disputes.</p> <p>2. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill</p>	August 3, 2016	Before completion of restructuring	Completed

			commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the following commitments, I will bear all losses thus incurred to Shenzhen SEG."			
	SegMaker, SEG Kangle, SEG Property Development, SEG Real Estate, SEG New Urban Construction, SEG Property Management, Huizhou Stars, Xi'an SEG, Beijing	Other commitment	<p>"1. In the recent 3 years, the Company has not been subject to any major administrative punishment or criminal punishment or involved in other major civil proceedings or arbitration related to economic disputes.</p> <p>2. The Company has never been suspected of insider trading related to major asset restructuring and placed on file for investigation or placed on file with the case not settled. In the recent 5 years, the Company has never failed to repay large debts or fulfill commitments, or been subject to administrative supervision measures by the CSRC or disciplinary action by the Stock Exchange due to insider trading related to major assets restructuring, or been held criminally liable by the judicial authorities according to law. In case of breach of the following commitments, I will bear all losses thus incurred to Shenzhen SEG."</p>	August 3, 2016	Before completion of restructuring	Completed
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>"As of the date of issuance of the commitment letter, SEG Kangle owns 9 properties with the total construction area of 12,941.28 M². The actual proprietor of the property located at 1F, Block 1, SEG Industry Building with an area of 902 M² is SEG Group. Due to the provision that industrial buildings in Shenzhen shall be transferred as a whole, the transfer registration formality for the property has not been handled. The actual proprietor of Room 508, Block 4, SEG Residential Quarter is SEG Kangle, but the property is registered under SEG Group and the transfer formality for the property has not been handled. The Company undertakes that all parties have no disputes over the ownership of the foregoing property whose registered proprietor is SEG Kangle but whose actual proprietor is SEG Group and the property whose registered proprietor is SEG Group but whose actual proprietor is SEG Kangle. SEG Group will assist SEG Kangle in completing the division and transfer registration formalities for the foregoing properties. After the restructuring, if Shenzhen SEG suffers any losses due to ownership of such properties, SEG Group will compensate Shenzhen SEG in full.</p> <p>2. The construction in process-assembly workshop that SEG Group uses to contribute capital to SEG Real Estate is 4F, Block 2, SEG Industry Building (real estate proprietorship certificate No.: S. F. D. Zi. No. 3000759297) with the total area of 1,936.71 M². The property was delivered to SEG Real Estate upon capital contribution, but the transfer formality could not be handled without the certificate on capital contribution.</p>	August 3, 2016	Before completion of restructuring	Completed

			<p>Due to negligence of the handler, the property was registered under SEG Group together with other properties of SEG Industry Building belonging to SEG Group. Due to the restriction of transfer of industrial buildings as a whole, the transfer formality has not been handled. SEG Real Estate has been occupying, using, and acquiring operating revenue from the property since capital contribution. The Company will assist SEG Real Estate in completing the transfer registration formality of the foregoing property. After the restructuring, if Shenzhen SEG suffers any losses due to ownership of such properties, SEG Group will compensate Shenzhen SEG in full.</p> <p>3. The Company will help and propel the subject company and its subsidiaries to complete ownership registration of land property assets and regulate the land purpose.</p> <p>4. If due to land use rights and property assets existing before the completion of the restructuring, the subject company and its subsidiaries (1) fail to timely handle the land use rights and the proprietorship certificate (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose); or (2) cannot handle the relevant land use rights and real estate proprietorship certificate (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose); or (3) are subject to other circumstances of nonstandard land use rights and properties (excluding results not caused by the subject company and its subsidiaries, such as force majeure, laws, policies, government management, and change in planned land purpose), and suffer actual losses including but not limited to compensation, fines, expenses, and interests damage, the Company will compensate the subject company and its subsidiaries in full.</p>			
	Shenzhen SEG Group Co., Ltd.	Other commitment	<p>Before issuance date of the restructuring report of Shenzhen SEG, SEG Group will finish formalities related to transfer of ownership of the property (4F, Block 2, SEG Industry Building). If SEG Group fails to finish the formalities at expiration, SEG Group agrees to compensate to SEG Real Estate RMB 1.5 million in currency, and allows SEG Real Estate to continue to use the property for free until SEG Group transfers the ownership of the property to SEG Real Estate. SEG Group agrees to compensate SEG Real Estate for any operating loss or other economic loss of SEG Real Estate caused by SEG Group's failure in transferring the ownership of the property.</p>	August 3, 2016	Before completion of restructuring	Completed

Commitment made at the time of initial public offerings or refinancing	Shenzhen SEG Group Co., Ltd.	Commitment on horizontal competition, related transaction, and capital occupation	The 6th interim meeting of the 5th Board of Directors held on January 26, 2011 reviewed and approved the Proposal of Solving the Horizontal Competition between the Company and Its Controlling Shareholder. After friendly consultation, SEG Group agreed to entrust the Company to operate and manage with full authority SEG Communications Market under direct management of SEG Group. Therefore, the two parties have signed the entrustment operation and management contract, and SEG Group will pay the Company RMB 200,000 Yuan as entrust management expenses.	January 26, 2011	From February 1, 2011 to January 31, 2017.	100% of the equity of SegMaker is transferred to the Company. The Company no longer has to commission SegMaker to operate the SEG communication market. The commitment is fulfilled.
Commitment on equity incentives						
Other commitments made to the medium and small shareholders of the Company						
Were commitments fulfilled on time?	Yes					
If any commitment is not fulfilled as scheduled, the reason for failure of fulfillment and the subsequent work plan have to be specified.	N/A					

IV. Appointment or removal of the CPA firm

Has the annual financial report been audited?

☐ Yes ☒ No

The annual financial report is not audited yet.

V. Explanation of the Board of Directors and the Board of Supervisors about "non-standard audit report" in the reporting period issued by the CPA firm

☐ Applicable ☒ Not applicable

VI. Explanation of the Board of Directors on "non-standard audit report" in the previous year

☐ Applicable ☒ Not applicable

VII. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

There is no matter in connection with bankruptcy reorganization in the reporting period.

VIII. Litigation

Major lawsuits and arbitrations

√ Applicable □ Not applicable

S/N	Basic Information on lawsuits and arbitrations	Amount (RMB 10,000)	Estimated liabilities incurred or not	Progress	Judgment result and impact	Judgment execution	Disclosure date	Disclosure index
1	<p>Case number: 2016 G. 0102 M. C. No. 3653</p> <p>Plaintiff: Nanning Haiqi Real Estate Development Co., Ltd.</p> <p>Defendant 1: Nanning SEG Electronics Market Co., Ltd. ("Nanning SEG")</p> <p>Defendant 2: Shenzhen SEG Co., Ltd.</p> <p>A dispute over the lease contract arose among Nanning Haiqi, Nanning SEG and the Company. Nanning SEG did not pay the rent for the third year according to the cooperation contract. The court found that Nanning SEG locked and sealed the shop front on June 30, 2015, which constituted a fundamental breach of contract. Nanning SEG was sued for breach of contract.</p>	1,026.3	No	The case has been decided, and the counterparty has appealed.	<p>Judgment result:</p> <p>The Company shall pay the liquidated damages of RMB 666,666.66 to Nanning Haiqi and bear the case acceptance fee of RMB 5,416.</p>	The judgment is not executed, and the counterparty has appealed.	September 26, 2016	<p>http://www.cninfo.com.cn</p> <p>Announcement of Shenzhen SEG Co., Ltd. on Receipt of Court Summons and the Civil Complaint</p>
2	<p>Case number: 2016 G. 0102 M. C. No. 3654</p> <p>Plaintiff: Nanning Yuanpeng Property Service Co., Ltd.</p> <p>Defendant 1: Nanning SEG</p>	246.98	No	The case has been decided, and the counterparty has	<p>Judgment result: 1. The court confirms that the contract has been rescinded;</p> <p>2. Other claims of Yuanpeng Property</p>	The judgment is not executed, and the counterparty has appealed.	June 2, 2017	<p>http://www.cninfo.com.cn</p> <p>Announcement of Shenzhen SEG Co., Ltd. on the Progress of the Lawsuit with Nanning Yuanpeng Property</p>

	<p>Electronics Market Co., Ltd.</p> <p>Defendant 2: Shenzhen SEG Co., Ltd.</p> <p>A dispute over the property service contract arose among Nanning Yuanpeng Property Service Co., Ltd. (hereinafter referred as "Yuanpeng Property"), Nanning SEG and the Company. Nanning SEG did not pay the rent for the third year according to the cooperation contract. The court found that Nanning SEG locked and sealed the shop front on June 30, 2015, which constituted a fundamental breach of contract. Nanning SEG was sued by Yuanpeng Property for breach of contract.</p>			appealed.	are dismissed.			<i>Service Co., Ltd.</i>
3	<p>Case number: (2016) J. Z. A. Zi. No. 2294</p> <p>Plaintiff: Shenzhen SEG Co., Ltd.</p> <p>Defendant: Zongheng International Electronic Expo City (Suzhou) Co., Ltd. ("Zongheng International")</p> <p>Zongheng International breached the Suzhou SEG Electronics Market Project Cooperation Agreement signed with Suzhou SEG on June 5, 2009. According to the dispute resolution terms in Article 7 (4) of the cooperation agreement, the Company applied for arbitration to Beijing Arbitration Commission.</p>	2,460	No	As the parties reached a settlement, the other party compensated for our loss of RMB 3.5 million, and we canceled the arbitration.	Not applicable	Not applicable	June 2, 2017	<p>http://www.cninfo.com.cn</p> <p><i>Announcement of Shenzhen SEG Co., Ltd. on the Progress of the Lawsuit and Arbitration with Zongheng International Electronic Expo City (Suzhou) Co., Ltd.</i></p>
4	<p>Case number: 2016 S. 0505 M. C. No. 5176</p>	1,900.08	No	The parties reached a settlement.	Not applicable	Not applicable	June 2, 2017	<p>http://www.cninfo.com.cn</p> <p><i>Announcement of Shenzhen SEG Co., Ltd.</i></p>

	<p>Plaintiff: Suzhou SEG Electronics Market Co., Ltd.</p> <p>Defendant: Zongheng International Electronic Expo City (Suzhou) Co., Ltd.</p> <p>A loan dispute arose between Suzhou SEG and Zongheng International. Suzhou SEG filed a lawsuit against Zongheng International to the court.</p>			The other party returned the principal and interest of loan. We dismissed the case.				<i>on the Progress of the Lawsuit and Arbitration with Zongheng International Electronic Expo City (Suzhou) Co., Ltd.</i>
5	<p>(2017) Y. 0304 M. C. No. 5092</p> <p>Plaintiff: SEG Industry</p> <p>Defendant: Shenzhen Wonder Industry Co., Ltd. ("Wonder "), Liu Guiyun, and Liu Yu</p> <p>A dispute over the purchase and sales contract arose between SEG Industry and the defendant. SEG Industry filed a lawsuit to the court, and applied for preservation of the properties of the defendant and its debt guarantors.</p>	839.41	No	The properties have been preserved. The trial is underway. The case is pending.	Not applicable	Not applicable	March 1, 2017	<p>http://www.cninfo.com.cn</p> <p><i>Announcement of Shenzhen SEG Co., Ltd. on the Receipt of the Notice of the Court's Case Acceptance by the Holding Company</i></p>
6	<p>(2017) Y. 0304 M. C. No. 5088</p> <p>Plaintiff: SEG Industry</p> <p>Defendant: Shenzhen ZTYX Technology Co., Ltd., Zhe Shaojun, and Zhao Xiaoyan</p> <p>A dispute over the purchase and sales contract arose between SEG Industry and the defendant. SEG Industry filed a lawsuit to the court, and applied for preservation of the properties of the defendant and its debt guarantors.</p>	1,480.57	No	The properties have been preserved. The trial is underway. The case is pending.	Not applicable	Not applicable	March 1, 2017	<p>http://www.cninfo.com.cn</p> <p><i>Announcement of Shenzhen SEG Co., Ltd. on the Receipt of the Notice of the Court's Case Acceptance by the Holding Company</i></p>

7	<p>(2017) Y. 0304 M. C. No. 7976</p> <p>Plaintiff: SEG Industry</p> <p>Defendant: Shenzhen Comnet Technology Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., and Shenzhen Baiyi Technology Co., Ltd.</p> <p>A dispute over the purchase and sales contract arose between SEG Industry and the defendant. SEG Industry filed a lawsuit to the court, and applied for preservation of the properties of the defendant and its debt guarantors.</p>	515.54	No	The properties have been preserved. The hearing is not held yet.	Not applicable	Not applicable		
8	<p>(2017) Y. 0304 M. C. No. 7977</p> <p>Plaintiff: SEG Industry</p> <p>Defendant: Shenzhen Runto Digital Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., and Shenzhen Baiyi Technology Co., Ltd.</p> <p>A dispute over the purchase and sales contract arose between SEG Industry and the defendant. SEG Industry filed a lawsuit to the court, and applied for preservation of the properties of the defendant and its debt guarantors.</p>	1,534.5	No	The properties have been preserved. The hearing is not held yet.	Not applicable	Not applicable		
9	<p>Case number: (2016) J. 0102. M. C. No. 21435</p> <p>Plaintiff: Beijing SEG Property Development Co., Ltd. ("Beijing SEG Property")</p>	2004.74	No	The case has been placed on file. The hearing is not held yet.	Not applicable	Not applicable		

	<p>Defendant: Beijing Furao Real Estate Development Co., Ltd. ("Beijing Furao")</p> <p>Beijing SEG Property (the holding subsidiary of SEG Realm Estate) and Beijing Furao entered into <i>Beijing House Lease Contract</i> on May 29, 2015. Beijing SEG Property has fulfilled obligations hereunder, but Beijing Furao still fails to deliver houses at the south section to Beijing SEG Property, which constituted a fundamental breach of contract. Beijing SEG Property requested the court to confirm that <i>Beijing House Lease Contract</i> and the Supplementary Agreement had been rescinded on July 14, 2016 and to order Beijing Furao to pay the liquidated damages of RMB 8,047,400 and return double the deposit of RMB 12,000,000.</p>							
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Other lawsuits and arbitrations

√ Applicable □ Not applicable

S/N	Basic Information on lawsuits and arbitrations	Amount (RMB 10,000)	Estimated liabilities incurred or not	Progress	Judgment result and impact	Judgment execution
1	<p>2016 G. 0102 M. C. No. 4612</p> <p>Nanning SEG will hand over the operating premise to Nanning Haiqi according to the</p>	104.19	No	The case has been decided, and both parties have appealed.	Nanning SEG shall compensate for damages to the leased premise of RMB	Both parties have appealed and the judgment is not executed yet.

	court ruling, and Nanning Haiqi requested Nanning SEG to compensate for damage and decoration losses of the rented house and the attorney fee.				394,964.8 and pay the attorney fee of RMB 23,000.	
2	2016 G. 0102 M. C. No. 4612 Nanning Haiqi requested Nanning SEG to return the shop front occupied by CCB and compensate for the occupation expense (temporarily RMB 3,779.8) and the liquidated damages of RMB 71,255.7. Defendant 1 was ordered to compensate for the attorney fee of RMB 8,000 paid by the plaintiff.	7.93	No	The case has been decided, and the counterparty has appealed.	Nanning SEG shall pay the occupation expense at the price of RMB 44,388.39 per year and the attorney fee of RMB 8,000.	The counterparty has appealed, and CCB transferred the shop front on July 3, 2017.
3	2016 G. 0102 M. C. No. 672 The Company sued against CCB Taoyuan Sub-branch for breach of contract.	88.64	No	The case is undecided yet.	Not applicable	Not applicable
4	2016 G. 0102 M. C. No. 672 CCB Taoyuan Sub-branch filed a counterclaim against the Company and requested the Company to rescind the contract, compensate for decoration expenses, and pay the attorney fee.	8.72	No	The case is undecided yet.	Not applicable	Not applicable
5	(2015) X. M. C. Zi. No. 1573 Leng Dacheng sued against Nanning SEG for an economic contract dispute	24.58	No	The case has been decided.	Nanning SEG shall pay RMB 61,020.	Executed
6	(2015) X. M. C. Zi. No. 1574 Nanning Ruixi Digital Product Store sued against Nanning SEG for an economic contract dispute	24.03	No	The second instance has been decided.	Nanning SEG shall pay RMB 85,725.58.	Executed
7	(2015) X. M. C. Zi. No. 1575 Nanning Network Computer Accessory Business Department sued against Nanning SEG for an economic contract dispute	16.78	No	The case has been decided.	Nanning SEG shall pay RMB 47,408.	Executed

8	(2016) Y. 0304 M. C. No. 22821 The Company sued against the merchant Wu Yupu for unpaid rents.	6.26	No	The Company is the prevailing party.	The Company has applied for enforcement, and the payment is not made yet.	In progress
9	(2016) Y. 0304 M. C. No. 24424 Shenzhen Quanxinhao Co., Ltd. sued against the Company and requested the Company to cancel 3,802,500 stocks of Dalian Beeda Technology (Group) Co., Ltd. pledged to the Company and to pay the litigation expense.	0	No	The hearing is not held yet on September 27, 2017.	Not applicable	Not applicable
10	(2013) S. F. F. M. E. C. Zi. No. 12066 (2014) S. F. F. Z. Zi. No. 05055	200	No	The case has been settled.	The Company is the prevailing party. The principal and interest have been repaid. No impact is caused.	Principal and interest repaid
11	(2016) Y. 0304 Z. No. 11461 (2015) S. F. F. M. E. C. Zi. No. 14590 SEG Credit sued against Shenzhen Weike Oumei Investment Co., Ltd., Huang Shengwen, and Li Jing for failure to repay capital with interest according to the loan contract.	310	No	In progress	The Company is the prevailing party and is disposing of the pledge. No loss is expected.	Judicial foreclosure
12	(2015) S. F. F. M. E. C. Zi. No. 14589 2016) Y. 0304 Z. No. 11460 SEG Credit sued against Shenzhen Weike Oumei Investment Co., Ltd., Huang Shengwen, and Li Jing for failure to repay capital with interest according to the loan contract.	220	No	In progress	The Company is the prevailing party and is disposing of the pledge. No loss is expected.	Judicial foreclosure
13	(2016) Y. 0304 M. C. No. 11100 SEG Credit sued against Li Xin and Chen Huajun for failure to repay capital with interest according to the loan contract.	148	No	The case has been settled.	The Company is the prevailing party and is disposing of the pledge. Houses are seized. Some	Houses seized and the pledge disposed of

					impacts are expected.	
14	(2016) Y. 0304 M. C. No. 17376 SEG Credit sued against Ling Xiao, Shenzhen Songlian Communication Co., Ltd. and Chen Lingling for failure to repay capital with interest according to the loan contract.	500	No	The case has been settled.	The principal and interest has been settled. No losses are incurred.	Payment for goods settled
15	(2017) Y. 0304 M. C. No. 14559 (2017) Y. 0304 Z. B. No. 1675 SEG Credit sued against Zhou Ronghua, Shenzhen Runto Digital Co., Ltd., Cheng Sumin, and Xiao Qingshan for failure to repay capital with interest according to the loan contract.	300	No	The case is undecided yet.	Not applicable	Not applicable

IX. Punishment and rectification

☐ Applicable ☒ Not applicable

There is no punishment and rectification in the reporting period.

X. Integrity of the Company and its controlling shareholders and actual controllers

☐ Applicable ☒ Not applicable

XI. Implementation of the equity incentive plan, employee stock ownership plan, or other employee incentives

☐ Applicable ☒ Not applicable

There is no the equity incentive plan, employee stock ownership plan, or other employee incentives in the reporting period.

XII. Major connected transactions

1. Transactions related to routine operation

√ Applicable □ Not applicable

Party of connected transaction	Association	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction (RMB 10,000)	Percentage in transactions of the same kind	Exceeding the approved quota or not	Clearing form	Disclosure date	Disclosure index
Huizhou SEG Property Service Co., Ltd.	A holding company owned by the management board of a subsidiary of its controlling shareholder	Receiving property management services	Receiving property management fees	In accordance with the market pricing	52,900 yuan	5.29	0.01%	No	In accordance with the agreement	April 18, 2017	<i>Notice on Anticipated Connected Transaction Items In 2017 Annual Routine Operations of Shenzhen SEG Co., Ltd.</i> posted on the CNINF website (http://www.cninfo.com.cn)
Shenzhen SEG Group Co., Ltd.	A controlling shareholder	Leasing the property	1-416, Tower 101, SEG Industrial Zone; 1F, Optical Fiber Building; 6F, Plant No. 2; 403, Qingyi Building, Nanyuan Road; 48 houses with the total construction area of 3,907.13 M ² in Qing'an Building, No. 1705	In accordance with the market pricing	40.57 yuan/square meter	95.1	0.18%	No	In accordance with the agreement		
Shenzhen SEG Group Co., Ltd.	A controlling shareholder	Leasing the property	1F, SEG Kangle Building; 8F, SEG Industrial Building; West Zone, Tower 2, 8F, SEG Industrial Building; 3F, Tower 101, Shangbu Industrial Zone; Room 506, Tower 303, Pengji Shangbu Bachelor Apartment; 61 houses including the connecting corridor in 4F,	In accordance with the market pricing	67.53 yuan/square meter	391.87	0.74%	No	In accordance with the agreement		

			Tower A & Tower B, 101 Zhenxing Road, with the total construction area of 9,672.12 M M²								
Shenzhen SEG Group Co., Ltd.	A controlling shareholder	Providing property management services	Providing property management services	In accordance with the market pricing	114,500 yuan	11.45	0.02%	No	In accordance with the agreement		
Shenzhen SEG Talent Training Center	A subsidiary of its controller share holder	Providing property management services	Providing property management services	In accordance with the market pricing	102,400 yuan	10.24	0.02%	No	In accordance with the agreement		
Shenzhen SEG High Technology Investment Co., Ltd.	A subsidiary of its controller share holder	Providing property management services	Providing property management services	In accordance with the market pricing	91,600 yuan	9.16	0.01%	No	In accordance with the agreement		
Shenzhen SEG Group Co., Ltd.	A controlling shareholder	Entrusted to manage the underground parking area of SEG Square	Entrusted to manage the underground parking area of SEG Square	In accordance with the market pricing	68,800 yuan	6.88	0.01%	No	In accordance with the agreement		
Shenzhen SEG Group Co., Ltd.	A controlling shareholder	Leasing the property	61st and 62nd floors of SEG Square	In accordance with the market pricing	786,900 yuan	78.69	0.13%	No	In accordance with the agreement		
Total				--	--	608.68	--	--	--	--	--

2. Connected transactions arising from asset or equity sales and acquisition

√ Applicable □ Not applicable

Related party	Association	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Book value of the transferred assets (RMB 10,000) (if any)	Estimated value of the transferred assets (RMB 10,000) (if any)	Price of transfer (RMB 10,000)	Clearing form	Transaction profit or loss (RMB 10,000)	Disclosure date	Disclosure index
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Stock purchase	55% of the equity of SEG Kangle, 100% of the equity of SEG Property Development, 100% of the equity of SegMaker, and 79.02% of the equity of SEG Real Estate	Fair market value	87,707.86	515,714.72	515,714.72	Issuance of shares and payment for considerations	0	February 4, 2016	<i>Proposal of Issuing Stocks and Paying Cash to Acquire Assets and Raise Supporting Fund and Affiliate Transaction of Shenzhen SEG Co., Ltd.</i> posted on the CNINF website (http://www.cninfo.com.cn)
Reason for great difference (if any) between the transfer price and book value or estimated value				The transfer price is consistent with the estimated value. Difference between the transfer price and book value is caused by appreciation in appraisal.							
Impact on the operating result and financial condition of the Company				<p>1. In the reporting period, the operating income of SEG Real Estate is RMB 188,374,000, and the net profit attributable to the parent company is RMB 14,154,800.</p> <p>2. In the reporting period, the operating income of SEG Kangle is RMB 26,265,300, and the net profit attributable to the parent company is RMB 12,502,700.</p> <p>3. In the reporting period, the operating income of SEG Property is RMB 27,900,000, and the net profit attributable to the parent company is RMB 6,560,000.</p> <p>4. In the reporting period, the operating income of SegMaker is RMB 66,571,000, and the net profit attributable to the parent company is RMB 616,615,300.</p> <p>In the reporting period, the total operating income of the four target companies is RMB 309,110,000, and the total net profit attributable to the parent company is RMB 49,830,000.</p>							
Fulfillment of agreed performance (if any)				Same as above							

3. Connected transactions arising from joint external investment

□ Applicable √ Not applicable

No connected transaction arising from joint external investment is incurred in the reporting period.

4. Claim and debt with related parties

☒ Applicable ☐ Not applicable

Are there non-operating claims and debts with related parties?

☒ Yes ☐ No

Claim receivable from related parties:

☐ Applicable ☒ Not applicable

Debt payable to related parties:

Related party	Association	Cause	Opening balance (RMB 10,000)	Increased amount in the reporting period (RMB 10,000)	Recovered amount in the reporting period (RMB 10,000)	Interest	Interest in the reporting period (RMB 10,000)	Closing balance (RMB 10,000)
Shenzhen SEG Group Co., Ltd.	Controlling shareholder	Capital borrowing and consideration for stock purchase	17,181.03	67,804.57	10,000	8%, 0%, No interest is collected for considerations of stock reform, but SEG Group collects 8% of interest for the fund supporting SEG Real Estate.	849.39	74,985.61

5. Other major connected transactions

☐ Applicable ☒ Not applicable

The Company has no other major connected transaction in the reporting period.

XIII. Non-operating capital occupancy by controlling shareholders and affiliates

☐ Applicable ☒ Not applicable

There is no non-operating capital occupancy by controlling shareholders and affiliates in the reporting period.

XIV. Major contracts and performance**1. Trusteeship, contracting, and leasing****(1) Trusteeship**

☐ Applicable ☒ Not applicable

The Company has no trusteeship in the reporting period.

(2) Contracting

☐ Applicable ☒ Not applicable

The Company has no contracting in the reporting period.

(3) Leasing

☐ Applicable ☒ Not applicable

The Company has no leasing in the reporting period.

2. Major guarantee

☒ Applicable ☐ Not applicable

(1) Guarantee

Company's external guarantee situation (excluding the guarantee to its subsidiaries)								
Name of guarantee object	Disclosure date of notices related to guarantee quota	Guarantee quota	Actual date of occurrence (date of signing the agreement)	Actual guarantee amount	Guarantee type	Guarantee period	Completed or not	Guaranteed for a connected party or not
Mortgage guarantee clients of China CITIC Bank, SEG New City Branch	May 26, 2017	26,000	June 30, 2017	15,893.8	Joint liability guarantee	One year	No	No
Housing guarantee clients of China Construction Bank, Huizhou Stars Branch		45,000	May 05, 2015	4,077.37	Joint liability guarantee	Three years	No	No
Clients purchasing the SEG New City house properties (China Construction Bank)			February 07, 2017	568.51	Joint liability guarantee	Five years	No	No
Clients purchasing the SEG New City house properties (Bank of Communications of China)		30,000	May 06, 2016	9,355.64	Joint liability guarantee	Ten years	No	No
Clients purchasing the SEG New City house properties (Bank of Agriculture and Commerce of China)		20,000	July 04, 2016	967.08	Joint liability guarantee	Three years	No	No

Clients purchasing the SEG New City house properties (China Merchants Bank)			May 06, 2016	6,803.16	Joint liability guarantee	Ten years	No	No
Clients purchasing the SEG New City house properties (Bank of China)		30,000	May 06, 2016	9,027.07	Joint liability guarantee	Ten years	No	No
Clients purchasing the SEG New City house properties (Agricultural Bank of China)		50,000	May 06, 2016	0	Joint liability guarantee	One year	No	No
Total amount of approved external guarantee quota in the reporting period (A1)			26,000	Total amount of actually occurred external guarantee in the reporting period (A2)				46,692.62
Total amount of approved external guarantee quota by the end of the reporting period (A3)			201,000	Total amount of actual external guarantee balance by the end of the reporting period (A4)				46,692.62
Guarantee situation between the Company and its subsidiaries								
Name of guarantee object	Disclosure date of notices related to guarantee quota	Guarantee quota	Actual date of occurrence (date of signing the agreement)	Actual guarantee amount	Guarantee type	Guarantee period	Completed or not	Guaranteed for a connected party or not
Total amount of approved guarantee quota for its subsidiaries in the reporting period (B1)				Total amount of actually occurred guarantee for its subsidiaries in the reporting period (B2)				
Total amount of approved guarantee quota for its subsidiaries by the end of the reporting period (B3)				Total amount of actual guarantee balance for its subsidiaries by the end of the reporting period (B4)				
Guarantee situation between the Company subsidiaries								
Name of guarantee object	Disclosure date of notices related to guarantee quota	Guarantee quota	Actual date of occurrence (date of signing the agreement)	Actual guarantee amount	Guarantee type	Guarantee period	Completed or not	Guaranteed for a connected party or not
Shenzhen SEG New City Development Group Ltd.		50,000	October 30, 2015	50,000	Joint liability guarantee	Two years	No	Yes

Total amount of approved guarantee quota for its subsidiaries in the reporting period (C1)	0	Total amount of actually occurred guarantee for its subsidiaries in the reporting period (C2)	50,000
Total amount of approved guarantee quota for its subsidiaries by the end of the reporting period (C3)	50,000	Total amount of actual guarantee balance for its subsidiaries by the end of the reporting period (C4)	50,000
Total guarantee amount of the Company (the sum of the first three items)			
Total amount of approved guarantee quota in the reporting period (A1+B1+C1)	26,000	Total amount of actually occurred guarantee in the reporting period (A2+B2+C2)	96,692.62
Total amount of approved guarantee quota by the end of the reporting period (A3+B3+C3)	251,000	Total amount of actual guarantee balance by the end of the reporting period (A4+B4+C4)	96,692.62
Proportion of the total actual guarantee balance (A4+B4+C4) to the Company's net assets		53.9%	
Herein:			
Guarantee balance provided for shareholders, actual controllers, and other connected parties (D)		0	
Debt guarantee balance directly or indirectly provided for guarantee objects with an asset-liability ratio higher than 70% (E)		0	
Amount of the total guarantee amount minuses 50% of net assets (F)		7,003.85	
Sum of the previous three guarantee amounts (D+E+F)		7,003.85	

(2) Illegal external guarantee

☐ Applicable ☒ Not applicable

The Company has no illegal external guarantee in the reporting period.

3. Other major contracts

☒ Applicable ☐ Not applicable

Contracting party	Counterparty	Contract subject	Date of signing	Book value of assets involved in the contract (RMB 10,000) (if any)	Estimated value of assets involved in the contract (RMB 10,000) (if any)	Appraisal agency (if any)	Base date of asset appraisal (if any)	Pricing principle	Transaction price (RMB 10,000)	Connected transaction or not	Association	Fulfillment as of the end of the reporting period
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	January 13, 2016	3,000		None		Market pricing		No	Controlling subsidiary	Fulfilled
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	April 12, 2017	3,000		None		Market pricing		No	Controlling subsidiary	Fulfilled
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	April 14, 2017	3,000		None		Market pricing		No	Controlling subsidiary	Being fulfilled
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	April 20, 2017	4,500		None		Market pricing		No	Controlling subsidiary	Being fulfilled
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	May 17, 2017	6,000		None		Market pricing		No	Controlling subsidiary	Being fulfilled
Shenzhen SEG Group Co., Ltd.	SEG Credit Co., Ltd.	Short-term financing	May 19, 2017	3,500		None		Market pricing		No	Controlling subsidiary	Being fulfilled
Shenzhen SEG Group Co., Ltd.	SPDB Shenzhen Branch Tairan Sub-branch	Financial management	April 7, 2017	8,300		None		Market pricing		No	None	Fulfilled
Shenzhen SEG Group Co., Ltd.	SPDB Shenzhen Branch Tairan Sub-branch	Financial management	April 10, 2017	3,000		None		Market pricing		No	None	Fulfilled
Shenzhen SEG Group Co., Ltd.	ABC Shenzhen Branch	Borrowing	May 11, 2017	18,000		None		Market pricing		No	None	Being fulfilled
Shenzhen SEG Group Co., Ltd.	ABC Shenzhen Branch	Credit granting	April 27, 2017	25,000		None		Market pricing		No	None	Being fulfilled

Shenzhen SEG Group Co., Ltd.	SPDB Shenzhen Branch Tairan Sub-branch	Financial management	June 22, 2017	5,000		None		Market pricing		No	None	Fulfilled
Shenzhen SEG Group Co., Ltd.	SPDB Shenzhen Branch Tairan Sub-branch	Structural deposits	June 22, 2017	4,000		None		Market pricing		No	None	Fulfilled
Shenzhen SEG Group Co., Ltd.	ABC Shenzhen Branch	Mortgage	April 27, 2017	32,943	32,943	Cushman & Wakefield		Fair value	32,943	No	None	Being fulfilled
Shenzhen SEG Group Co., Ltd.	Shenzhen Hongtu SEG Investment Management Co., Ltd. and Shenzhen Guiding Fund Investment Co., Ltd.	Partnership agreement	March 15, 2017	9,000		None		Market pricing		No	None	Being fulfilled
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Industrial Investment Co., Ltd.	Borrowing	August 1, 2014	4,200		None		Free of interest		No	Controlling subsidiary	Being fulfilled
Shenzhen SEG Group Co., Ltd.	Suzhou SEG Digital Plaza Management Co., Ltd.	Borrowing	June 8, 2015	1,000		None		Free of interest		No	Controlling subsidiary	Being fulfilled

XV. Social responsibility

1. Fulfillment of the social responsibility for targeted poverty alleviation

According to the national decision to fight against poverty and the work arrangements of Shenzhen CPC Committee, the People's Government of Shenzhen, State-owned Assets Supervision and Administration Commission of Shenzhen, and SEG Group on three-year targeted poverty alleviation, SEG Group was designated to provide poverty alleviation aid for Zishi Village, Zishi Town, Longchuan County, Heyuan. After receiving the task, the CPC Committee and leaders of the Company fully realized the importance, arduousness and urgency of poverty alleviation and development in the new period. Our thoughts and actions followed the spirits conveyed by important talks of Xi Jinping, CPC General Secretary and decisions and arrangements on targeted poverty alleviation of government at all levels and the upper CPC committee. SEG Group promptly appointed the leader of the work team and arranged for special personnel to stay at villages for poverty alleviation. According to unified arrangements of SEG Group, the Company and its controlling subsidiaries aided 20 low-income families and 46 impoverished persons.

In the first half of 2017, the Company organized "targeted poverty alleviation on campus and study assistance". In March, the Company donated caring materials to Heyuan Zishi Town Central Primary School and brought STEAM creative programs to students. In March, the Company arranged for merchants to visit Zishi and consoled low-income families.

Planning for subsequent targeted poverty alleviation: 1. The Company will increase efforts on industrial projects for targeted poverty alleviation, and promote the pigeon eco-breeding program in the form of enterprises + farmers according to the uniform arrangement of Longchuan CPC Committee; 2. the Company will promote infrastructure projects and complete the villager cultural activity plaza, road hardening project, and drinking water purification transformation.

2. Environmental protection

Are the listed company and its subsidiaries key polluters publicized by the environmental protection department?

Not applicable

XVI. Notes to other major events

√ Applicable □ Not applicable

Overview of major events	Disclosure date	Inquiry index for the websites disclosing the temporary reports
<p>1. Related matters on major assets restructuring progress</p> <p>On January 17, 2017, the Company receives the <i>Approval on Shenzhen SEG Co., Ltd.'s Issuing Shares, Acquiring Assets and Raising Supporting Funds to Shenzhen SEG Group Co., Ltd.</i> (Z. J. X. K. [2017] No. 21) issued by China Securities Regulatory Commission, to approve such matters as the Company's issuing shares and acquiring assets by cash and raising supporting funds.</p> <p>At present, the Company has completed the share issuing and transfer of related underlying assets acquired by cash, the capital verification procedures of the newly-added registered capital and the procedures of issuing new shares to SEG Group. But the</p>	January 18, 2017	<i>Announcement of Shenzhen SEG Co., Ltd. about Obtaining Approval on Issuing Shares, Acquiring Assets by Cash and Raising Supporting Funds as well as Related Transactions from China Securities Regulatory Commission</i> disclosed on http://www.cninfo.com.cn/
	January 18, 2017	<i>Report of Shenzhen SEG Co., Ltd. about Issuing Shares, Acquiring Assets by Cash and Raising Supporting Funds as well as Related Transactions (Revised)</i> disclosed on http://www.cninfo.com.cn/
	January 25, 2017	<i>Announcement of Shenzhen SEG Co., Ltd. about Ownership Transfer Situations of the Underlying Assets Related to Issuing Shares, Acquiring Assets by Cash and Raising Supporting Funds as well as Related</i>

Company still need to raise supporting funds for the non-public offering of shares from no more than 10 specific investors within the valid term of the documents approved by the China Securities Regulatory Commission.		Transactions disclosed on http://www.cninfo.com.cn/
	March 4, 2017	Announcement of Shenzhen SEG Co., Ltd. about Implementation Situations of Issuing Shares, Acquiring Assets by Cash and Raising Supporting Funds as well as Related Transactions and Newly-Added Shares Listing disclosed on http://www.cninfo.com.cn/
2. Event that the controlling shareholder SEG Group extends the lockup period of shares: For 20 consecutive trading days from April 18, 2017 to May 16, 2017, the Company's share price is lower than RMB 9.94/share, i.e. the price of issuing shares to acquire assets this time. Thus, the lockup period 450,857,239 shares issued by the Company to the Company's controlling shareholder SEG Group in this restructuring will be automatically extended for another six months after 36 months from the listing date of the aforesaid shares.	May 15, 2017	Announcement of Shenzhen SEG Co., Ltd. about the Controlling Shareholder SEG Group Extending the Lockup Period of Shares disclosed on http://www.cninfo.com.cn/
3. Investing in Shenzhen SEG Zhongtong Technology Co., Ltd. and participating in the Station Train Wi-Fi Project of China Railway Current progress of SEG Zhongtong Project: (1) SEG Zhongtong has obtained the Radio Transmission Equipment Model Approval Certificate issued by the Ministry of Industry and Information Technology of the People's Republic of China in July 2017; (2) The operation team of SEG Zhongtong has been established; at present the Company's operating status is normal.	April 7, 2017	Announcement of Shenzhen SEG Co., Ltd. about Investing in Shenzhen SEG Zhongtong Technology Co., Ltd. and Participating in the Station Train Wi-Fi Project of China Railway disclosed on http://www.cninfo.com.cn/
4. The Company implementing the annual equity distribution in 2016 The Company passed the <i>Proposal on Profit Distribution and Capital Reserves Converting into Capital Stock in 2016</i> through deliberation of the Fourth Extraordinary General Meeting of Shareholders in 2017. In accordance with the aforesaid proposal and the <i>Implementation Announcement of Shenzhen SEG Co., Ltd. about the Annual Equity Distribution in 2016</i> issued on August 11, 2017, the annual equity distribution scheme of the Company in 2016 are as follows: based on the total existing general capital of 1,235,656,249 shares, the Company distributes RMB 0.3 by cash (taxes included) for every 10 shares to all shareholders; the registration date of A shares is August 16, 2017, and the	July 6, 2017	Announcement of Shenzhen SEG Co., Ltd. about I Profit Distribution and Capital Reserves Converting into Capital Stock in 2016 disclosed on http://www.cninfo.com.cn/
	August 11, 2017	Implementation Announcement of Shenzhen SEG Co., Ltd. about the Annual Equity Distribution in 2016 disclosed on http://www.cninfo.com.cn/

ex-dividend date is August 17, 2017; the last trading date of B shares is August 16, 2017, the registration date is August 21, 2017, and the ex-dividend date is August 17, 2017. As of the date of this report, the Company's equity distribution has been finished.		
5. Event relating to change of directors and supervisors Cao Xiang, Director of the Company, and Xu Ning, Supervisor of the Company, submitted a written resignation report to the Board of Directors and the Board of Supervisors on July 4, 2017 respectively. The Company conducted a by-election of directors and supervisors according to the relevant laws and regulations and the provisions and procedures stipulated in the <i>Articles of Association</i> . At the Fourth Extraordinary General Meeting of Shareholders in 2017, Xu Laping is appointed as Director of the Seventh Session of the Board of Directors, and Liu Rongzhi as Supervisor of the Seventh Session of the Board of Supervisors.	July 6, 2017	<i>Announcement of Shenzhen SEG Co., Ltd. about Resignation of the Company's Director and Supervisor</i> disclosed on http://www.cninfo.com.cn/
	July 21, 2017	<i>Announcement of Shenzhen SEG Co., Ltd. about the Resolution of the Fourth Extraordinary General Meeting of Shareholders in 2017</i> disclosed on http://www.cninfo.com.cn/
6. Event about establishment of Shenzhen SEG One-City Technology Co., Ltd. and construction and operation of SEG Maker Education Technology Experience Museum The Company intends to invest RMB 10 million jointly with Shenzhen Yingmengxin Technology Co., Ltd. to set up Shenzhen SEG One-City Technology Co., Ltd. (its name shall be subject to industrial and commercial registration information) for the construction and operation of SEG Maker Education Technology Experience Museum, among which the Company subscribed RMB 5.1 million, accounting for 51% of the shares; Yingmengxin contributed RMB 4.9 million, accounting for 49%. SEG One-City is mainly used for the construction and operation of SEG Maker Education Technology Experience Museum, to meet double positioning requirements of scientific and technological innovation education industry and cultural and creative industry, build China's first block-style science and technology theme park and Chinese youth STEAM popular education standard base, and become the first and world-class juvenile maker education platform integrated with scientific and technological innovation, maker education, experience and fun, culture and	August 11, 2017	<i>Announcement of Shenzhen SEG Co., Ltd. about Establishment of Shenzhen SEG One-City Technology Co., Ltd. and Construction and Operation of SEG Maker Education Technology Experience Museum</i> disclosed on http://www.cninfo.com.cn/

creativity.		
<p>7. In the first quarter of 2017, the Company carried out the major assets restructuring to issue shares and acquire the underlying assets. The assets transfer formalities of four underlying companies on January 20, 2017, i.e. SEG Real Estate, SEG Kangle, SegMaker, SEG Property Development. Since February 2017, the above four underlying companies will be included in the consolidated statement, and the Company will track and adjust the Company's annual financial statements upon submitting the first-quarter statement. Since the 2016 annual financial statements of the four companies has not yet been audited upon submitting the first-quarter statement, and as of the end of the reporting period, the financial statements of the four companies have been audited by Shenzhen Branch of Zhongtianyun Certified Public Accountants Co., Ltd., the audit adjustment differences cause the difference between the opening balance sheet adjusted retrospectively by the report and the opening balance sheet adjusted retrospectively in the first-quarter statement.</p>		

XVI. Major events of subsidiaries

√ Applicable □ Not applicable

<p>1. SEG Real Estate and Shenzhen Branch of China Huarong Asset Management Co., Ltd. signed the Strategic Cooperation Agreement</p> <p>Following the principles of resource sharing, complementary advantages, and cooperative development, both parties plan to use their own platforms and resource advantages, to jointly carry out cooperation in further financial or broader areas, strengthen exchanges and cooperation and create opportunities for development</p>	March 1, 2017	<p><i>Announcement on the Holding Subsidiary Shenzhen SEG Real Estate Investment Co., Ltd. Signing the Strategic Cooperation Agreement with Shenzhen Branch of China Huarong Asset Management Co., Ltd.</i> disclosed on http://www.cninfo.com.cn/</p>
2. Event about SEG Lianzhong obtaining the Business License	February 11, 2017	<p><i>Announcement of Shenzhen SEG Lianzhong Internet Technology Co., Ltd. Obtaining the Business License</i> disclosed on http://www.cninfo.com.cn/</p>
3. SEG Longyan Technology won the use rights of the state-owned construction land by RMB 28.01 million, which is located in Ebu Town, Shenzhen-Shantou Special Cooperation Zone, and whose land No. is "E2016-0026", to use for cadmium telluride thin film photovoltaic industry base project.	March 14, 2017	<p><i>Announcement on the Holding Subsidiary Shenzhen SEG Longyan Energy Technology Co., Ltd. Bidding Land</i> disclosed on http://www.cninfo.com.cn/ by the Company</p>
	April 6, 2017	<p><i>Announcement on the Holding Subsidiary Winning the Land Use Rights</i> disclosed on</p>

		http://www.cninfo.com.cn/ by the Company
4. The Company's holding grandson company SEG Property increases investment to introduce strategic investors and supporting implementation management and core backbone for holding, so as to optimize the capital allocation, improve operational efficiency, and achieve benefit growth and sustainable development.	May 26, 2017	<i>Announcement on Shenzhen SEG Property Management Co., Ltd. Increasing Investment to Introduce Strategic Investors And Supporting Implementation Management and Core Backbone for Holding</i> disclosed on http://www.cninfo.com.cn/ by the Company
5. The Company's holding grandson company SEG New City provides a phased guarantee with a loan limit of RMB 260 million for the mortgage customers who purchase their development projects	May 26, 2017	<i>Announcement on Shenzhen SEG New City Construction and Development Co., Ltd. Providing a Phased Guarantee for The Mortgage Customers Who Purchase Their Development Projects</i> disclosed on http://www.cninfo.com.cn/ by the Company
	June 13, 2017	<i>Announcement on the Resolution of the Second Extraordinary General Meeting of Shareholders in 2017</i> disclosed on http://www.cninfo.com.cn/ by the Company

Chapter 6 Changes in Share Capital and Information on Shareholders

I. Changes in share capital

1. Changes in share capital

Unit: Share

	Before the change		Increase/decrease by (+, -)					After the change	
	Quantity	Percentage	Issue of new shares	Bonus share	Share converted from provident Fund	Other	Subtotal	Quantity	Percentage
I. Restricted shares	77,439	0.01%	450,857,239	0	0	-11,000	450,846,239	450,923,678	36.49%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	450,857,239	0	0	0	450,857,239	450,857,239	36.49%
3. Other domestic shares	77,439	0.01%	0	0	0	-11,000	-11,000	66,439	0.01%
Including: Shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	77,439	0.01%	0	0	0	-11,000	-11,000	66,439	0.01%
4. Shares held by foreign units	0	0.00%	0	0	0	0	0	0	0.00%
Including: Shares held by foreign legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	784,721,571	99.99%	0	0	0	11,000	11,000	784,732,571	63.51%
1. RMB common shares	538,260,253	68.59%	0	0	0	11,000	11,000	538,271,253	43.56%
2. Domestically listed foreign shares	246,461,318	31.40%	0	0	0	0	0	246,461,318	19.95%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	784,799,010	100.00%	450,857,239	0	0	0	450,857,239	1,235,656,249	100.00%

Reason for changes

√ Applicable □ Not applicable

(1) On January 17, 2017, the Company received the *Approval on Shenzhen SEG Co., Ltd.'s Issuing Shares to Shenzhen SEG Group Co., Ltd. to Acquire Assets and Raise Supporting Funds* (Z. J. X. K. [2017] No. 21) issued by the CSRC.

Shenzhen SEG was approved to issue 450,857,239 shares to Shenzhen SEG Group for asset purchase. The said shares were issued on March 6, 2017, and the total share capital of the Company is increased to 1,235,656,249 shares.

(2) The Company completed the general election of the Board of Directors and the Board of Supervisors in July 2016. The number of restricted shares held by directors, supervisors, and senior executives are changed.

Approval of changes in share capital

☐ Applicable ☒ Not applicable

Share transfer

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

None

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

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

☒ Applicable ☐ Not applicable

Unit: Share

Shareholder name	Restricted shares in the beginning of the period	Restricted shares released in the reporting period	Increase in restricted shares	Restricted shares at the end of the period	Reason for restriction	Date of release
Shenzhen SEG Group Co., Ltd.	0	0	450,857,239	450,857,239	Seasoned equity offering	2020.9.5
Xu Ning	15,000	0	0	15,000	Restricted shares held by senior executives	2019.7.15
Liu Zhijun	7,500	0	0	7,500	Restricted shares held by senior executives	2019.7.15
Zheng Dan	31,939	0	0	31,939	Restricted shares held by senior executives	2019.7.15
Zhu Longqing	12,000	0	0	12,000	Restricted shares held by senior executives	2019.7.15
Ying Huadong	10,000	10,000	0	0	Removal of supervisors due to changing the term of office	2017.1.16
Tian Jiliang	1,000	1,000	0	0	Removal of supervisors due to changing the term of office	2017.1.16
Total	77,439	11,000	450,857,239	450,923,678	--	--

II. Issuance and listing of securities

√ Applicable □ Not applicable

Stock and derivative securities	Date of issuance	Offering price (or rate)	Number of shares	Listing date	Shares approved for listed transaction	Termination date of transaction	Disclosure index	Disclosure date
Stock								
000058	March 6, 2017	9.94	450,857,239	March 6, 2017	450,857,239	March 6, 2017	Notice of Implementing the Resolution of Issuing Stocks and Paying Cash to Acquire Assets and Raise Supporting Fund and Affiliate Transaction and Listing of Newly Added Shares of Shenzhen SEG Co., Ltd. posted on the CNINF website (http://www.cninfo.com.cn)	March 4, 2017

Note to issuance of securities in the reporting period

Not applicable

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

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	75,823			Total number of preferred shareholders restored with the voting rights (if any) (see note 8)		0		
Information on the shareholders holding more than 5% shares or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of ordinary shares held at the end of the reporting period	Share increase/decrease in the reporting period	Quantity of restricted ordinary shares held	Quantity of unrestricted ordinary shares held	Information on pledged or frozen shares	
							Share status	Quantity
Shenzhen SEG Group Co., Ltd.	State-owned legal person	55.70%	688,216,905	+450,857,239	450,857,239	237,359,666		
Liu Guocheng	Domestic natural person	0.55%	6,829,502	+25,000	0	6,829,502		
Zhang Jiao	Domestic natural person	0.33%	4,046,989	0	0	4,046,989		
Liu Guohong	Domestic natural person	0.27%	3,174,958	-125,600		3,174,958		
Gong Qianhua	Overseas natural person	0.24%	2,940,000	0	0	2,940,000		
Shanghai Juzhang	Domestic non-state-owned	0.20%	2,476,621	+1,838,200	0	2,476,621		

Investment Management Co., Ltd.	legal person							
Zeng Ying	Domestic natural person	0.19%	2,300,000	0	0	2,300,000		
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	0.18%	2,271,900	0	0	2,271,900		
China Hi-tech Group Corporation	State-owned legal person	0.12%	1,500,000	0	0	1,500,000		
Zhao Dan	Domestic natural person	0.10%	1,259,263	+321,163	0	1,259,263		
Strategic investors or general legal entities who became one of the top 10 ordinary shareholders by participating in rights issue (If any) (see note 3)		N/A						
Explanations on the association relationship or concerted action among the above-mentioned shareholders		Shenzhen SEG Group Co., Ltd. has no associated relationship with other shareholders, nor it is a concerted action unit as specified in the <i>Management Methods for Disclosure of Information on Changes in Shareholding Status of Shareholders of Listed Companies</i> . It is unknown whether other shareholders have an associated relationship or are concerted action units or not.						
Information on top 10 ordinary shareholders of non-restricted shares								
Name of shareholder		Ordinary shares held at the period end		Type of share				
				Type of share		Quantity		
Shenzhen SEG Group Co., Ltd.		237,359,666		RMB ordinary shares		237,359,666		
Liu Guocheng		6,829,502		Domestically listed foreign shares		6,829,502		
#Zhang Jiao		4,046,989		RMB ordinary shares		4,046,989		
Liu Guohong		3,174,958		Domestically listed foreign shares		3,174,958		
Gong Qianhua		2,940,000		Domestically listed foreign shares		2,940,000		
Shanghai Juzhang Investment Management Co., Ltd.		2,476,621		RMB ordinary shares		2,476,621		
Zeng Ying		2,300,000		Domestically listed foreign shares		2,300,000		
China Securities Finance Corporation Limited		2,271,900		RMB ordinary shares		2,271,900		
China Hi-tech Group Corporation		1,500,000		RMB ordinary shares		1,500,000		
Zhao Dan		1,259,263		RMB ordinary shares		1,259,263		
Explanations on the association relationship or concerted action among top 10 shareholders of unrestricted ordinary shares, and		Shenzhen SEG Group Co., Ltd has no associated relationship with other shareholders, nor it is a concerted action unit as specified in the <i>Management Methods for Disclosure of Information on Changes in Shareholding Status of Shareholders of Listed Companies</i> . It is unknown whether other shareholders have an associated relationship or are concerted action units or not.						

between top 10 shareholders of unrestricted ordinary shares and top 10 ordinary shareholders	
Information of top 10 ordinary shareholders participating in financing business (if any) (see note 4)	Among top 10 shareholders, Zhang Jiao holds 0 share of the Company in the ordinary account and 4,046,989 shares of the Company in the margin trading investor credit account. Zhang Jiao holds 4,046,989 shares of the Company in total.

Have top 10 ordinary shareholders of the Company or top 10 ordinary shareholders of non-restricted shares conducted agreed repurchase transactions in the reporting period?

☐ Yes ☒ No

Top 10 ordinary shareholders of the Company or top 10 ordinary shareholders of non-restricted shares did not conduct agreed repurchase transactions in the reporting period.

IV. Changes in controlling shareholders and actual controllers

Changes in the controlling shareholders in the reporting period

☐ Applicable ☒ Not applicable

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

Changes in the actual controllers in the reporting period

☐ Applicable ☒ Not applicable

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

Chapter 7 Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares exist in the reporting period.

Chapter 8 Directors, Supervisors and Senior Executives

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

☐ Applicable ☒ Not applicable

No changes in shares held by directors, supervisors, and senior executives are involved in the reporting period. For details, refer to 2016 Annual Report.

II. Changes in directors, supervisors and senior executives

☐ Applicable ☒ Not applicable

No changes in directors, supervisors, and senior executives are involved in the reporting period. For details, refer to 2016 Annual Report.

Chapter 9 Corporate Bonds

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

No

Chapter 10 Financial Report

I. Auditor's Report

Is the semi-annual report audited?

☐ Yes ☒ No

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

II. Financial statements

Unit: RMB Yuan.

1. Consolidated Balance Sheet Statement

Prepared by: Shenzhen SEG Co., Ltd.

June 30, 2017

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,222,990,879.83	1,131,523,641.19
Deposit reservation for balance		
Loans to other banks		40,000,000.00
Financial assets measured by fair value with changes included in current profit or loss		
Derivative financial assets		
Notes receivable		100,792.00
Accounts receivable	80,193,593.82	58,949,389.88
Advances	44,051,607.10	56,142,960.81
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance deposit receivable		
Interest receivable		287,698.63
Dividends receivable		2,520,000.00
Other receivables	124,256,801.40	117,036,077.02
Redemptory monetary capital for resale		
Inventory	3,673,901,099.84	3,378,533,067.95
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	520,221,326.80	460,229,847.59
Total current assets	5,665,615,308.79	5,245,323,475.07

Item	Closing balance	Opening balance
Non-current assets:		
Loans and advances issued	468,639,702.32	480,405,158.45
Financial assets available for sale	34,264,472.42	34,478,683.41
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	196,671,333.80	203,657,322.71
Investment properties	695,584,278.68	708,470,470.81
Fixed assets	51,807,396.55	52,029,921.10
Construction in progress	44,898,411.15	34,314,472.15
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	31,226,975.81	2,681,527.40
Development expenses		
Goodwill	10,328,927.82	10,328,927.82
Long-term expenses to be amortized	107,219,693.41	111,787,439.52
Deferred income tax assets	28,018,999.65	28,511,034.74
Other non-current assets	88,987,300.00	13,804,660.46
Total non-current assets	1,757,647,491.61	1,680,469,618.57
Total assets	7,423,262,800.40	6,925,793,093.64
Current liabilities:		
Short-term borrowing	545,000,000.00	355,000,000.00
Loans from central bank		
Deposits from customers and interbank		
Loans from other banks		
Financial liabilities measured by fair value with changes included in current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	118,802,646.01	31,010,953.20
Advances from customers	1,267,716,176.21	923,965,168.05
Financial assets sold for repurchase		

Item	Closing balance	Opening balance
Service charges and commissions payable		
Payroll payable	16,508,848.93	35,464,329.86
Taxes payable	158,551,248.58	254,715,544.38
Interest payable	2,595,650.28	3,357,745.13
Dividends payable	6,592,710.58	17,652,970.78
Other payables	1,331,127,533.52	800,746,883.93
Reinsurance accounts payable		
Insurance deposit		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Held-for-sale liabilities		
Non-current liabilities due within one year	718,561,661.33	491,561,661.33
Other current liabilities	733,019.98	
Total current liabilities	4,166,189,495.42	2,913,475,256.66
Non-current liabilities:		
Long-term borrowing	772,250,000.00	1,030,000,000.00
Bonds payable		
Preferred stock		
Perpetual capital securities		
Long-term payables		
Payroll payable		
Special payables		
Estimated liabilities	232,500.00	232,500.00
Deferred income	11,936,612.19	14,667,442.84
Deferred income tax liabilities	93,277,129.52	93,885,145.21
Other non-current liabilities		
Total non-current liabilities	877,696,241.71	1,138,785,088.05
Total liabilities	5,043,885,737.13	4,052,260,344.71
Owners' equity:		
Share capital	1,235,656,249.00	784,799,010.00
Other equity instruments		
Preferred stock		

Item	Closing balance	Opening balance
Perpetual capital securities		
Capital reserve	175,086,543.13	1,293,931,135.89
Less: Treasury shares		
Other comprehensive income	189,207.20	296,235.62
Special reserve		
Surplus reserve	121,803,040.24	121,803,040.24
General risk provision		
Undistributed profits	261,480,433.71	211,471,648.29
Total owners' equity attributable to the parent company	1,794,215,473.28	2,412,301,070.04
Minority shareholders' equity	585,161,589.99	461,231,678.89
Total owners' equity	2,379,377,063.27	2,873,532,748.93
Total liabilities and owners' equity	7,423,262,800.40	6,925,793,093.64

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

2. Balance Sheet Statement of the Parent Company

Unit: Yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	158,398,405.32	90,504,836.76
Financial assets measured by fair value with changes included in current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	1,084,566.74	426,069.15
Advances		
Interest receivable		
Dividends receivable	20,540,880.00	
Other receivables	812,767,906.77	724,658,970.18
Inventory	519,750.84	442,920.87
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	378,881,432.18	438,146,382.10
Total current assets	1,372,192,941.85	1,254,179,179.06

Item	Closing balance	Opening balance
Non-current assets:		
Financial assets available for sale	33,515,392.83	33,515,392.83
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	1,416,970,028.30	453,584,470.91
Investment properties	268,621,193.88	273,880,749.30
Fixed assets	18,496,830.56	19,149,224.71
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	331,810.02	425,708.10
Development expenses		
Goodwill		
Long-term expenses to be amortized	6,415,805.02	7,743,293.52
Deferred income tax assets	8,426,955.49	8,664,455.49
Other non-current assets		
Total non-current assets	1,752,778,016.10	796,963,294.86
Total assets	3,124,970,957.95	2,051,142,473.92
Current liabilities:		
Short-term borrowing	545,000,000.00	355,000,000.00
Financial liabilities measured by fair value with changes included in current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	676.00	155,213.00
Advances from customers	17,121,910.98	25,448,125.00
Payroll payable	2,071,396.86	7,817,501.76
Taxes payable	6,781,260.33	23,485,483.97
Interest payable		475,177.74
Dividends payable	119,803.29	119,803.29
Other payables	742,218,993.15	75,858,657.13

Item	Closing balance	Opening balance
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,313,314,040.61	488,359,961.89
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Preferred stock		
Perpetual capital securities		
Long-term payables		
Payroll payable		
Special payables		
Estimated liabilities		
Deferred income	10,233,333.36	11,183,333.34
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	10,233,333.36	11,183,333.34
Total liabilities	1,323,547,373.97	499,543,295.23
Owners' equity:		
Share capital	1,235,656,249.00	784,799,010.00
Other equity instruments		
Preferred stock		
Perpetual capital securities		
Capital reserve	249,249,670.24	498,654,523.66
Less: Treasury shares		
Other comprehensive income	116.05	178.21
Special reserve		
Surplus reserve	121,803,040.24	121,803,040.24
Undistributed profits	194,714,508.45	146,342,426.58
Total owners' equity	1,801,423,583.98	1,551,599,178.69
Total liabilities and owners' equity	3,124,970,957.95	2,051,142,473.92

3. Consolidated Profit Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Total operating revenue	625,085,852.24	773,791,120.91
Including: Operating revenue	592,346,626.22	724,213,525.00
Interest income	32,107,247.09	47,373,095.91
Earned premiums		
Service charges and commissions income		
II. Total operating cost	528,687,711.32	632,738,203.90
Including: Operating cost	426,661,521.04	527,378,769.17
Interest expenses	457,500.00	465,888.89
Commissions		
Surrender value		
Net compensation pay-outs		
Net insurance deposit accrued		
Insurance dividends		
Reinsurance expenses		
Tax and surcharges	10,579,222.45	39,850,665.86
Sale expenses	18,930,296.04	15,452,527.47
Management expenses	62,603,332.15	48,360,132.61
Financial cost	9,997,883.43	5,084,244.72
Loss from asset impairment	-542,043.79	-3,854,024.82
Add: Income from change of fair value (enter "-" for loss)		
Income from investment (enter "-" for loss)	408,928.49	4,177,657.94
Including: Income from investment in joint ventures or associates	-5,401,219.04	-4,826,750.85
Income from exchange (enter "-" for loss)		
Other income		
III. Operating profit (enter "-" for loss)	96,807,069.41	145,230,574.95
Add: Non-operating revenue	7,226,958.33	61,732,465.54
Including: Profit on disposal of non-current assets		
Less: Non-operating expenses	549,897.70	3,208,366.60
Including: Loss from disposal of non-current		

Item	Amount incurred in the current period	Amount incurred in the previous period
assets		
IV. Total profit (enter "-" for total loss)	103,484,130.04	203,754,673.89
Less: Income tax	38,782,427.00	58,174,040.67
V. Net profit (enter "-" for net loss)	64,701,703.04	145,580,633.22
Net profit attributable to owners of the parent company	50,008,785.42	104,913,059.48
Profit and loss of minority shareholders	14,692,917.62	40,667,573.74
VI. Net of tax of other comprehensive incomes	-160,720.40	-45,789.16
Total owners' net of tax of other comprehensive income attributable to the parent company	-107,028.42	-30,426.86
1. Other comprehensive income not to be reclassified into profit or loss		
(1) Changes in net liabilities or net assets of the re-measured defined benefit plans		
(2) Shares of the investee of other comprehensive income not to be reclassified into profit or loss under the equity method		
2. Other comprehensive income to be reclassified into profit or loss	-107,028.42	-30,426.86
(1) Shares of the investee of other comprehensive income to be reclassified into profit or loss under the equity method	-62.16	178.21
(2) Profit or loss from changes in fair value of the available-for-sale financial assets	-106,966.26	-30,605.07
(3) Held-to-maturity investments categorized as profit or loss from the available-for-sale financial assets		
(4) Effective profit or loss from cash flows		
(5). Foreign currency translation differences		
(6) Others		
Net of tax of other comprehensive income attributable to minority shareholders	-53,691.98	-15,362.30
VII. Total comprehensive income	64,540,982.64	145,534,844.06
Total comprehensive income attributable to shareholders of the parent company	49,901,757.00	104,882,632.62
Total comprehensive income attributable to minority shareholders	14,639,225.64	40,652,211.44
VIII. Earnings per share		

Item	Amount incurred in the current period	Amount incurred in the previous period
1. Basic earnings per share	0.0405	0.0849
2. Diluted earnings per share	0.0405	0.0849

During the merger of the enterprises under the control of a same entity in the reporting period, the net profit of the acquiree realized before the merger was: RMB 10,632,970.72 Yuan, and net profit of the purchased party realized before the merger in the previous period was: RMB 105,432,693.61 Yuan.

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

4. Profit Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Operating revenue	48,543,360.95	51,626,681.87
Less: Operating cost	35,675,486.34	36,890,488.44
Tax and surcharges	2,563,542.06	2,004,366.35
Sale expenses		
Management expenses	9,022,593.04	6,516,831.79
Financial cost	8,177,592.69	-13,065,151.38
Loss from asset impairment		
Add: Income from change of fair value (enter "-" for loss)		
Income from investment (enter "-" for loss)	54,919,567.30	45,762,330.76
Including: Income from investment in joint ventures and associates	-387,059.05	-4,826,750.85
Other income		
II. Operating profit (enter "-" for loss)	48,023,714.12	65,042,477.43
Add: Non-operating revenue	3,083,865.48	7,300.00
Including: Profit on disposal of non-current assets		
Less: Non-operating expenses	91,300.00	2,707,915.25
Including: Loss from disposal of non-current assets		7,915.25
III. Total profit (enter "-" for total loss)	51,016,279.60	62,341,862.18
Less: Income tax	2,644,197.73	8,674,203.92
V. Net profit (enter "-" for net loss)	48,372,081.87	53,667,658.26
V. Net of tax of other comprehensive incomes	-62.16	48.10
1. Other comprehensive income not to be reclassified into profit or loss		

Item	Amount incurred in the current period	Amount incurred in the previous period
(1) Changes in net liabilities or net assets of the re-measured defined benefit plans		
(2) Shares of the investee of other comprehensive income not to be reclassified into profit or loss under the equity method		
2. Other comprehensive income to be reclassified into profit or loss	-62.16	48.10
(1) Shares of the investee of other comprehensive income to be reclassified into profit or loss under the equity method	-62.16	48.10
(2) Profit or loss from changes in fair value of the available-for-sale financial assets		
(3) Held-to-maturity investments categorized as profit or loss from the available-for-sale financial assets		
(4) Effective profit or loss from cash flows		
(5) Foreign currency translation differences		
(6) Others		
VI. Total comprehensive income	48,372,019.71	53,667,706.36
VII. Earnings per share		
1. Basic earnings per share		
2. Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	934,899,233.33	1,055,545,044.57
Net increase in deposits from customers and interbank		
Net increase in loans from central bank		
Net increase in borrowing from other financial institutions		
Cash received from premiums of primary insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investment		

Item	Amount incurred in the current period	Amount incurred in the previous period
Net increase in financial assets measured by fair value with changes included in current profit or loss		
Cash received from interest, service charges, and commissions	36,706,475.79	49,594,029.07
Net increase in loans from other banks		
Net increase in redemption capital		
Tax refunds		76,897,672.19
Other cash received related to operating activities	339,004,218.94	477,200,769.85
Subtotal of cash inflow from operating activities	1,310,609,928.06	1,659,237,515.68
Cash paid for goods and service	485,935,477.58	781,952,605.46
Net increase in loans to customers and advances	-11,916,029.19	34,265,000.00
Net increase in deposits with central bank and interbank		
Cash paid for compensation pay-outs of primary insurance contracts		
Cash paid for interest, service charges, and commissions	78,700.45	24,273.94
Cash paid as insurance dividends		
Cash paid to and on behalf of employees	137,167,412.69	127,078,297.43
Taxes paid	196,042,163.93	145,962,776.86
Other cash paid related to operating activities	410,176,923.86	499,568,303.20
Subtotal of cash outflow in operating activities	1,217,484,649.32	1,588,851,256.89
Net cash flow from operating activities	93,125,278.74	70,386,258.79
II. Cash flows from investment activities:		
Cash received from withdrawal of investment	1,139,300,000.00	703,900,000.00
Cash received from investment income	19,323,567.76	9,394,499.36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,320.00	10,200.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investment activities		49,130,164.38
Subtotal of cash inflow from investment activities	1,158,624,887.76	762,434,863.74

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	109,865,170.79	9,211,135.13
Cash paid for investment	1,160,980,001.00	682,504,260.00
Net increase in mortgage loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities		49,000,000.00
Subtotal of cash outflow in investment activities	1,270,845,171.79	740,715,395.13
Net cash flow from investment activities	-112,220,284.03	21,719,468.61
III. Cash flow from financing activities:		
Cash received by absorbing investment	147,227,998.48	
Including: Cash received by subsidiaries from investment of minority shareholders	147,227,998.48	
Borrowings received	550,000,000.00	1,250,220,000.00
Cash received from bond issue		
Other cash received related to financing activities		7,812.30
Subtotal of cash inflow from financing activities	697,227,998.48	1,250,227,812.30
Cash repayments of amounts borrowed	414,370,963.93	764,540,978.48
Cash paid for dividend and profit distribution or interest payment	71,984,588.46	107,602,672.99
Including: Dividends and profit paid by subsidiaries to minority shareholders	30,521,822.45	14,637,675.51
Other cash paid related to financing activities	100,310,202.16	133,633,025.85
Subtotal of cash outflow in financing activities	586,665,754.55	1,005,776,677.32
Net cash flow arising from financing activities	110,562,243.93	244,451,134.98
IV. Influence of exchange rate fluctuation on cash and cash equivalents		17.80
V. Net increase in cash and cash equivalents	91,467,238.64	336,556,880.18
Add: Opening balance of cash and cash equivalents	1,127,923,641.19	631,463,030.13
VI. Closing balance of cash and cash equivalents	1,219,390,879.83	968,019,910.31

6. Cash Flow Statement of the Parent Company

Unit: Yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	46,565,008.85	45,134,847.16
Tax refunds		
Other cash received related to operating activities	12,568,990.48	55,639,989.51
Subtotal of cash inflow from operating activities	59,133,999.33	100,774,836.67
Cash paid for goods and service	38,952,915.52	32,266,487.97
Cash paid to and on behalf of employees	21,305,591.50	23,691,555.31
Taxes paid	22,448,823.21	15,076,625.42
Other cash paid related to operating activities	97,628,271.06	113,721,306.86
Subtotal of cash outflow in operating activities	180,335,601.29	184,755,975.56
Net cash flow from operating activities	-121,201,601.96	-83,981,138.89
II. Cash flows from investment activities:		
Cash received from withdrawal of investment	501,000,000.00	543,000,000.00
Cash received from investment income	39,801,697.67	26,512,734.94
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,000.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	540,801,697.67	569,522,734.94
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment	532,730,000.00	555,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of cash outflow in investment activities	532,730,000.00	555,000,000.00
Net cash flow from investment activities	8,071,697.67	14,522,734.94

Item	Amount incurred in the current period	Amount incurred in the previous period
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Borrowings received	400,000,000.00	190,000,000.00
Cash received from bond issue		
Other cash received related to financing activities		7,812.30
Subtotal of cash inflow from financing activities	400,000,000.00	190,007,812.30
Cash repayments of amounts borrowed	210,000,000.00	215,000,000.00
Cash paid for dividend and profit distribution or interest payment	8,976,527.15	32,182,063.94
Other cash paid related to financing activities		
Subtotal of cash outflow in financing activities	218,976,527.15	247,182,063.94
Net cash flow arising from financing activities	181,023,472.85	-57,174,251.64
IV. Influence of exchange rate fluctuation on cash and cash equivalents		17.80
V. Net increase in cash and cash equivalents	67,893,568.56	-126,632,637.79
Add: Opening balance of cash and cash equivalents	90,504,836.76	186,369,470.58
VI. Closing balance of cash and cash equivalents	158,398,405.32	59,736,832.79

7. Consolidated Statement of Changes in Owners' Equity

Amount incurred in the current period

Unit: Yuan

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
I. Closing balance of the previous year	784,799,010.00				1,294,371,135.89		296,235.62		121,803,040.24		211,031,648.29	461,231,678.89	2,873,532,748.93
Add: Change of accounting policies													
Correction to errors of the													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
previous period													
Merger of enterprises under common control													
Others													
II. Opening balance of the current year	784,799,010.00				1,294,371,135.89		296,235.62		121,803,040.24		211,031,648.29	461,231,678.89	2,873,532,748.93
III. Increase and decrease of the current year (enter "-" for decrease)	450,857,239.00				-1,119,284,592.76		-107,028.42				50,008,785.42	124,369,911.10	-494,155,685.66
1. Total comprehensive income							-107,028.42				50,008,785.42	14,639,225.64	64,540,982.64
2. Capital invested or decreased by owners	450,857,239.00				-1,119,284,592.76							140,829,107.91	-527,598,245.85
(1) Ordinary shares invested by the shareholders	450,857,239.00				-249,404,853.42							147,227,998.48	348,680,384.06
(2) Capitals invested by other equity instrument holders													
(3) Amount of share-based payment included in owners' equity													
(4) Others					-869,879,739.34							-6,398,890.57	-876,278,629.91
3. Profit												-31,098.42	-31,098.

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
distribution												2.45	422.45
(1) Accrual of surplus public reserve													
(2) Accrual of general risk provision													
(3) Amount distributed to owners (or shareholders)												-31,098,422.45	-31,098,422.45
(4) Others													
4. Internal carrying forward of owners' equity													
(1) Capital reserve transferred to increase capital (or share capital)													
(2) Surplus public reserve transferred to increase capital (or share capital)													
(3) Surplus public reserve compensating losses													
(4) Others													
5. Special reserve													
(1) Accrual of the current year													
(2) Amount utilized in the													

Item	Current period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
current period													
6. Others													
IV. Closing balance of the current period	1,235,656,249.00				175,086,543.13		189,207.20		121,803,040.24		261,040,433.71	585,601,589.99	2,379,377,063.27

Amount of the previous year

Unit: Yuan

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
I. Closing balance of the previous year	784,799,010.00				506,545,831.11		326,662.48		109,922,336.87		73,532,388.70	205,218,511.74	1,680,344,740.90
Add: Change of accounting policies													
Correction to errors of the previous period													
Merger of enterprises under common control					101,949,000.00						-73,013,405.88	224,336,643.55	253,272,237.67
Others													
II. Opening balance of the current year	784,799,010.00				608,494,831.11		326,662.48		109,922,336.87		518,982.82	429,555,155.29	1,933,616,978.57
III. Increase and decrease of the current year (enter "-" for decrease)					685,876,304.78		-30,426.86		11,880,703.37		210,512,665.47	31,676,523.60	939,915,770.36
1. Total comprehensive							-30,426.86				246,062,783	63,201,072	309,233,

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preferred Shares	Perpetual capital securities	Others									
income											.31	.24	428.69
2. Capital invested or decreased by owners					198,905,837.01							-4,334,661.84	194,571,175.17
(1) Ordinary shares invested by the shareholders					198,605,476.86							-14,700,000.00	183,905,476.86
(2) Capitals invested by other equity instrument holders													
(3) Amount of share-based payment included in owners' equity													
(4) Others					300,360.15							10,365,338.16	10,665,698.31
3. Profit distribution									11,880,703.37		-35,550,117.84	-27,189,886.80	-50,859,301.27
(1) Accrual of surplus public reserve									11,880,703.37		-11,880,703.37		
(2) Accrual of general risk provision													
(3) Amount distributed to owners (or shareholders)											-23,669,414.47	-27,189,886.80	-50,859,301.27
(4) Others													
4. Internal carrying forward of owners' equity					496,097,594.24								496,097,594.24
(1) Capital													

Item	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
reserve transferred to increase capital (or share capital)													
(2) Surplus public reserve transferred to increase capital (or share capital)													
(3) Surplus public reserve compensating losses													
(4) Others					496,097,594.24								496,097,594.24
5. Special reserve													
(1) Accrual of the current year													
(2) Amount utilized in the current period													
6. Others					-9,127,126.47								-9,127,126.47
IV. Closing balance of the current period	784,799,010.00				1,294,371,135.89		296,235.62		121,803,040.24		211,031,648.29	461,231,678.89	2,873,532,748.93

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

Amount incurred in the current period

Unit: Yuan

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

		Preferred Shares	Perpetual capital securities	Others		Treasury shares	comprehensive income	reserve		profits	equity
I. Closing balance of the previous year	784,799,010.00				498,654,523.66		178.21		121,803,040.24	146,342,426.58	1,551,599,178.69
Add: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Opening balance of the current year	784,799,010.00				498,654,523.66		178.21		121,803,040.24	146,342,426.58	1,551,599,178.69
III. Increase and decrease of the current year (enter "-" for decrease)	450,857,239.00				-249,404,853.42		-62.16			48,372,081.87	249,824,405.29
1. Total comprehensive income							-62.16			48,372,081.87	48,372,019.71
2. Capital invested or decreased by owners	450,857,239.00				-249,404,853.42						201,452,385.58
(1) Ordinary shares invested by the shareholders	450,857,239.00				-249,404,853.42						201,452,385.58
(2) Capitals invested by other equity instrument holders											
(3) Amount of share-based payment included in owners' equity											
(4) Others											
3. Profit distribution											
(1) Accrual of surplus public reserve											
(2) Amount distributed to owners (or shareholders)											
(3) Others											

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
4. Internal carrying forward of owners' equity											
(1) Capital reserve transferred to increase capital (or share capital)											
(2) Surplus public reserve transferred to increase capital (or share capital)											
(3) Surplus public reserve compensating losses											
(4) Others											
5. Special reserve											
(1) Accrual of the current year											
(2) Amount utilized in the current period											
6. Others											
IV. Closing balance of the current period	1,235,656,249.00				249,249,670.24		116.05		121,803,040.24	194,714,508.45	1,801,423,583.98

Amount of the previous year

Unit: Yuan

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
I. Closing balance of the previous year	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
Add: Change of accounting policies											
Correction to errors											

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
of the previous period											
Others											
II. Opening balance of the current year	784,799,010.00				507,773,837.83				109,922,336.87	63,085,510.75	1,465,580,695.45
III. Increase and decrease of the current year (enter "-" for decrease)					-9,119,314.17		178.21		11,880,703.37	83,256,915.83	86,018,483.24
1. Total comprehensive income							178.21			118,807,033.67	118,807,211.88
2. Capital invested or decreased by owners					7,812.30						7,812.30
(1) Ordinary shares invested by the shareholders											
(2) Capitals invested by other equity instrument holders											
(3) Amount of share-based payment included in owners' equity											
(4) Others					7,812.30						7,812.30
3. Profit distribution									11,880,703.37	-35,550,117.84	-23,669,414.47
(1) Accrual of surplus public reserve									11,880,703.37	-11,880,703.37	
(2) Amount distributed to owners (or shareholders)										-23,669,414.47	-23,669,414.47
(3) Others											
4. Internal carrying forward of owners' equity											
(1) Capital reserve transferred to increase capital (or											

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred Shares	Perpetual capital securities	Others							
share capital)											
(2) Surplus public reserve transferred to increase capital (or share capital)											
(3) Surplus public reserve compensating losses											
(4) Others											
5. Special reserve											
(1) Accrual of the current year											
(2) Amount utilized in the current period											
6. Others					-9,127,126.47						-9,127,126.47
IV. Closing balance of the current period	784,799,010.00				498,654,523.66		178.21		121,803,040.24	146,342,426.58	1,551,599,178.69

III. Company profile

(I) Registered place, organizational form and headquarters address

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

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

On February 3, 2016, Shenzhen SEG Co., Ltd. and Shenzhen SEG Group Co., Ltd. entered into the *Framework Agreement of Share Issuance and Cash Payment to Acquire Assets*. The Company intended to purchase the equity of target companies held by SEG Group by non-public offering of shares and in cash (including 55% of equity of SEG

Kangle, 100% of equity of SEG Property, 100% of equity of SEG SegMaker, and 79.02% of equity of SEG Real Estate) by non-public offering of shares and in cash, and issue private placement to no more than 10 specific investors to raise supporting funds of no more than RMB 2 billion. On January 17, 2017, the Company received the *Approval on Shenzhen SEG Co., Ltd.'s Issuing Shares to Shenzhen SEG Group Co., Ltd. to Acquire Assets and Raise Supporting Funds* (Z. J. X. K. [2017] No. 21) issued by the CSRC. On February 15, 2017, the Company received the *Acceptance Confirmation of the Application for Share Registration* issued by Shenzhen Branch of China Securities Depository and Clearing Company Limited. As confirmed, 450,857,239 A shares are issued for non-public offering, the new shares are restricted outstanding shares listed on March 6, 2017.

As of June 30, 2017, the total capital share of the Company amounts to 1,235,656,249 shares, including 450,923,678 restricted shares and 784,732,571 unrestricted shares. The registered capital is 1,235,656,249 yuan. The registered place is 31F, Tower A, Stars Plaza, North Huaqiang Road, Futian District, Shenzhen. The parent company is Shenzhen SEG Group Co., Ltd., and its final controlling party is Shenzhen State-owned Assets Supervision and Administration Commission.

(II) Business scope

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

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

(III) Business property and business operations

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

(IV) Approval for disclosure of the financial statements

The Financial Statements are approved for disclosure by all directors of the Company on August 28, 2017.

37 entities are included in the current consolidated financial statements, namely:

Subsidiary name	Type of subsidiary	Level	Proportion of shareholding (%)	Proportion of voting right (%)
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Holding subsidiary	I	66.58	66.58
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Holding subsidiary	II	66.58	66.58

Shenzhen SEG Industrial Investment Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Changsha SEG Development Co., Ltd.	Holding subsidiary	I	46.00	51.00
Shenzhen SEG Electronics Market Management Co., Ltd.	Holding subsidiary	I	70.00	70.00
Suzhou SEG Electronics Market Co., Ltd.	Holding subsidiary	I	45.00	45.00
Xi'an SEG Electronics Market Co., Ltd.	Holding subsidiary	I	65.00	65.00
Shenzhen SEG Credit Co., Ltd.	Holding subsidiary	I	62.00	62.00
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Hairong SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wujiang SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Wuxi SEG Electronics Market Co., Ltd.	Holding subsidiary	I	51.00	51.00
Shunde SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nanning SEG Electronics Market Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Nantong SEG Times Plaza Development Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Yantai SEG Times Plaza Development Co., Ltd.	Holding subsidiary	I	90.00	90.00
Nantong SEG Commercial Operation Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Digital Plaza Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Suzhou SEG Intelligent Technology Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Holding subsidiary	I	50.00	50.00
Shenzhen SEG Investment Management Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Holding subsidiary	I	50.00	50.00
Shenzhen-Shantou Cooperation Zone SEG Longyan Energy Technology Co., Ltd.	Wholly-owned subsidiary	II	100.00	100.00
SEG Lianzhong Internet Technology Co., Ltd.	Holding subsidiary	I	55.00	55.00
Shenzhen SEG Zhongtong Technology Co., Ltd.	Holding subsidiary	I	49.00	49.00
Shenzhen SegMaker Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
SEG Kangle Enterprise Development Co., Ltd.	Holding subsidiary	I	55.00	55.00
SEG Property Development Co., Ltd.	Wholly-owned subsidiary	I	100.00	100.00
Shenzhen SEG Real Estate Investment Co., Ltd.	Holding subsidiary	I	79.02	79.02
Huizhou Stars Real Estate Development Co., Ltd.	Holding subsidiary	II	88.00	88.00

SEG Property Management Co., Ltd.	Holding subsidiary	II	45.00	45.00
Shenzhen SEG New Urban Construction Development Co., Ltd.	Holding subsidiary	II	72.05	72.05
Shenzhen SEG New Urban Business Operation Co., Ltd.	Wholly-owned subsidiary	III	100.00	100.00
Beijing SEG Property Development Co., Ltd.	Holding subsidiary	II	50.00	50.00
Xi'an Konghong Property Co., Ltd.	Holding subsidiary	II	55.00	55.00
Shenzhen Hongge Cultural Development Co., Ltd.	Wholly-owned subsidiary	II	100.00	100.00

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

Compared with the previous period, 14 subsidiaries are added to entities included in the consolidated financial statements of the current period.

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

Name	Reason for change
Shenzhen-Shantou Cooperation Zone SEG Longyan Energy Technology Co., Ltd.	Newly established
SEG Lianzhong Internet Technology Co., Ltd.	Newly established
Shenzhen SEG Zhongtong Technology Co., Ltd.	Newly established
Shenzhen SegMaker Co., Ltd.	Merger of enterprises under common control
SEG Kangle Enterprise Development Co., Ltd.	Merger of enterprises under common control
SEG Property Development Co., Ltd.	Merger of enterprises under common control
Shenzhen SEG Real Estate Investment Co., Ltd.	Merger of enterprises under common control
Huizhou Stars Real Estate Development Co., Ltd.	Merger of enterprises under common control
SEG Property Management Co., Ltd.	Merger of enterprises under common control
Shenzhen SEG New Urban Construction Development Co., Ltd.	Merger of enterprises under common control
Shenzhen SEG New Urban Business Operation Co., Ltd.	Merger of enterprises under common control
Beijing SEG Property Development Co., Ltd.	Merger of enterprises under common control
Xi'an Konghong Property Co., Ltd.	Merger of enterprises under common control
Shenzhen Hongge Cultural Development Co., Ltd.	Merger of enterprises under common control

IV. Basis of preparation of the financial statements

1. Basis of preparation of the financial statements

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

2. Going-concern ability

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

V. Important accounting policies and accounting estimates

Tips for specific accounting policies and accounting estimates:

None

1. Statement on compliance with ASBE

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

2. Accounting period

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

3. Business period

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

4. Recording currency

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

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

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

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

ii. Business merger under common control

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

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

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

iii. Business merger not under common control

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

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

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

iv. Expenses incurred due to merger

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

6. Preparation method of the consolidated financial statements

i. Consolidation scope

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

ii. Consolidation procedure

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

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

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

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

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

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

iii. Expansion of subsidiaries or business

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

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

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

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

iv. Disposal of subsidiaries or business

(1) General disposal method

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

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

(2) Disposal of subsidiaries by steps

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

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

If deals incurred for disposal of equity investment in a subsidiary until the loss of control belong to a package deal, the Company treats all deals as one for accounting treatment. However, the difference between the consideration acquired from every disposal and the net asset to be enjoyed the subsidiary based on such equity investment before loss of control

is recognized as other comprehensive income of the consolidated financial statements and transferred to the current profit and loss at the time of loss of control.

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

v. Acquisition of minority shares of subsidiary

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

vi. Disposal of part of equity investment in a subsidiary in case of no loss of control

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

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

i. Classification of joint arrangement

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

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

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

ii. Accounting treatment method of joint operation

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

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

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

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

The Company has no common control of the joint operation. If the Company enjoys assets in the joint operation and undertakes liabilities in the joint operation, the Company shall still carry out accounting treatment based on the foregoing

principles. Otherwise, the Company shall carry out accounting treatment in accordance with Accounting Standards for Business Enterprises.

8. Standards for determination of cash and cash equivalents

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

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

i. Foreign currency business

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

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

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

ii. Translation of foreign currency financial statements

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

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

10. Financial instruments

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

i. Classification of financial instruments

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

ii. Confirmation basis for and measurement method of financial instruments

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

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

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

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

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

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

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

(2) Accounts receivable

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

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

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

(3) Held-to-maturity investment

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

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

If the amount of the held-to-maturity investment disposed of or re-classified as other financial assets is larger than the total amount of all held-to-maturity investment before sale or reclassification, the remaining held-to-maturity investment shall be re-classified as available-for-sale financial assets immediately after disposal or reclassification. On the

reclassification date, the difference between the book value and fair value of such investment is included in other comprehensive income, which is transferred out at depreciation or recognition end of such available-for-sale financial assets and included in the current profit and loss. The following cases can be excluded:

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

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

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

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

(5) Other financial liabilities

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

iii. Recognition basis and measurement method of financial assets transfer

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

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

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

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

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

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

iv. Conditions for termination of recognition of financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Specific impairment methods of financial assets are as follows:

(1) Impairment provision for financial assets available for sale

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

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

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

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

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

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

vii. Counteraction of financial assets and liabilities

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

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

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

Criterion or amount limit for determining a significant single amount	Top five accounts receivable
Accounts receivable with significant single amount and	Carry out independent impairment testing. If the current value of the expected future cash flow is less than its book

single provision for bad liabilities	value, a provision shall be made for the bad liabilities which will be included in the current profit and loss. Accounts receivable with no impairment by test shall be included in the bad debt provision for a certain combination.
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(2) Other receivables with bad debt provision accrued based on credit risk feature combinations

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

Bad debt provision made using the aging analysis method

☒ Applicable ☐ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

12. Inventory

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

No.

i. Classification of inventory

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

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

ii. Pricing method of inventory

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

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

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

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

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

iv. Inventory system

The perpetual inventory system is adopted.

v. Amortization method of low-value consumables and packages

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

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

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

vi. Accounting method of land for development

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

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

vii. Accounting method of public facility expenses

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

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

viii. Accounting method of the maintenance fund

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

ix. Accounting method of the warranty deposit

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

13. Held-for-sale assets

i. Categorization of held-for-sale non-current assets or disposal groups

The Company defines the non-current assets or disposal groups that meet both of the following requirements as held-for-sale assets: (1) In accordance with the usual practice of selling such assets or disposal groups in similar

transactions, they can be sold immediately under the current circumstances. (2) The sale is very likely to occur, that is, the Company has already made a sales plan and decision, a definite purchase commitment has been received, and the sale is expected to be completed within a year.

For a non-current asset or a disposal group that the Company acquired for resale purposes, if it meets the requirement of "the sale is expected to be completed within a year" on the day of its acquisition, and is very likely to meet other requirements of the held-for-sale category in a short term (usually 3 months), it can be categorized as held-for-sale on the day of its acquisition.

If one of the following reasons that are beyond the control of the Company causes a transaction between non-related parties to fail to be completed within a year, and the Company remains committed to sell the non-current asset or disposal group, the non-current asset or disposal group is categorized as held-for-sale: (1) The buyer or another party accidentally sets a condition causing a delay in sale. The Company has taken timely actions towards the condition, and the factors that cause the delay are expected to be resolved within one year after the condition causing a delay in sale was set. (2) Under some rare cases, the sale of the held-for-sale non-current assets or disposal groups fails to be completed within a year. The Company took necessary measures towards these new situations in the initial year and the conditions of the held-for-sale category are satisfied again.

ii. Measurement of held-for-sale non-current assets or disposal groups

When a held-for-sale non-current asset or disposal group is initially measured or re-measured on the balance sheet date, if its book value is higher than the net value after the fair value minus the selling expense, the book value is written down to the net value after the fair value minus the selling expense. The amount written down is recognized as an assets impairment loss and included in the current profit and loss, and at the same time it is recorded as a provision for the impairment of the held-for-sale asset.

During the initial measurement of the non-current asset or disposal group that is categorized as held-for-sale on the day of its acquisition, compare its initial measured value if it is assumed not to belong to the held-for-sale category and the net value after the fair value minus the selling expense, and then measure the value that is lower between the two. Except for the non-current assets or disposal groups that are acquired from enterprise merger, the difference generated from the initial measured value and the net value of a non-current asset or disposal group after its fair value minus the selling expense is recorded in the current profit and loss.

For the confirmed amount of asset impairment loss of a held-for-sale disposal group, first deduct the book value of goodwill in the disposal group, and then deduct the book value based on the proportions of the book values of all non-current assets in the disposal group.

If the net value of a held-for-sale non-current asset after its fair value minus its selling expense increases before the balance sheet date, restore it to the previous deducted value, and reverse the difference from the asset impairment loss amount confirmed after the asset was categorized as held-for-sale. The reversed amount is recorded in the current profit and loss. The asset impairment loss confirmed before the asset was categorized as held-for-sale shall not be reversed.

If the net value of a held-for-sale disposal group after its fair value minus its selling expense increases before the balance sheet date, restore it to the previous deducted value, and reverse the difference from the asset impairment loss amount confirmed after the disposal group was categorized as held-for-sale. The reversed amount is recorded in the current profit and loss. The deducted goodwill book value and the asset impairment loss confirmed before the disposal group was categorized as held-for-sale shall not be reversed.

For the amount reversed after the confirmation of asset impairment loss of a held-for-sale disposal group, add its book value according to the proportion of the book values of all non-current assets in the disposal group except for its goodwill.

A held-for-sale non-current asset or a non-current asset in a disposal group is not recorded in depreciation or amortization. The liability interests and other expenses of a held-for-sale disposal group shall be further confirmed.

For a non-current asset or a disposal group that no longer meets the conditions of the held-for-sale category and thus cannot be categorized as held-for-sale, or for a non-current asset that has been removed from a held-for-sale disposal group, measure the lower value between the following two: (1) the book value before it is categorized as held-for-sale, the amount adjusted after depreciation, amortization, or deduction if it is assumed not to belong to the held-for-sale category; (2) retrievable amount.

When the Company terminates its confirmation on the held-for-sale non-current assets or disposal groups, the unconfirmed profits and losses are recorded in the current profit and loss.

14. Long-term equity investment

i. Determination of the initial investment cost

(1) For the specific accounting policy for long-term equity investment arising from business merger, see Note 4 (5) accounting method for business merger under or not under common control.

(2) Long-term equity investment obtained in other ways

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

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

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

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

ii. Measurement after recognition and profit and loss recognition

(1) Cost method

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

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

(2) Equity method

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

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

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

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

Where the Company recognizes the due share of the losses incurred by the investee under the equity method, the following sequence is adopted: First, the book value of the long-term equity investment is offset. Second, if the book value of the long-term equity investment is not sufficient for the offsetting, the investment loss should continue to be

recognized within the limit of the book value of other long-term equity that practically constitutes net investments in the investee and the book values of long-term accounts receivable and others are offset. Finally, if the enterprise still bears additional obligations as agreed in the investment contract or agreement after the above processing, liabilities are recognized according to the anticipated obligations to be borne and included in current investment loss.

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

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

(1) Conversion from fair value method to equity method

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

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

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

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

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

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

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

(3) Conversion from equity method to fair value method

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

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

(4) Conversion from cost method to equity method

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

(5) Conversion from cost method to fair value method

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

iv. Disposal of long-term equity investment

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

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

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

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

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

(2) In the consolidated financial statement, for deals before the Company loses control of a subsidiary, based on the difference between the consideration acquired due to disposal of party of long-term equity investment in a subsidiary and net assets to be enjoyed from such subsidiary since the date of acquisition or merger, the capital reserve (share premium) is adjusted. The retained earnings are adjusted if the capital reserve is not sufficient for writing off. The residual equity is re-measured based on the fair value on the date of loss of control. (Consideration received in connection with equity disposal + Fair value of remaining equity – Net assets that are calculated based on the original shareholding proportion since the day of acquisition) shall be included in the investment income in the period when the Company loses control of the subsidiary. Other comprehensive income in connection with the subsidiary's equity investment shall be transferred the current investment income when the Company loses control of the subsidiary.

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

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

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

v. Criteria for common control and significant influence

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

If joint arrangement is achieved through a single entity, and if the Company has rights to the net asset of the single entity according to related agreement, the single entity is a joint venture and the equity method applies. If the Company has no rights to the net asset of the single entity according to related agreement, the single entity belongs to joint operation. The

Company confirms items related to the share of interests in the joint operation and conduct accounting treatment according to provisions of the *Enterprise Accounting Standard*.

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

15. Investment properties

Measurement mode of investment properties

Measurement of cost method

Depreciation and amortization

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

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

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

16. Fixed assets

(1) Identification conditions

Fixed assets refer to the tangible assets held for the purpose of the manufacture of commodities, provision of labor services, lease or operation and management with a term of use exceeding one year. Fixed assets can be identified when meeting the following conditions: A. Economic interest relevant to the fixed assets is likely to flow into the enterprise; B. The cost of the fixed assets can be reliably measured.

(2) Depreciation method

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

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

The Fixed assets rented by the Company can be identified as the fixed assets under financing lease when meeting one or several criteria as follows: A. When the lease term is due, the proprietary of the leased property is transferred to the Company. B. The Company has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can

be reasonably determined that the option will be exercised. C. Even if the ownership of the asset is not transferred, the lease term covers the major part of the useful life of the leased asset. D. The current value of the minimum lease payment that is paid by the Company on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date. E. The leased assets are of a special nature that only the Company can use them without making major modifications. The lessee shall record the smaller one of the fair value of the leased asset and the current value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees, traveling expenses and stamp duties directly attributable to the leased item incurred during the process of lease negotiating and lease contract signing shall be included in the asset value of the current period. The unrecognized financing charge shall be amortized to each period during the lease term. In calculating the depreciation of a leased asset, the Company adopts a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonably certain that the lessee will obtain the ownership of the leased asset when the lease expires, the leased asset shall be fully depreciated over its service life. If it is not reasonably certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its service life.

17. Construction in progress

i. Initial measurement of construction in progress

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

ii. Standards and time points for the construction in progress being carried forward to fixed assets

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

18. Borrowing costs

i. Recognition principle of borrowing costs capitalization

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

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

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

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

ii. Capitalization term of borrowing costs

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

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

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

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

iii. Suspension period of capitalization

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

iv. Calculation method of the amount of borrowing costs capitalization

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

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

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

19. Biological assets

20. Oil and gas assets

21. Intangible assets

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

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

1) Initial measurement of intangible assets

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

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

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

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

intangible assets obtained by the merger of the enterprises under the control of different entities is determined according to the fair value.

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

2) Subsequent measurement of intangible assets

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

3) Intangible assets with limited service life

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

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

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

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

4) Intangible assets with unlimited service life

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

(2) Accounting policy for internal R&D expenditure

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

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

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

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

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

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

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

The expenditure in the development phase not meeting the preceding conditions is included in the current profit and loss when it is incurred. The development expenditure that is included in profit and loss in the previous year will not be

identified as assets again in later years. The capitalized expenditure in the development phase is listed as development expenditure in the balance sheet and is converted into intangible assets from the date when it meets the expected purpose.

22. Long-term impairment of assets

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

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

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

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

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

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

23. Long-term expenses to be apportioned

i. Method of amortization

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

ii. Period of amortization

It depends on the period of benefit.

24. Payroll

(1) Accounting treatment method of short-term remuneration

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

i. Short-term remuneration

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

(2) Accounting treatment method of welfare after leave

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

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

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

(3) Accounting treatment method of dismissal welfare

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

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

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

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

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

25. Estimated liabilities**i. Recognition standards for estimated liabilities**

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

The obligation is a current obligation undertaken by the Company;

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

The amount of the obligation can be measured reliably.

ii. Measurement method of estimated liabilities

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

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

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

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

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

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

26. Share-based payment

i. Types of share-based payment

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

ii. Recognition of the fair value of equity instruments

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

When determining the grant-date fair value of equity instruments, the Company shall take into account the influence of market conditions in vesting conditions and non-vesting conditions stipulated in the share-based payment agreement. Where a share-based payment has a non-vesting condition, the Company shall recognize receipt of the corresponding service cost if employees or other parties satisfy all the non-market conditions (for example, service duration) in vesting conditions.

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

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

iv. Accounting methods

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

The cash-settled share-based payment shall be measured by reference to the fair value of the Company's eligible liabilities which is calculated based on shares or other equity instruments. If the equity instruments granted vest immediately, the Company shall include the fair value of eligible liabilities in related cost or expense on the vesting date, with a corresponding increase in liabilities. For the cash-settled share-based payment where the granted options are not exercised until the counterparty completes a specified period of service or achieves a performance condition in the vesting period, the Company shall include the service obtained in the current period into related cost or expense and liabilities by reference to the grant-date fair value of liabilities, based on the best estimate of the number of vested equity instruments on each balance sheet date during the vesting period. The Company shall re-measure the fair value of its liabilities on each balance sheet date and settlement date before settlement of related liabilities, and include liability changes in the current profit and loss.

If a grant of an equity instrument is canceled during the vesting period, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore include immediately the amount that would otherwise have been recognized for services received over the remainder of the vesting period in the current profit and loss, and recognize capital reserve. If employees or other parties can but fail to satisfy non-vesting conditions in the vesting period, the Company shall account for the failure as a cancellation of the grant of the equity instrument.

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

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

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

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

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

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

iii. Accounting treatment method

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

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

28. Income

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

No.

i. Standards for recognition time of sales income

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

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

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

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

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

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

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

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

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

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

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

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

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

When the contracts or agreements signed between the Company and other companies include commodity sales and labor service and these two parts can be differentiated from each other and can be separately measured, commodity sales and labor service are handled separately. If they cannot be differentiated from each other or they can be differentiated from each other but cannot be separately measured, both parts will be handled as commodity sales.

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

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

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

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

4) The completion progress of the contract and the costs needed for completing the contract can be reliably determined.

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

- 1) Economic interests relevant to the contract probably flow into the enterprise.
- 2) The actual costs of the contract can be clearly distinguished and reliably measured.

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

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

- 1) If the contract cost can be recovered, the income from the contract is identified according to the actual recovered contract cost and the contract cost is identified as the current costs of contract.
- 2) If the contract cost cannot be recovered, the cost is immediately identified as the costs of contract in the current period when the cost is incurred and the income from the contract is not identified.
- (3) If the total cost of contract probably exceeds the total income from the contract, the expected loss is immediately identified as costs.

v. Transfer of the assets with repurchase conditions

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

29. Government subsidies

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

The government subsidy related to assets shall be used to offset the book value of relevant assets or recognized as deferred income. Where the government subsidy related to assets is recognized as deferred income, it shall be recognized in current profit or loss on a reasonable and systematic basis within the service life of relevant assets. Where relevant assets are sold, transferred, scrapped, or damaged before the end of the service life, undistributed balance of related deferred income shall be transferred to asset disposal in current profit or loss.

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

The government subsidy used to compensate for expenses or losses of the Company in subsequent periods shall be recognized as deferred income, and shall be recognized in current profit or loss or be used to offset costs when relevant expenses are recognized. The government subsidy used to compensate for the existing expenses or losses of the Company shall be directly recognized in current profit or loss or be used to offset costs.

30. Deferred income tax assets and liabilities

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

i. Basis for the recognition of deferred incomes tax assets

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

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

ii. Basis for recognition of deferred income tax liabilities

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

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

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

- (1) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

31. Lease

(1) Accounting treatment method of operating lease

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

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

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

In case that the Company undertakes the lease-related expenses which should be undertaken by the lessee, the Company deducts the expenses from the total lease income and the lease expenses after deduction are allocated in the lease term.

(2) Accounting treatment method of financing lease

Assets acquired under financing lease: Between the fair value of rented assets and the minimum lease payment, the Company adopts the lower one as the recording value of the rented assets, the minimum lease payment as the recording value of long-term accounts payable, and the difference between the two as financing expenses yet to be recognized.

32. Other important accounting policies and accounting estimates

i. Discontinued operations

The corporate integral part that has been disposed or categorized as held-for-sale, is under operation, and can be separately identified in financial statements and that meets one of the following conditions is recognized as an integral part of disconnected operations.

- (1) The integral part represents an independent major business or a major business area.
- (2) The integral part belongs to a disposal plan on an independent major business or a major business area.
- (3) The integral part is a subsidiary that was acquired only for the resale purposes.

33. Changes in important accounting policies and accounting estimates**(1) Changes in important accounting policies**√ Applicable ☐ Not applicable

Content of and Reason for Accounting Policies	Procedure for examination and approval
The Notice on the issuance and revision of the <i>Accounting Standard for Business Enterprises No. 16 - Government Subsidy</i> (Accounting [2017] No. 15) issued by the Ministry of Finance on May 10, 2017 is implemented from June 12, 2017. Government subsidies on January 1, 2017 shall be disposed of by prospective application. New government subsidies from January 1, 2017 to the implementation date of the new standard shall be adjusted according to the new standard.	Examined and approved by the 4 th meeting of 7 th Board of Directors and the 4 th meeting of 7 th Board of Supervisors of the Company
The Notice on the issuance of the <i>Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Disposal, Disposal Group and Termination of Business</i> (Accounting [2017] No. 13) issued by the Ministry of Finance on April 28, 2017 is implemented from May 28, 2017.	Examined and approved by the 4 th meeting of 7 th Board of Directors and the 4 th meeting of 7 th Board of Supervisors of the Company

(2) Changes in important accounting estimates☐ Applicable √ Not applicable**34. Others**☐ Applicable √ Not applicable**VI. Taxes****1. Main tax categories and tax rates**

Tax Category	Taxation Basis	Tax Rate
Value-added tax	Sales of goods, taxable sales and service income, intangible assets or real estate	5%, 6%, 11%, 17%
Urban maintenance and construction tax	Paid-in turnover tax payable	7%
Corporate income tax	Taxable income	15%, 25%
Education surtax	Paid-in turnover tax payable	3%
Local education surtax	Paid-in turnover tax payable	2%
Property tax	70% of the original value of the property (or rental income) as the taxation basis	1.2%, 12%

Tax payers when different enterprise income tax rates exist

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

2. Tax preference

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

According to the Letter of Confirmation Doc. No.[2015] 042 issued by Shaanxi Development and Reform Commission, Xi'an Hairong SEG Electronics Market Co., Ltd., a subsidiary of the Company, is engaged in projects encouraged by the nation and complies with the corporate income tax preference policy for development of the west regions. Therefore, the corporate income tax shall be paid at the rate of 15%.

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

3. Others

The individual income tax of the staff is withheld by the Company.

VII. Notes on items of consolidated financial statements

1. Monetary capital

Unit: yuan

Item	Closing balance	Opening balance
Cash on hand	935,508.63	712,997.23
Bank deposit	1,218,397,546.60	1,116,832,758.78
Other monetary capital	3,657,824.60	13,977,885.18
Total	1,222,990,879.83	1,131,523,641.19

Other note

The particulars of restricted monetary capital are as follows:

Item	Blance at end of period	Balance at beginning of period
Performance bond	3,600,000.00	3,600,000.00
Total	3,600,000.00	3,600,000.00

2. Financial assets measured by the fair value with changes included in current profit or loss

☐ Applicable ☒ Not applicable

Other note

3. Derivative financial assets

☐ Applicable ☒ Not applicable

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

Unit: yuan

Item	Closing balance	Opening balance
Bank's acceptance bill		100,792.00
Total		100,792.00

(2) Pledged notes receivable at the end of the period☐ Applicable ☒ Not applicable**(3) Notes receivable endorsed or discounted but not due on the balance sheet date at the end of the period**☐ Applicable ☒ Not applicable**(4) Notes transferred to accounts receivable due to default by the biller at the end of the period**☐ Applicable ☒ Not applicable

Other note

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

Unit: yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable with an significant amount individually, for which bad debt provision is separately accrued						253,357.82	0.36%	253,357.82	100.00%	
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	80,539,122.99	87.26%	345,529.17	0.43%	80,193,593.82	59,273,515.18	83.43%	324,125.30	0.55%	58,949,389.88
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	11,759,475.70	12.74%	11,759,475.70	100%		11,519,077.88	16.21%	11,519,077.88	100.00%	
Total	92,298,598.69	100.00%	12,105,004.87	13.12%	80,193,593.82	71,045,950.88	100.00%	12,096,561.00	17.03%	58,949,389.88

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

☐ Applicable ☒ Not applicable

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

√ Applicable □ Not applicable

Unit: yuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Percentage
Sub-item within one year			
Within one year	76,162,496.52		
Subtotal of accounts aged under 1 year	76,162,496.52		
1-2 years	3,173,009.47	158,650.47	5.00%
2-3 years	538,447.00	53,844.70	10.00%
Over 3 years	665,170.00	133,034.00	20.00%
Total	80,539,122.99	345,529.17	0.43%

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

□ Applicable √ Not applicable

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

1. Receivables, the bad-debt provision of which has been withdrawn separately though their single amount at period end is insignificant

Name of unit	Closing balance			
	Receivables	Bad-debt provision	Proportion of withdrawal (%)	Reason for withdrawal
Jiangsu Unicom Company	3,092,011.09	3,092,011.09	100.00	Aging at over 5 years, impossible to take back
Shenzhen Shuangxionghui Industrial Co., Ltd.	2,160,725.63	2,160,725.63	100.00	Aging at over 5 years, impossible to take back
Shenzhen Liyuanshun Industrial Company	1,906,865.35	1,906,865.35	100.00	Aging at over 5 years, impossible to take back
Shanghai Tianci Industrial Company	899,000.00	899,000.00	100.00	Aging at over 5 years, impossible to take back
Other 75 units	3,700,873.63	3,700,873.63	100.00	Aging at over 5 years, impossible to take back
Total	11,759,475.70	11,759,475.70	100.00	---

(2) Accrual, recovery, or reversal of bad debt provisions in the current period

The amount of the current accrued bad debt provision is RMB 8,443.87 yuan.

Significant recovered or reversed amount of bad debt provisions in the current period:

(3) Write-off of accounts receivable in the current period

□ Applicable √ Not applicable

(4) Accounts receivable with top 5 closing balance collected based on debtors

Company name	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Shenzhen Runneng Digital Co., Ltd.	15,251,125.38	16.52	---
Xinjiang Zhongdi Communications Equipment Co., Ltd.	12,941,726.56	14.02	---
Shenzhen Wonder Industry Co., Ltd.	7,785,736.82	8.44	---
Living quarter of Shenzhen Public Security Bureau Traffic Police Station (property management expense)	5,177,296.68	5.61	---
Shenzhen Comnet Technology Co., Ltd.	5,144,254.61	5.57	---
Total	46,300,140.05	50.16	---

(5) No accounts receivable with its recognition terminated due to transfer of financial assets in the current period

(6) No assets and liabilities due to transfer or increase of accounts receivable in the current period

6. Advances

(1) Advances listed according to different durations

Unit: yuan

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	42,404,577.17	96.26%	55,452,730.86	98.77%
1-2 years	1,352,704.28	3.07%	586,224.90	1.04%
2-3 years	190,320.60	0.43%		
Over 3 years	104,005.05	0.24%	104,005.05	0.19%
Total	44,051,607.10	--	56,142,960.81	--

(2) Advances with top 5 closing balance collected based on prepayment payers

Company name	Closing amount	Percentage in the total amount of accounts receivable (%)	Prepayment date	Reason for non-settlement
Xi'an Gaoke (Group) New West China Industrial Development Co., Ltd	20,000,000.00	45.40	Within 1 year	Advance rental payment for year 2017
Shenzhen Zhaocheng Group	7,018,666.00	15.93	Within 1 year	Advance rental payment
Suzhou Shuntong Network Technology Co., Ltd.	3,026,640.00	6.87	Within 1 year	Prepayment for trade
Suzhou Yuanshun SEG Digital Plaza Management Co., Ltd.	2,276,427.85	5.17	Within 1 year	Advance rental payment
Suzhou Xinchao Stainless Steel	500,000.00	1.14	Within 1 year	Prepayment for goods

Decoration Co., Ltd.				
Total	32,821,733.85	74.51	-	-

Other note:

7. Interests receivable

(1) Types of interests receivable

☐ Applicable ☒ Not applicable

(2) Significant overdue interest

☐ Applicable ☒ Not applicable

Other note:

8. Dividends receivable

☐ Applicable ☒ Not applicable

9. Other receivables

(1) Other receivables disclosed by type

Unit: yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Other receivables with single significant amount and single bad debt provision	8,530,276.35	5.03%	8,530,276.35	100.00%		20,131,835.38	12.38%	20,131,835.38	100.00%	
Other receivables with bad debt provision accrued based on credit risk feature combinations	127,493,506.22	75.24%	3,236,704.82	2.54%	124,256,801.40	120,667,690.94	74.20%	3,631,613.92	3.01%	117,036,077.02
Other receivables with an insignificant amount individually, for which bad debt provision is separately accrued	33,428,840.56	19.73%	33,428,840.56	100.00%		21,832,287.03	13.42%	21,832,287.03	100.00%	
Total	169,452,623.13	100.00%	45,195,821.73	26.67%	124,256,801.40	162,631,813.35	100.00%	45,595,736.33	28.04%	117,036,077.02

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

☒ Applicable ☐ Not applicable

Unit: yuan

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

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

√ Applicable □ Not applicable

Unit: yuan

Aging	Closing balance		
	Other receivables	Bad debt provision	Percentage
Sub-item within one year			
Within 1 year	42,798,006.76		
Subtotal of accounts aged under 1 year	42,798,006.76		
1-2 years	3,899,208.95	194,960.45	5.00%
2-3 years	534,607.70	53,460.77	10.00%
Over 3 years	14,941,417.98	2,988,283.60	20.00%
Total	62,173,241.39	3,236,704.82	5.21%

Note to basis for confirming the combination:

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable 1. Other receivables, the bad-debt provision of which has been withdrawn separately though their single amount at period end is insignificant

Name of unit	Closing balance			
	Other receivables	Bad-debt provision	Proportion of withdrawal (%)	Reason for withdrawal
Creditor's rights transferred from SEG Communication Company	5,904,271.52	5,904,271.52	100.00	Aging at over 5 years, impossible to take back
Shenzhen Lianjing Industry Trade Company	5,697,287.51	5,697,287.51	100.00	Aging at over 5 years, impossible to take back
Shenzhen TOP Industrail Company	3,281,387.96	3,281,387.96	100.00	Aging at over 5 years, impossible to take back
Losses from lawsuit with Zhejiang Securities	2,604,575.00	2,604,575.00	100.00	Aging at over 5 years, impossible to take back
Other 118 units	15,941,318.57	15,941,318.57	100.00	Aging at over 5 years, impossible to take back

Total	33,428,840.56	33,428,840.56	100.00	---
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(2) Current accrued, recovered or reversed bad debt provision

The amount of the current accrued bad debt provision is RMB 399,914.60 yuan.

(3) Accounts receivable written off in the current period

☐ Applicable ☒ Not applicable

(4) Classification of other receivables by nature

Unit: yuan

Nature of receivables	Closing book balance	Opening book balance
Creditor's right transfer cost	32,165,804.91	32,165,804.91
Imprest	4,072,738.13	2,000,225.81
Deposit and security deposit	70,454,568.16	63,614,630.08
Transfer-in of prepaid rental from Zongheng International		17,500,000.00
Incomings and outgoings	62,759,511.93	47,351,152.55
Total	169,452,623.13	162,631,813.35

(5) Other receivables with top 5 closing balance collected based on debtors

Unit: yuan

Company name	Nature of receivables	Closing balance	Aging	Percentage in the total amount of closing balance of other receivables	Closing balance of bad debt provision
Shenzhen Zhaocheng Group	Deposit for entrusted management	21,056,000.00	1-2 years	12.43%	
Zongheng International Electronic Expo City (Suzhou) Co., Ltd.	Deposit and incomings and outgoings	14,000,000.00	Within 1 year	8.26%	
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	5.03%	8,530,276.35
Huizhou SEG Property Service Co., Ltd.	Incomings and outgoings	8,444,755.99	1-3 years and over 3 years	4.98%	1,336,592.51
Nantong Construction Engineering Administration	Salary deposit for peasant workers	6,200,000.00	2-3 years	3.66%	1,240,000.00

Total	-	58,231,032.34	-	34.36%	11,106,868.86
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(6) Accounts receivable involving government subsidies in the current period

☐ Applicable ☒ Not applicable

(7) Account receivable with its recognition terminated due to transfer of financial assets in the current period

☐ Applicable ☒ Not applicable

(8) Assets and liabilities due to transfer or increase of account receivable in the current period

☐ Applicable ☒ Not applicable

10. Inventory

Should the Company abide by the disclosure requirements of the real estate industry?

No.

(1) Classification of inventory

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for loss for decline in value of inventories	Book value	Book balance	Provision for loss for decline in value of inventories	Book value
Raw materials	5,372.34		5,372.34	17,523.81		17,523.81
Commodity stocks	4,995,794.96		4,995,794.96	4,599,633.46		4,599,633.46
Low-cost consumables	223,434.68		223,434.68	216,734.06		216,734.06
Development cost	2,192,934,538.75		2,192,934,538.75	2,053,914,397.64		2,053,914,397.64
Development products	1,475,741,959.11		1,475,741,959.11	1,319,784,778.98		1,319,784,778.98
Total	3,673,901,099.84		3,673,901,099.84	3,378,533,067.95		3,378,533,067.95

Should the Company abide by the disclosure requirements of the *Guidelines of Shenzhen Stock Exchange on Industry Information Disclosure No. 4 - Companies Engaging in Livestock and Poultry and Agriculture Business*?

No.

(2) Inventory depreciation provision

☐ Applicable ☒ Not applicable

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

Inventory item name	Opening balance	Increase in the current period	Decrease in the current period		Closing balance	Capitalization rate of capitalization amount recognized in the current period (%)
			Decrease in sales	Decrease in others		
Nantong SEG Times Plaza	22,656,572.48	---	---	---	22,656,572.48	---

SEG ECO Phase II	216,675,971.77	33,081,058.16	---	---	249,757,029.93	6.33%
Huizhou SEG Holiday Plaza	6,280,042.52	---	127,627.14	---	6,152,415.38	---
Xi'an SEG Holiday Plaza	66,746,979.25	16,397,931.90	---	---	83,144,911.15	---
Total	312,359,566.02	49,478,990.06	127,627.14	---	361,710,928.94	---

(4) Completed but unsettled assets in construction contracts at the end of the period

☐ Applicable ☒ Not applicable

11. Held-for-sale assets

☐ Applicable ☒ Not applicable

12. Non-current assets due within one year

☐ Applicable ☒ Not applicable

13. Other current assets

Unit: yuan

Item	Closing balance	Opening balance
Bank financial products	472,180,000.00	434,000,000.00
Tax to be deducted and withheld	3,384,316.30	2,114,704.16
Prepaid tax	43,536,507.34	23,856,598.74
Others	1,120,503.16	258,544.69
Total	520,221,326.80	460,229,847.59

Other note:

14. Available-for-sale financial assets**(1) Financial assets available for sale**

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	34,279,472.42	15,000.00	34,264,472.42	34,493,683.41	15,000.00	34,478,683.41
Measured by fair value	469,079.59		469,079.59	683,290.58		683,290.58
Measured by cost	33,810,392.83	15,000.00	33,795,392.83	33,810,392.83	15,000.00	33,795,392.83
Total	34,279,472.42	15,000.00	34,264,472.42	34,493,683.41	15,000.00	34,478,683.41

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

Unit: yuan

Financial assets available for sale	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Cost of equity instruments/amortized cost of debt instruments	90,405.00			90,405.00
Fair value	469,079.59			469,079.59
Accumulative changes in fair value included in other comprehensive income	378,674.59			378,674.59

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

Unit: yuan

Investee	Book balance				Impairment provision				Shareholding proportion	Cash dividends of the current period
	Period beginning	Increase in the current period	Decrease in the current period	Period end	Period beginning	Increase in the current period	Decrease in the current period	Period end		
Kashgar Shenzhen City Co., Ltd.	20,000,000.00			20,000,000.00					3.03%	
Shenzhen SEG GPS Scientific Navigations Co., Ltd.	13,515,392.83			13,515,392.83					11.38%	
Nanjing Shangsha Co., Ltd	280,000.00			280,000.00					0.68%	
Anshan Yibai Co., Ltd	15,000.00			15,000.00	15,000.00			15,000.00		
Total	33,810,392.83			33,810,392.83	15,000.00			15,000.00	--	

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

Unit: yuan

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

(5) Note to the available-for-sale equity instrument with the fair value at the end of period dropping significantly or not contemporarily but with the impairment provision not accrued

□ Applicable √ Not applicable

15. Held-to-maturity investments

□ Applicable √ Not applicable

16. Long-term accounts receivable

□ Applicable √ Not applicable

17. Long-term equity investment

Unit: yuan

Investee	Opening balance	Increase/Decrease of the year								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment profit or loss confirmed under the equity method	Adjustment of other comprehensive income	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
1. Cooperative enterprise											
2. Associate											
Shanghai SEG Electronics Market Co., Ltd.	2,551,558.06			-193,453.73						2,358,104.33	
Shenzhen Huakong SEG Co., Ltd.	174,552,073.99			-3,033,891.98	-62.16					171,518,119.85	
Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.	6,545,412.62			-2,195,664.66						4,349,747.96	
Huizhou SEG Economic Development Co., Ltd. *Note 2	7,200,000.00									7,200,000.00	7,200,000.00
Shenzhen SEG Plaza Investment & Development Co., Ltd. *Note 2	1,000,000.00									1,000,000.00	1,000,000.00
Shenzhen Hai Lian Industrial Co., Ltd. *Note 2	767,049.27									767,049.27	767,049.27

Dongguan SEG Real Estate Development Co., Ltd. *Note 2											
Huizhou Huiyang District Stars Industrial Co., Ltd. *Note 2											
Haikou Yida Real Estate Development Co., Ltd. *Note 2											
Shenzhen SEG Hainan Communications Engineering Co., Ltd.*Note 2											
SEG Wisdom Sports and Culture Development Co., Ltd.	20,008,278.04			-1,562,917.38						18,445,360.66	
Shenzhen SEG Debao Investment Co., Ltd.		1.00								1.00	
Wuhan Qingshan Department Store	100,000.00									100,000.00	100,000.00
Wuchang Department Store	180,000.00									180,000.00	180,000.00
Wuhan Liuduqiao Department Store Group	880,000.00									880,000.00	880,000.00
Shenyang Mulan Group	50,100.00									50,100.00	50,100.00
Sichuan Polyester Co., Ltd.	50,000.00									50,000.00	50,000.00
Shen Guoyuan Asset Management Consultants Co., Ltd.	60,000.00									60,000.00	60,000.00
Shenzhen Kangyuan Industrial Development Co., Ltd.	500,000.00									500,000.00	500,000.00
Shenzhen Shouhang Industrial Tourism Services Co., Ltd.	300,000.00									300,000.00	300,000.00
Subtotal	214,744,471.98	1.00		-6,985,927.75	-62.16					207,758,483.07	11,087,149.27

Total	214,744,471.98	1.00		-6,985,927.75	-62.16					207,758,483.07	11,087,149.27
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Other note: Note 2: Seven associated enterprises, including Huizhou SEG Economic Development Co., Ltd. and so on, cannot provide financial statements because their business licenses have been cancelled, so it is unable to conduct business accounting according to equity method. However, the provision of diminution in the value of the whole investment has been withdrawn.

18. Investment real estate

(1) Investment properties using cost measurement model

√ Applicable □ Not applicable

Unit: yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	1,443,667,334.56	5,237,512.49		1,448,904,847.05
2. Amount of increase in the current period	10,058,280.84			10,058,280.84
(1) Outsourcing				
(2) Transfer-in of inventory/fixed assets/construction in progress	10,058,280.84			10,058,280.84
(3) Business merger increase				
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	1,453,725,615.40	5,237,512.49		1,458,963,127.89
II. Accumulated depreciation or accumulated amortization				
1. Opening balance	738,340,949.99	2,093,426.25		740,434,376.24
2. Amount of increase in the current period	22,899,252.29	45,220.68		22,944,472.97
(1) Provision or amortization	22,899,252.29	45,220.68		22,944,472.97
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				

Item	Houses and buildings	Land use right	Construction in progress	Total
4. Closing balance	761,240,202.28	2,138,646.93		763,378,849.21
III. Impairment provision				
1. Opening balance				
2. Amount of increase in the current period				
(1) Provision				
3. Amount of decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value				
1. Closing book value	692,485,413.12	3,098,865.56		695,584,278.68
2. Opening book value	705,326,384.57	3,144,086.24		708,470,470.81

(2) Investment properties using fair value measurement model

□ Applicable √ Not applicable

(3) Real estate for investment whose ownership certificate has not been received yet

□ Applicable √ Not applicable

19. Fixed assets**(1) Information on fixed assets**

Unit: yuan

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
I. Original book value						
1. Opening balance	45,356,666.93	45,457,734.88	15,683,266.47	19,731,692.39	17,107,590.83	143,336,951.50
2. Amount of increase in the current period		276,043.52	204,634.52	1,814,999.28	1,674,477.63	3,970,154.95
(1) Purchase		276,043.52	204,634.52	1,814,999.28	1,674,477.63	3,970,154.95
(2) Transfer-in of construction in						

progress						
(3) Business merger increase						
3. Amount of decrease in the current period				233,609.21	395,927.28	629,536.49
(1) Disposal or scrap				233,609.21	395,927.28	629,536.49
4. Closing balance	45,356,666.93	45,733,778.40	15,887,900.99	21,313,082.46	18,386,141.18	146,677,569.96
II. Accumulated depreciation						
1. Opening balance	20,563,837.97	37,583,212.14	11,688,984.64	10,848,727.78	10,622,267.87	91,262,554.62
2. Amount of increase in the current period	714,083.12	783,695.66	485,421.07	1,193,596.17	867,278.72	4,088,550.52
(1) Provision	714,083.12	783,695.66	485,421.07	1,193,596.17	867,278.72	4,088,550.52
3. Amount of decrease in the current period				220,220.35	260,711.38	480,931.73
(1) Disposal or scrap				220,220.35	260,711.38	480,931.73
4. Closing balance	21,277,921.09	38,366,907.80	12,174,405.71	11,822,103.60	11,228,835.21	94,870,173.41
III. Impairment provision						
1. Opening balance						
2. Amount of increase in the current period						
(1) Provision						
3. Amount of decrease in the current period						

(1) Disposal or scrap						
4. Closing balance						
IV. Book value						
1. Closing book value	24,078,745.84	7,366,870.60	3,713,495.28	9,490,978.86	7,157,305.97	51,807,396.55
2. Opening book value	24,792,828.96	7,874,522.74	3,994,281.83	8,882,964.61	6,485,322.96	52,029,921.10

(2) Fixed assets that are temporarily idle

□ Applicable √ Not applicable

(3) Fixed assets acquired through financing lease

□ Applicable √ Not applicable

(4) Fixed assets acquired through financing lease out

□ Applicable √ Not applicable

(5) Fixed assets not obtaining a property right certificate

Unit: yuan

Item	Book value	Reason for not obtaining the property right certificate
Shop front in SEG Estate	1,161,742.84	Qualification procedures not complete
Some floors of Tower 2 and Tower 3 of SEG Industrial Building	3,737,169.32	The property owner set forth in the certificate is SEG Group. Transfer of the property to SegMaker is under way.
3F, Tower 205, Pengji industrial plant in Shangbu	158,554.70	The property owner set forth in the certificate is SEG Group. Transfer of the property to SegMaker is under way.
11F, Tower 4, SEG Technology Park	591,578.04	The property owner set forth in the certificate is SEG Group. Transfer of the property to SegMaker is under way.
4F, Tower 2, SEG Industrial Building	173,324.78	The property owner set forth in the certificate is SEG Group. Transfer of the property to SEG Real Estate is under way.

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

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Shenzhen-Shantou CdTe Film Industrial Park	3,598,830.37		3,598,830.37			
Renovation of SEG Technology Park and the other two buildings	34,835,180.22		34,835,180.22	24,574,266.14		24,574,266.14
Decoration and renovation of 13F of SEG Plaza	1,373,773.84		1,373,773.84	972,214.54		972,214.54
Renovation of Tower 1 of SEG Estate	2,280,980.73		2,280,980.73	8,217,673.52		8,217,673.52
Decoration and renovation of 4F of World Trade Plaza				1,003,328.00		1,003,328.00
Property management software	2,075,826.71		2,075,826.71	2,176,137.31		2,176,137.31
Other odd projects	733,819.28		733,819.28	148,608.00		148,608.00
Total	44,898,411.15		44,898,411.15	34,314,472.15		34,314,472.15

(2) Changes in significant construction in progress in the current period

Unit: yuan

Project name	Budget	Opening balance	Increase in the current period	Amount of fixed asset transfer-in in the current period	Other decrease in the current period	Closing balance	Percentage of accumulated project investment in the budget	Schedule	Accumulated amount of interest capitalization	Including: amount of interest capitalization in the current period	Interest capitalization rate in the current period	Source of capital
Shenzhen-Shantou CdTe Film Industrial Park	652,089,600.00		3,598,830.37			3,598,830.37						Others
Renovation of SEG Technology Park and the other two buildings	70,044,100.00	24,574,266.14	10,260,914.08			34,835,180.22	49.73%	49.73%				Others
Total	722,133,700.00	24,574,266.14	13,859,744.45			38,434,010.59	--	--				--

(3) Accrual of provisions for impairment of construction in progress in the current period

□ Applicable √ Not applicable

21. Engineering material

□ Applicable √ Not applicable

22. Disposal of fixed assets

□ Applicable √ Not applicable

23. Productive biological assets**(1) Productive biological assets using cost measurement model**

□ Applicable √ Not applicable

(2) Productive biological assets using fair value measurement model

□ Applicable √ Not applicable

24. Oil & gas assets

□ Applicable √ Not applicable

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

Unit: yuan

Item	Land use right	Patent right	Non-patented technology	Outsourced software	Total
I. Original book value					
1. Opening balance	1,790,601.27			3,505,784.62	5,296,385.89
2. Amount of increase in the current period	28,850,300.00			90,318.87	28,940,618.87
(1) Purchase	28,850,300.00			90,318.87	28,940,618.87
(2) Internal R&D					
(3) Business merger increase					
3. Amount of decrease in the current period					
(1) Disposal					
4. Closing balance	30,640,901.27			3,596,103.49	34,237,004.76
II. Accumulated					

Item	Land use right	Patent right	Non-patented technology	Outsourced software	Total
amortization					
1. Opening balance	284,515.11			2,330,343.38	2,614,858.49
2. Amount of increase in the current period	138,318.62			256,851.84	395,170.46
(1) Provision	138,318.62			256,851.84	395,170.46
3. Amount of decrease in the current period					
(1) Disposal					
4. Closing balance	422,833.73			2,587,195.22	3,010,028.95
III. Impairment provision					
1. Opening balance					
2. Amount of increase in the current period					
(1) Provision					
3. Amount of decrease in the current period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	30,218,067.54			1,008,908.27	31,226,975.81
2. Opening book value	1,506,086.16			1,175,441.24	2,681,527.40

(2) Failing to obtain the property right certificate

□ Applicable √ Not applicable

Other note:

26. Development expense

□ Applicable √ Not applicable

Other note:

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

Unit: yuan

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

(2) Goodwill impairment provision

□ Applicable √ Not applicable

28. Long-term expenses to be apportioned

Unit: yuan

Item	Opening balance	Increase in the current period	Amount of current period amortization	Amount of other decrease	Closing balance
Decoration expenses	104,008,448.77	10,902,942.78	12,661,557.80		102,249,833.75
Firefighting renovation	3,699,004.36	216,071.36	435,346.72		3,479,729.00
Market supporting fee of Tower B	650,020.35		20,856.30		629,164.05
Others	652,210.68	338,927.93	130,172.00		860,966.61
Total	109,009,684.16	11,457,942.07	13,247,932.82		107,219,693.41

29. Deferred income tax assets and liabilities**(1) Deferred income tax assets not offset**

Unit: yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	78,396,804.76	19,599,201.19	79,419,498.72	19,854,874.68
Deductible losses	23,445,860.52	5,861,465.13	23,441,306.92	5,860,326.73
Government subsidies included in deferred income	10,233,333.32	2,558,333.33	11,183,333.32	2,795,833.33
Total	112,075,998.60	28,018,999.65	114,044,138.96	28,511,034.74

(2) Deferred income tax liabilities not offset

Unit: yuan

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset evaluation increment for merger of enterprises not under common control	372,729,843.59	93,182,460.87	374,947,695.24	93,736,923.81

Changes in fair value of the available-for-sale financial assets	378,674.60	94,668.65	592,885.60	148,221.40
Total	373,108,518.19	93,277,129.52	375,540,580.84	93,885,145.21

(3) Net amount of deferred income tax asset or liability after offset

Unit: yuan

Item	Offsetting amount at the end of the period	Closing balance after offset	Offsetting amount at the b of the period	Opening balance after offset
Deferred income tax assets		28,018,999.65		28,511,034.74
Deferred income tax liabilities		93,277,129.52		93,885,145.21

(4) Details of unconfirmed deferred income tax assets

Unit: yuan

Item	Closing balance	Opening balance
Deductible losses	71,093,587.29	37,349,450.30
Asset impairment provision	12,357,049.63	10,465,726.40
Estimated liabilities	232,500.00	232,500.00
Total	83,683,136.92	48,047,676.70

(5) The deductible loss of deferred income tax assets not recognized yet will mature in the following years:

Unit: yuan

Year	Closing amount	Opening amount	Remarks
2017	3,626,036.94	3,626,036.94	
2018	2,610,263.14	2,610,263.14	
2019	5,961,706.24	5,961,706.24	
2020	10,444,329.02	10,444,329.02	
2021	14,707,114.96	14,707,114.96	
2022	33,744,136.99		
Total	71,093,587.29	37,349,450.30	-

30. Other non-current assets

Unit: yuan

Item	Closing balance	Opening balance
Initial expense for the new hotel		7,459,000.09
Prepayment for engineering in the electronics market	987,300.00	6,345,660.37
Prepayment for equipment	88,000,000.00	
Total	88,987,300.00	13,804,660.46

31. Short-term loans**(1) Classification of short-term loans**

Unit: yuan

Item	Closing balance	Opening balance
Pledge loans	345,000,000.00	255,000,000.00
Borrowing on credit	200,000,000.00	100,000,000.00
Total	545,000,000.00	355,000,000.00

(2) Overdue outstanding short-term loans

There are no overdue outstanding short-term loans at the end of the period. The following is significant due and unpaid short-term borrowing:

Unit: yuan

Borrower	Closing balance	Lending rate	Overdue period	Overdue rate
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Other note:

32. Financial liabilities measured by fair value with changes included in current profit and loss

☐ Applicable ☒ Not applicable

33. Derivative financial liabilities

☐ Applicable ☒ Not applicable

34. Notes payable

☐ Applicable ☒ Not applicable

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

Unit: yuan

Item	Closing balance	Opening balance
Payment for goods	640,006.82	524,596.07
Payment for engineering	102,886,172.21	23,179,045.22
Others	15,276,466.98	7,307,311.91
Total	118,802,646.01	31,010,953.20

(2) Significant accounts payable aged over one year

☐ Applicable ☒ Not applicable

36. Advance receipts**(1) List of advance receipts**

Unit: yuan

Item	Closing balance	Opening balance
Advance brand royalty	8,968,491.33	8,612,776.97
Advance rental payment	96,294,314.10	139,884,880.07
Advance payment for goods	10,367,776.54	14,193,465.32
Advance advertising payment	4,262,278.12	6,325,655.29
Advance house payment	1,130,341,486.05	750,552,974.20
Others	17,481,830.07	4,395,416.20
Total	1,267,716,176.21	923,965,168.05

(2) Significant advance receipts aged over one year

□ Applicable √ Not applicable

(3) Settled but uncompleted projects in construction contracts at the end of the period

□ Applicable √ Not applicable

37. Wages payable**(1) List of payroll payable**

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term payroll	35,226,843.77	111,492,075.72	Including: Medical insurance	72,526.40
2. Welfare after leave - defined contribution plan	237,486.09	8,390,790.71		
3. Dismissal welfare		2,007,131.62	2,007,131.62	
4. Other welfare due within one year				0.00
Total	35,464,329.86	121,889,998.05	139,891,568.41	17,462,759.50

(2) List of short-term payroll

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages, bonuses, allowances and subsidies	30,315,697.41	97,510,655.30	115,410,798.02	12,415,554.69
2. Employee welfare	5,840.08	3,481,474.68	3,409,483.27	77,831.49
3. Social insurance premiums	75,070.59	3,547,557.20	3,599,856.78	22,771.01
		3,068,801.83	3,121,234.43	20,093.80

Supplementary medical insurance	1,366.00	42,192.52	42,171.52	1,387.00
Work injury insurance	533.73	163,776.06	163,732.06	577.73
Maternity insurance	644.46	272,786.79	272,718.77	712.48
4. Housing fund	1,300,390.68	5,249,610.18	5,391,470.11	1,158,530.75
5. Labor union expenditure and employee education fund	3,529,845.01	1,699,974.84	1,536,132.34	3,693,687.51
6. Short-term paid absence				
7. Short-term profit-sharing scheme				
Other short-term remuneration		2,803.52	2,803.52	0.00
Total	35,226,843.77	111,492,075.72	129,350,544.04	17,368,375.45

(3) Defined contribution plan

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	85,769.64	7,071,773.46	7,070,477.07	87,066.03
2. Unemployment insurance premium	1,716.45	289,675.58	289,776.01	1,616.02
3. Enterprise annuity	150,000.00	1,029,341.67	1,173,639.67	5,702.00
Total	237,486.09	8,390,790.71	8,533,892.75	94,384.05

Other note:

38. Taxes payable

Unit: yuan

Item	Closing balance	Opening balance
Value-added tax	19,586,640.03	39,447,820.87
Corporate income tax	91,322,630.63	144,349,073.48
Individual income tax	4,137,039.06	1,244,189.51
Urban maintenance and construction tax	394,948.57	2,300,140.46
Education surtax	555,845.58	1,432,983.81
Housing property tax	5,641,500.96	4,411,928.87

Item	Closing balance	Opening balance
Land value-added tax	36,431,423.35	60,645,031.72
Stamp tax and water fund	59,146.91	196,966.22
Others	422,073.49	687,409.44
Total	158,551,248.58	254,715,544.38

39. Interest payable

Unit: yuan

Item	Closing balance	Opening balance
Interest payable on short-term loans	2,595,650.28	3,357,745.13
Total	2,595,650.28	3,357,745.13

40. Dividends payable

Unit: yuan

Item	Closing balance	Opening balance
Common stock dividends	6,592,710.58	15,132,970.78
Total	6,592,710.58	17,652,970.78

41. Other payables**(1) Other payables listed based on nature**

Unit: yuan

Item	Closing balance	Opening balance
Deposit and security deposit	207,802,518.68	198,187,056.13
Central air conditioner maintenance cost and special maintenance fund	14,459,862.08	12,882,368.93
Receipts under custody	17,032,365.53	14,507,917.60
Funds from related parties	822,543,509.67	282,829,598.18
Water and electricity charges, rental, and others payable of the electronics market	268,335,366.99	292,339,943.09
Total	1,330,173,622.95	800,746,883.93

(2) Significant other payables aged over one year

□ Applicable √ Not applicable

42. Held-for-sale liabilities

□ Applicable √ Not applicable

Other note:

43. Non-current liabilities due within one year

Unit: yuan

Item	Closing balance	Opening balance
Long-term borrowings due within one year	715,000,000.00	488,000,000.00
Long-term accounts payable due within one year	3,561,661.33	3,561,661.33
Total	718,561,661.33	491,561,661.33

44. Other current liabilities

Unit: yuan

Item	Closing balance	Opening balance
Output tax to be carried forward	733,019.98	
Total	733,019.98	

45. Long-term borrowings**(1) Types of long-term borrowings**

Unit: yuan

Item	Closing balance	Opening balance
Pledge loan		200,000,000.00
Mortgage loan	772,250,000.00	830,000,000.00
Total	772,250,000.00	1,030,000,000.00

Note to long-term loan classification:

The Company entered into a loan contract with the Bank of Beijing on April 30, 2013, for which the Bank of Beijing issued loans of RMB 120,000,000.00 in total to the Company. According to the *Mortgage Contract* signed by the Company and Bank of Beijing, the collateral is A3301-A3326, A3601-A3626, A3701-A3726 and some properties of Yidi Integrated Market, SEG Science Park and SEG Industrial Park.

The Company entered into loan contracts with Shenzhen Branch of Ping An Bank Co., Ltd. (hereinafter referred to as "Ping An Bank") respectively on March 29, 2016 and September 19, 2016, for which Ping An Bank issued loans of RMB 620,000,000.00 in total to the Company; according to the *Maximum Mortgage Guarantee Contract* signed with Ping An Bank, the collateral is the properties of No. 101-107, 201-209, 307-310, 401-406 and 501 of Podium Buildings of Stars Plaza.

The Company entered into a fixed asset loan contract with Shenzhen Futian Sub-branch of Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications") on June 28, 2016, for which the Bank of Communications issued loans of RMB 200,000,000.00 in total to the Company; according to the *Mortgage Contract* signed with the Bank of Communications, the collateral is some properties of SEG Court, Stars Plaza, Building 103-106 of SEG Industrial

Zone, No. 101-427 of Building 2 of Single Dormitory of Xinge Residential Block, 1615 of Building 8 of Xinge Building, A1 of 1F of Building 4 of SEG Science Park 4 etc.

The Company's subsidiary Huizhou Stars Real Estate Development Co., Ltd. (hereinafter referred to as "Huizhou Stars") entered into fixed assets loan contracts with Huizhou Branch of China Construction Bank Co., Ltd. (hereinafter referred to as "China Construction Bank") respectively on April 16, 2014, August 22, 2014, September 28, 2014, February 10, 2015, April 7, 2015, April 11, 2015, May 5, 2015, and May 29, 2015, for which China Construction Bank issued loans of RMB 185,000,000.00 in total to Huizhou Stars; according to the *Maximum Mortgage Guarantee Contract* signed by Huizhou Stars and China Construction Bank, the collateral is part of the construction in progress of SEG Holiday Plaza.

46. Bonds payable

☐ Applicable ☒ Not applicable

47. Long-term payables

☐ Applicable ☒ Not applicable

48. Long-term payroll payable

(1) List of long-term payroll payable

☐ Applicable ☒ Not applicable

49. Special payables

☐ Applicable ☒ Not applicable

50. Estimated liabilities

Unit: yuan

Item	Closing balance	Opening balance	Cause
Others	232,500.00	232,500.00	Breach of the lease contract
Total	232,500.00	232,500.00	-

51. Deferred income

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Cause
Government subsidies	11,183,333.34		949,999.98	10,233,333.36	
Unrealized profit on house sales	3,484,109.50		1,780,830.67	1,703,278.83	
Total	14,667,442.84		2,730,830.65	11,936,612.19	-

Unit: yuan

Liability item	Opening balance	Amount of new subsidies in the current period	Amount of non-operating income in the current period	Other changes	Closing balance	Relevant to assets/relevant to income
Support project for construction of Nantong SEG Electronics Market	9,183,333.34		949,999.98		8,233,333.36	Relevant to assets
CPARK Show Promotion Center	1,000,000.00				1,000,000.00	Relevant to income
CPARK Show Promotion Center	1,000,000.00				1,000,000.00	Relevant to assets
Total	11,183,333.34		949,999.98		10,233,333.36	-

52. Other non-current liabilities☐ Applicable ☒ Not applicable**53. Share capital**

Unit: Yuan

	Opening balance	Increase/decrease of the change (+)					Closing balance
		Issue of new shares	Bonus share	Capitalization of public reserve	Others	Subtotal	
Sum of shares	784,799,010.00	450,857,239.00				450,857,239.00	1,235,656,249.00

54. Other equity instruments☐ Applicable ☒ Not applicable**55. Capital reserves**

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (Capital stock premium)	1,119,284,592.76	7,198,890.58	1,126,483,483.34	
Other capital reserves	175,086,543.13			175,086,543.13
Total	1,293,931,135.89			175,086,543.13

Other note, increase or decrease in the current period and reason for change:

(1) Increase of capital reserves: In this period, the minority shareholders of Suzhou SEG Electronics Market Management Co., Ltd., the holding subsidiary of the Company, gave up dividends, thus 360,000.00 yuan that belongs to the Company after calculating according to share-holding proportion is booked into capital reserves; because Shenzhen SEG Property Management Co., Ltd., the holding sub-subsidiary of the company, introduces new shareholders inward leading to the change of share-holding proportion, thus 6,838,890.58 yuan that belongs to the Company after calculating according to share-holding proportion is booked into capital reserves

(2) Decrease of capital reserves: In this period, the consolidation of enterprises under the same control happens in the Company, the capital reserve, which increased the opening balance of capital reserve because of restoring the retained income of invested unit, is written down, in addition, the book value of considerations for acquisition exceeds the book value of net assets acquired from consolidation, thus the balance write down capital reserve resulting in the decrease of the latter.

56. Treasury share

☐ Applicable ☒ Not applicable

57. Other comprehensive income

Unit: yuan

Item	Opening balance	Amount incurred in the reporting period					Closing balance
		Pre-tax amount obtained in the current period	Less: profit or loss transferred in from other comprehensive income in the current period	Less: Income tax	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholders	
II. Other comprehensive income that can be categorized as profit or loss	296,235.62	-214,273.15		-53,552.75	-107,028.42	-53,691.98	189,207.20
Including: Shares of the investee of other comprehensive income to be reclassified into profit or loss under the equity method	178.21	-62.16			-62.16		116.05
Profit or loss from changes in fair value of the available-for-sale financial assets	296,057.41	-214,210.99		-53,552.75	-106,966.26	-53,691.98	189,091.15
Total of other comprehensive income	296,235.62	-214,273.15		-53,552.75	-107,028.42	-53,691.98	189,207.20

Other note: adjustment of the initial recognition amount of hedged items transferred from effective hedging profit or loss of cash flow

58. Special reserve

☐ Applicable ☒ Not applicable

59. Surplus reserve

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
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Statutory surplus reserves	121,803,040.24			121,803,040.24
Total	121,803,040.24			121,803,040.24

60. Undistributed profits

Unit: yuan

Item	Current period	Previous period
Before adjustment undistributed profits at the end of the previous period	211,031,648.29	
After adjustment undistributed profit at the beginning of period	211,031,648.29	
Add: Net profits attributable to the parent company owner in the current period	50,008,785.42	
Undistributed profits at the end of period	261,404,433.71	

61. Operating income and operating cost

Unit: yuan

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	592,346,626.22	426,661,521.04	724,213,525.00	527,378,769.17
Total	592,346,626.22	426,661,521.04	724,213,525.00	527,378,769.17

62. Business taxes and surcharges

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,750,303.90	2,038,255.57
Education surtax	1,313,636.22	1,392,125.81
Housing property tax	4,617,030.33	
Land use tax	539,407.41	
Vehicle and vessel use tax	6,360.00	
Stamp tax	693,526.59	
Business tax	650,661.40	21,066,541.31
Land value-added tax	883,164.93	15,187,084.75
Others	125,131.67	166,658.42
Total	10,579,222.45	39,850,665.86

63. Sales expense

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Total	18,930,296.04	15,452,527.47

64. Management cost

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Total	62,603,332.15	48,360,132.61

Other note:

65. Financing expenses

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	13,114,305.66	7,977,608.20
Less: Interest income	3,738,102.74	3,220,740.59
Loss on exchange	-775.34	-301,807.07
Others	622,455.85	629,184.18
Total	9,997,883.43	5,084,244.72

Other note:

66. Asset impairment loss

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Bad debt loss	-391,470.73	-3,854,024.82
XIV. Others	-150,573.06	
Total	-542,043.79	-3,854,024.82

Other note:

67. Profit from fair value changes☐ Applicable ☒ Not applicable**68. Investment income**

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
------	---------------------------------------	--

Long-term equity investment income by the equity method	-6,985,927.76	-4,895,623.11
Others (financial products)	7,394,856.25	9,073,281.04
Total	408,928.49	4,177,657.94

Other note:

69. Other profit

☐ Applicable ☒ Not applicable

70. Non-operating income

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit or loss
Profit from disposal of non-current assets	1,902.73	60,590,211.12	1,902.73
Including: Profit on disposal of fixed assets	1,902.73	40.50	1,902.73
Government subsidies	3,716,243.11	101,608.00	3,716,243.11
Liquidated damages	2,298,041.40	145,672.11	2,298,041.40
Others	1,210,771.09	894,974.31	1,210,771.09
Total	7,226,958.33	61,732,465.54	7,226,958.33

Unit: yuan

Subsidy item	Fund source	Purpose	Property and type	Influence on the profit and loss of the current year	Special subsidy	Amount incurred in the current period	Amount incurred in the previous period	Relevant to assets/relevant to income
Subsidies for online SEG projects							35,628.12	Relevant to assets
Gangzha District service industry incentive funds						200,000.00		Relevant to income
Support funds for opening and investment promotion of Nantong Times Square						2,000,000.00		Relevant to income

animation industry base								
Gangzha District incentives for investment promotion						100,000.00		Relevant to income
Special funds for green applications (energy saving of the plaza)						420,000.00		Relevant to income
Incentives for excellent qualified party organizations in Taihu New Town 2016 "Four Haves and Six Goods" Program						10,000.00		Relevant to income
Support project for Nantong SEG electronics market						949,999.98		Relevant to assets
Guiding funds for development of service industry							50,000.00	Relevant to income
Post stabilization subsidy						35,643.13	15,979.88	Relevant to income
Others						600.00		Relevant to income
Total	--	--	--	--	--	3,716,243.11	101,608.00	--

71. Non-operating expenses

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit or loss
Loss from disposal of non-current assets	113,395.56	97,511.68	113,395.56
Including: loss from disposal of	113,395.56	97,511.68	113,395.56

fixed assets			
Donations	106,708.00	97,950.00	106,708.00
Compensation for loss		2,710,190.00	
Others	329,794.14	302,714.92	329,794.14
Total	549,897.70	3,208,366.60	549,897.70

72. Income tax expenses

(1) Income tax

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax of the current period	38,844,842.36	60,839,068.51
Deferred income tax expense	-62,415.36	-2,665,027.84
Total	38,782,427.00	58,174,040.67

(2) Adjustment process of accounting profit and income tax

Unit: yuan

Item	Amount incurred in the current period
Total profit	103,484,130.04
Income tax calculated according to statutory or applicable tax rate	25,871,032.44
Impact of different tax rates applicable to subsidiaries	-704,129.44
Impact of adjustment of income previous income tax	3,117,593.42
Impact of non-taxable income	1,746,481.94
Impact of non-deductible costs, expenses and losses	89,341.20
Impact of deferred income tax assets unrecognized in the previous period on deductible losses	316.63
Impact of deferred income tax assets unrecognized in current period on deductible temporary difference or deductible losses	8,661,790.81
Income tax expense	38,782,427.00

73. Other comprehensive income

☐ Applicable ☒ Not applicable

74. Items in the cash flow statement

(1) Other cash received from operating activities

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
------	---------------------------------------	--

Item	Amount incurred in the current period	Amount incurred in the previous period
Incomings and outgoings	56,939,433.82	50,938,607.24
Goods payment collected from tenants	122,049,724.03	151,899,127.10
Interest income	3,738,102.74	3,220,740.59
Non-operating income	6,276,958.35	1,142,294.92
Total	189,004,218.94	207,200,769.85

(2) Other cash paid related to operating activities

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Incomings and outgoings	50,110,009.45	56,220,563.28
Goods payment paid for tenants	151,196,744.40	113,704,875.57
Cash expenses	58,433,667.87	56,532,009.43
Non-operating expenses	436,502.14	3,110,854.92
Total	260,176,926.86	229,568,303.20

(3) Other cash received related to investment activities

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Total		49,130,164.38

(4) Other cash paid related to investment activities

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Total		49,000,000.00

(5) Other cash received related to financing activities

Unit: yuan

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

(6) Other cash paid related to financing activities

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
------	---------------------------------------	--

Interbank financing of related parties	100,000,000.00	131,000,000.00
Payment for cash deposit		
Payment for loan interest of related parties	310,202.16	1,108,333.34
Payment for issuance of short-term financing bonds		1,524,692.51
Total	100,310,202.16	133,633,025.85

75. Supplementary information to cash flow statement

(1) Supplementary information to cash flow statement

Unit: yuan

Supplementary data	Amount incurred in the current period	Amount of the previous period
1. Reconciliation of net income to cash flow from operating activities	--	--
Net profit	64,701,703.04	145,580,633.22
Add: Asset impairment provision	-391,470.73	-3,854,024.82
Depreciation of fixed assets, oil & gas assets and consumable biological assets	26,988,547.70	29,302,137.95
Amortization of intangible assets	395,170.46	1,685,796.97
Amortization of long-term expenses to be apportioned	13,247,932.82	6,495,757.24
Loss on disposal of fixed assets, intangible assets, and other long-term assets (Profit will be marked with "-")	-111,492.83	-60,492,699.44
Loss on disposal of fixed assets (Profit will be marked with "-")		
Loss on change of fair value (Profit will be marked with "-")		
Financial expenses (enter "-" for income)	12,137,773.33	7,977,608.20
Loss from investment (enter "-" for profit)	-408,928.49	-4,177,657.94
Decrease in deferred tax assets (enter "-" for increase)	492,035.09	1,034,392.83
Decrease in deferred tax assets (enter "-" for increase)	-608,015.69	-593,451.65
Decrease in deferred tax assets (enter "-" for increase)		
Inventory decrease (enter "-" for increase)	-295,368,031.89	-263,543,005.62
Decrease in accounts receivable related to operating activities (enter "-" for increase)	-15,982,103.88	-35,368,648.56
Increase in accounts payable related to operating activities (enter "-" for decrease)	288,032,159.81	246,339,420.41
Others		
Net cash flow from operating activities	93,125,278.74	70,386,258.79

2. Major investing and financing activities that involve no cash payments and receipts:	--	--
Conversion of debt into capital		
Transferable corporate bonds due within one year		
Fixed assets leased from financing		
3. Change in cash and cash equivalents:	--	--
Closing balance of cash	1,219,390,879.83	968,019,910.31
Less: Opening balance of cash	1,127,923,641.19	631,463,030.13
Plus: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase in cash and cash equivalents	91,467,238.64	336,556,880.18

(2) Net cash received from obtaining subsidiaries

□ Applicable √ Not applicable

(3) Net cash received from disposal of subsidiaries

□ Applicable √ Not applicable

(4) Composition of cash and cash equivalents:

Unit: yuan

Item	Closing balance	Opening balance
I. Cash	1,219,390,879.83	1,127,923,641.19
Including: Cash on hand	935,508.63	712,997.23
Bank deposits available for payment at any time	1,218,397,546.60	1,116,832,758.78
Other monetary funds available for payment at any time	57,824.60	10,377,885.18
III. Closing balance of cash and cash equivalents	1,219,390,879.83	1,127,923,641.19

76. Notes to main items in the owners' equity changes

□ Applicable √ Not applicable

77. Assets where ownership or the right to use is restricted

Unit: yuan

Item	Closing book value	Reason for restriction
Monetary funds	3,600,000.00	Deposit and performance bond

Fixed assets	15,698,424.79	Collaterals for bank loans
Development products	119,691,853.07	Collaterals for bank loans
Investment properties	123,049,705.61	Collaterals for bank loans
Total	262,039,983.47	-

78. Foreign currency monetary projects

(1) Foreign currency monetary projects

Unit: yuan

Item	Closing balance of foreign currency	Discount exchange rate	Closing balance of converted RMB
HK\$	10,813.43	0.86792	9,385.19

(2) Note to the overseas operational entity, including disclosure of its main overseas place of business, recording currency, and basis of selection and disclosure of the reason for changes in the recording currency (if any).

☐ Applicable ☒ Not applicable

79. Hedging

☐ Applicable ☒ Not applicable

80. Others

☐ Applicable ☒ Not applicable

VIII. Change in consolidation scope

1. Merger of enterprises not under common control

☐ Applicable ☒ Not applicable

2. Merger of enterprises under common control

(1) Merger of enterprises under common control incurred in the current period

Unit: yuan

Name of the merged	Proportion of equity acquired in enterprise merger	Basis for merger of enterprises under common control	Date of merger	Determination basis for the date of merger	Income of the merged from the beginning of the period to the date of merger	Net profit of the merged from the beginning of the period to the date of merger	Income of the merged during comparison	Net profit of the merged during comparison
Shenzhen SegMaker Co., Ltd.	100.00%	Prior to consolidation, controlled by the same	Jan. 1, 2017	January 19, 2017	11,285,307.42	4,837,778.32	6,501,367.82	4,419,576.23

		parent company SEG Group						
SEG Kangle Enterprise Development Co., Ltd.	55.00%	Prior to consolidation, controlled by the same parent company SEG Group	Jan. 1, 2017	January 19, 2017	4,240,969.11	2,352,279.66	26,731,741.98	13,716,475.95
SEG Property Development Co., Ltd.	100.00%	Prior to consolidation, controlled by the same parent company SEG Group	Jan. 1, 2017	January 19, 2017	4,771,400.40	775,882.70	28,562,159.09	6,363,991.53
Shenzhen SEG Real Estate Investment Co., Ltd.	79.02%	Prior to consolidation, controlled by the same parent company SEG Group	Jan. 1, 2017	January 19, 2017	37,274,858.23	2,667,030.04	299,745,019.26	80,932,649.90

Other note:

Note*: The income and net profit of Shenzhen SEG Real Estate Investment Co., Ltd. are the consolidated data of Shenzhen SEG Real Estate Investment Co., Ltd. and its subsidiaries.

(2) Consolidated cost

Unit: yuan

Consolidated cost	Shenzhen SegMaker Co., Ltd.	SEG Kangle Enterprise Development Co., Ltd.	SEG Property Development Co., Ltd.	Shenzhen SEG Real Estate Investment Co., Ltd.
Cash	34,031.65	4,064.45	1,771.69	27,694.83
Face value of issued equity securities	22,709.92	2,712.28	1,182.28	18,481.25

Note to the contingent consideration and the reason for change:

Other note:

(3) Book value of the assets and liabilities of the acquiree at the date of merger

Unit: yuan

	Shenzhen SegMaker Co., Ltd.		SEG Kangle Enterprise Development Co., Ltd.		SEG Property Development Co., Ltd.		Shenzhen SEG Real Estate Investment Co., Ltd.	
	Consolidated date	Closing balance of the previous period	Consolidated date	Closing balance of the previous period	Consolidated date	Closing balance of the previous period	Consolidated date	Closing balance of the previous period
Net asset	238,750,258.57	233,912,480.2	61,864,319.0	59,512,039.38	61,749,318.18	60,973,435.48	778,492,271.93	775,825,241.8

		5	4					9
Less: Minority equity			27,838,943.57	26,780,417.72			235,938,594.23	236,510,029.00
Acquired net assets	238,750,258.57	233,912,480.25	34,025,375.47	32,731,621.66	61,749,318.18	60,973,435.48	542,553,677.70	539,315,212.89

Contingent liabilities of the merged assumed in enterprise merger:

Other note:

3. Counter purchase

☐ Applicable ☒ Not applicable

4. Disposal of subsidiaries

Has single disposal of investment in subsidiaries caused loss of control?

☐ Yes ☒ No

Is investment in subsidiaries disposed of through several transactions by steps with loss of control in the current period?

☐ Yes ☒ No

5. Other reasons for change in the consolidation scope

Note to change in the consolidation scope caused by other reasons (such as establishment or liquidation of subsidiaries):

1. Newly-established companies in the reporting period

Company	Registered capital (ten thousand yuan)	Paid-in capital (ten thousand yuan)	Percentage of shares (%)
SEG Longyan Energy Technology Co., Ltd.	16,500.00	10,800.00	100.00
SEG Lianzhong Internet Technology Co., Ltd.	2,480.00	1,500.00	55.00
Shenzhen SEG Zhongtong Technology Co., Ltd.	2,000.00	200.00	49.00

IX. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise group

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Xi'an SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Electronics market lease management	65.00%		Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Shenzhen	Shenzhen	Electronics market lease management	70.00%		Investment and establishment
Suzhou SEG Electronics Market Co., Ltd.	Su Zhou	Su Zhou	Electronics market lease management	45.00%		Investment and establishment

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Shenzhen Mellow Orange Business Hotel Management Co., Ltd	Shenzhen	Shenzhen	Hotel management, consultancy and property management		66.58%	Investment and establishment
Shenzhen SEG Credit Co., Ltd.	Shenzhen	Shenzhen	Petty loan business (pooling public deposits is prohibited) within the administrative region of Shenzhen.	36.00%	17.02%	Investment and establishment
Shenzhen SEG Electronics Market Management Co., Ltd.	Nanjing	Nanjing	Market facilities leasing, property management, sales of electronic products and advertisement	100.00%		Investment and establishment
Xi'an Hairong SEG Electronics Market Co., Ltd.	Xi'an	Xi'an	Property leasing, sales of electronic products and advertisement	51.00%		Investment and establishment
Wujiang SEG Electronics Market Co., Ltd.	Wujiang	Wujiang	Electronics market lease management	51.00%		Investment and establishment
Wuxi SEG Electronics Market Co., Ltd	Wuxi	Wuxi	Electronics market lease management	51.00%		Investment and establishment
Shunde SEG Electronics Market Management Co., Ltd.	Foshan	Foshan	Electronics market lease management	100.00%		Investment and establishment
Nanning SEG Electronics Market Management Co., Ltd.	Nanning	Nanning	Electronics market lease management	100.00%		Investment and establishment
Nantong SEG Times Plaza Development Co., Ltd.	Nantong	Nantong	Real estate development	100.00%		Investment and establishment
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Shenzhen	Shenzhen	Property lease and management	66.58%		Merger of enterprises under common control
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen	Shenzhen	Investment in industrial and commercial business	100.00%		Merger of enterprises under common control
Changsha SEG Development Co., Ltd.	Changsha	Changsha	Property lease	46.00%		Merger of enterprises not under common control

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
Yantai SEG Times Plaza Development Co., Ltd.	Yantai	Yantai	real estate development	90.00%		Investment and establishment
Nantong SEG Commercial Operation Management Co., Ltd.	Nantong	Nantong	-	100.00%		Investment and establishment
Suzhou SEG Digital Plaza Management Co., Ltd.	Su Zhou	Su Zhou	-	100.00%		Investment and establishment
Xi'an Fengdong New Town SEG Times Plaza Properties Co., Ltd.	Xi'an	Xi'an	Real estate development	100.00%		Investment and establishment
Suzhou SEG Intelligent Technology Co., Ltd.	Su Zhou	Su Zhou	Trading	100.00%		Investment and establishment
Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.	Shenzhen	Shenzhen	New energy development	50.00%		Investment and establishment
Shenzhen SEG Investment Management Co., Ltd.	Shenzhen	Shenzhen	Investment management; Industries; Fund management	100.00%		Investment and establishment
Shenzhen SEG Longyan Energy Technology Co., Ltd.	Shenzhen	Shenzhen	Technology development of new energy; R&D and manufacturing of CdTe solar cell modules; PV project	50.00%		Investment and establishment
Shenzhen-Shantou Cooperation Zone SEG Longyan Energy Technology Co., Ltd.	Shenzhen-Shantou Cooperation Zone	Shenzhen-Shantou Cooperation Zone	R&D and manufacturing of CdTe solar cell modules; PV project		100.00%	Investment and establishment
SEG Lianzhong Internet Technology Co., Ltd.	Shenzhen	Shenzhen	Internet services	55.00%		Investment and establishment
Shenzhen SEG Zhongtong Technology Co., Ltd.	Shenzhen	Shenzhen	Software and information technology services	49.00%		Investment and establishment
Shenzhen SegMaker Co., Ltd.	Shenzhen	Shenzhen	Electronics markets leasing services; Property leasing; Hotel management	100.00%		Merger of enterprises under common control

Subsidiary name	Main place of business	Place of registration	Nature of business	Shareholding ratio		Method of acquisition
				Direct	Indirect	
SEG Kangle Enterprise Development Co., Ltd.	Shenzhen	Shenzhen	Electronics markets leasing services; Property leasing	55.00%		Merger of enterprises under common control
SEG Property Development Co., Ltd.	Shenzhen	Shenzhen	Property management	100.00%		Merger of enterprises under common control
Shenzhen SEG Real Estate Investment Co., Ltd.	Shenzhen	Shenzhen	Property leasing; Property management; Real estate development	79.02%		Merger of enterprises under common control
Huizhou Stars Real Estate Development Co., Ltd.	Huizhou	Huizhou	Real estate development; Leasing		88.00%	Merger of enterprises under common control
SEG Property Management Co., Ltd.	Shenzhen	Shenzhen	Property management		45.00%	Merger of enterprises under common control
Shenzhen SEG New Urban Construction Development Co., Ltd.	Shenzhen	Shenzhen	Real estate development		72.05%	Merger of enterprises under common control
Shenzhen SEG New Urban Construction Development Co., Ltd.	Shenzhen	Shenzhen	Business operation management; Property management		100.00%	Merger of enterprises under common control
Beijing SEG Property Development Co., Ltd.	Beijing	Beijing	Real estate development		50.00%	Merger of enterprises under common control
Xi'an Konghong Property Co., Ltd.	Xi'an	Xi'an	Real estate development		55.00%	Merger of enterprises under common control
Shenzhen Hongge Culture Development Co., Ltd.	Shenzhen	Shenzhen	Activity design		100.00%	Merger of enterprises under common control

Difference between the shareholding ratio and the ratio of voting power

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

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

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

Half of the directors of the board, the chairman of the board, the general manager, and the operation team of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd. are appointed by the Company. The Company actually administers the operation and management of Shenzhen SEG Longyan New Energy Application and Development Co., Ltd., that is, the Company controls Shenzhen SEG Longyan New Energy Application and Development Co., Ltd.

Half of the directors of the board, the chairman of the board, the general manager, and the operation team of Shenzhen SEG Longyan Energy Technology Co., Ltd. are appointed by the Company. The Company actually administers the operation and management of Shenzhen SEG Longyan Energy Technology Co., Ltd., that is, the Company controls Shenzhen SEG Longyan Energy Technology Co., Ltd.

Half of the directors of the board, the chairman of the board, the general manager, and the operation team of Shenzhen SEG Zhongtong Technology Co., Ltd. are appointed by the Company. The Company actually administers the operation and management of Shenzhen SEG Zhongtong Technology Co., Ltd., that is, the Company controls Shenzhen SEG Zhongtong Technology Co., Ltd.

Half of the directors of the board, the chairman of the board, the general manager, the finance manager, and the operation team of Beijing SEG Property Development Co., Ltd. are appointed by the Company. The Company actually administers the operation and management of Beijing SEG Property Development Co., Ltd., that is, the Company controls Beijing SEG Property Development Co., Ltd.

The shareholder of Shenzhen SEG Property Management Co., Ltd. (SEG Property Management Co., Ltd.) is Shenzhen Huguang Investment Co., Ltd. (Huguang Investment, holding a 15% stock), and it is an employee stock ownership platform of SEG Property Management Co., Ltd. The corporate charter of SEG Property Management Co., Ltd. agrees on that when the shareholder committee and the board need to make decisions on the corporate operations and development in accordance with the relevant laws, regulations, and corporate charter, Shenzhen SEG Real Estate Investment Co., Ltd. (SEG Real Estate) and Huguang Investment are persons acting in concert, and shall take consistent actions. Consistent actions mean that under the premise of not damaging the corporate interests or the shareholders' benefits, the shareholder committee and the board shall agree with each other when exercising their rights to propose and vote on major corporate operation and development issues. The voting rights proportion of SEG Real Estate and its person acting in concert, Huguang Investment, reaches 60%. The board of SEG Property Management Co., Ltd. includes five members, among whom two directors are appointed by SEG Real Estate and one by Huguang Investment. The chairman of the board is appointed by SEG Real Estate. In all, the Company controls SEG Property Management Co., Ltd.

(2) Important non-wholly-owned subsidiaries

Unit: yuan

Subsidiary name	Equity proportion of minority shareholders	Current profit or loss of minority shareholders	Current dividends distributed to minority shareholders	Minority shareholders' equity balance at the end of the period
Shenzhen SEG Credit Co., Ltd.	46.00%	4,235,705.36		91,735,804.77
Changsha SEG Development Co., Ltd.	54.00%	1,658,237.10		39,329,950.48
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	33.42%	5,036,930.46		33,838,259.67
Shenzhen SEG Kangle Enterprise Development Co., Ltd.	45.00%	5,626,232.59	12,600,000.00	19,806,650.31

SEG Real Estate Investment Co., Ltd.	20.98%	-7,296,347.57		305,732,789.34
Total		9,260,757.94	12,600,000.00	490,443,454.57

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

Unit: yuan

Subsidiary name	Closing balance						Opening balance					
	Current assets:	Non-current assets:	Total assets	Current liabilities:	Non-current liabilities:	Total liabilities	Current assets:	Non-current assets:	Total assets	Current liabilities:	Non-current liabilities:	Total liabilities
Shenzhen SEG Credit Co., Ltd.	4,213,033.39	468,978,300.53	473,191,333.92	273,765,671.37		273,765,671.37	46,318,409.29	480,810,002.12	527,128,411.41	336,910,803.99		336,910,803.99
Changsha SEG Development Co., Ltd.	30,965,945.38	63,163,838.98	94,129,784.36	21,296,542.73		21,296,542.73	25,093,857.23	65,239,972.01	90,333,829.24	20,571,397.06		20,571,397.06
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	113,687,054.04	54,472,180.01	168,159,234.05	66,813,040.35	94,668.65	66,907,709.00	101,240,832.43	59,162,353.63	160,403,186.06	47,726,906.59	148,221.40	47,875,127.99
SEG Kangle Enterprise Development Co., Ltd.	43,650,132.39	22,759,038.68	66,409,171.07	22,394,392.61		22,394,392.61	84,090,064.54	18,564,209.15	102,654,273.69	43,142,234.31	0.00	43,142,234.31
Shenzhen SEG Real Estate Investment Co., Ltd.	3,930,520,623.96	146,401,440.37	4,076,922,064.33	2,360,678,941.16	853,171,070.05	3,213,850,011.21	3,708,887,665.73	150,796,100.38	3,859,683,766.11	1,971,156,623.50	1,112,701,900.72	3,083,858,524.22

Unit: yuan

Subsidiary name	Amount incurred in the reporting period				Amount incurred in the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Shenzhen SEG Credit Co., Ltd.	32,739,226.02	9,208,055.13	9,208,055.13	33,405,095.11	49,577,595.91	14,098,803.25	14,098,803.25	-27,673,263.51
Changsha SEG Development Co., Ltd.	11,863,928.52	3,070,809.45	3,070,809.45	15,969,637.61	11,509,734.96	3,315,874.06	3,315,874.06	4,093,245.31
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	45,122,397.06	15,071,605.22	14,964,576.80	9,763,277.51	41,085,826.65	14,696,275.26	14,609,914.40	3,096,434.93

Ltd.								
SEG Kangle Enterprise Development Co., Ltd.	26,265,254.11	12,502,739.08	12,502,739.08	-7,575,853.63	26,731,741.98	13,716,475.95	13,716,475.95	-12,882,948.32
Shenzhen SEG Real Estate Investment Co., Ltd.	188,373,969.48	3,888,812.73	3,888,812.73	142,109,994.68	299,745,019.26	80,932,649.90	80,932,649.90	172,683,799.34

Other note:

2. Transaction causing changes in the proportion of the owners' equity in subsidiaries with control of subsidiaries

☐ Applicable ☒ Not applicable

2. Equity in joint arrangements or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main place of business	Place of registration	Nature of business	Shareholding ratio		Accounting treatment method for investment in joint venture or associate
				Direct	Indirect	
Shenzhen Huakong SEG Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	19.00%		Equity method
Shanghai SEG Electronics Market Co., Ltd.	Shanghai	Shanghai	Service industry	35.00%		Equity method
Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.	Shenzhen	Shenzhen	Whole sale	30.00%		Equity method

Note to the difference between the proportion of shareholding and the proportion of voting powers in associates or joint ventures:

Basis for less than 20% of voting powers with significant impacts or 20% or more of voting powers without significant impacts:

(2) Main financial information about important joint ventures

Unit: yuan

	Closing balance/amount incurred in the current period			Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.

	Closing balance/amount incurred in the current period			Opening balance/amount incurred in the previous period		
	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.	Shenzhen Huakong SEG Co., Ltd.	Shanghai SEG Electronics Market Co., Ltd.	Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.
Current assets:	1,102,324,513.76	18,467,222.14	16,346,111.81	766,903,441.43	17,721,103.96	22,840,830.74
Non-current assets	712,652,391.15	151,151.21	169,644.87	546,820,625.68	182,099.19	166,109.34
Total assets	1,814,976,904.91	18,618,373.35	16,515,756.68	1,313,724,067.11	17,903,203.15	23,006,940.08
Current liabilities	765,770,367.89	9,378,227.97	2,016,596.82	509,176,585.61	8,075,870.33	1,188,898.02
Non-current liabilities	6,716,471.99	9,378,227.97	2,016,596.82	3,640,118.77		
Total liabilities	772,486,839.88	9,378,227.97	2,016,596.82	512,816,704.38	8,075,870.33	1,188,898.02
Minority shareholders' equity	434,227,465.45	9,240,145.38	14,499,159.86	176,677,423.85		
Shareholders' equity attributable to the parent company	608,262,599.58	9,240,145.38	14,499,159.86	624,229,938.88	9,827,332.82	21,818,042.06
Net asset shares calculated based on shareholding ratio	115,575,976.55	3,234,050.88	4,349,747.96	118,609,930.69	3,439,566.49	6,545,412.62
Adjustment	55,942,143.30	-875,946.55		55,942,143.30	-888,008.43	
- Others	55,942,143.30	-875,946.55		55,942,143.30	-888,008.43	
Book value of equity investment in joint ventures	171,518,119.85	2,358,104.33	4,349,747.96	174,552,073.99	2,551,558.06	6,545,412.62
Fair value of equity investment in joint ventures with public offer	1,342,773,988.92			1,591,435,838.72		
Operating income	92,777,210.59	2,663,245.69		42,719,787.19	3,084,877.60	
Net profit	-17,471,098.54	-552,724.94	-7,318,882.20	-26,861,012.87	318,880.23	
Other comprehensive income	-327.16			240.52		
Total comprehensive income	-17,471,425.70	-552,724.94	-7,318,882.20	-26,860,772.35	318,880.23	

(3) Main financial information about important associates

☐ Applicable ☒ Not applicable

(4) Main financial information about unimportant joint ventures and associates

☐ Applicable ☒ Not applicable

(5) Note to major restrictions for capital transfer from joint ventures and associates to the Company

☐ Applicable ☒ Not applicable

(6) Excess deficits incurred by joint ventures and associates

☐ Applicable ☒ Not applicable

(7) Unrecognized commitment related to investment in joint ventures and associates

☐ Applicable ☒ Not applicable

(8) Contingent liabilities related to investment in joint ventures and associates

☐ Applicable ☒ Not applicable

4. Major joint operations

☐ Applicable ☒ Not applicable

5. Equity in the structured entities not incorporated into consolidated statements

☐ Applicable ☒ Not applicable

6. Others**X. Risk disclosure related to financial instruments**

The operating activities of the Company may be exposed to a variety of financial risks: credit risks, liquidity risks, and market risks (mainly currency risks and interest rate risks). The overall risk management plan of the Company is designed to reduce the potential adverse impact of the unpredictability of the financial market on the financial performance of the Company.

(I) Credit risk

Credit risks of the Company mainly arise from monetary funds, notes receivable, accounts receivable, and other receivables. The management has formulated appropriate credit policies and continuously monitored credit risk exposure.

Monetary funds held by the Company are mainly deposited in state-owned banks and other large and medium-sized commercial banks, as the management believes that these financial institutions with higher reputation and better financial standing are at lower credit risks.

For notes receivable, accounts receivable, and other receivables, the Company has formulated relevant policies to control credit risk exposure. The Company evaluates the credit qualification of customers and sets the corresponding credit period based on the financial standing of customers, possibility of guarantee from the third party, credit record, and other

factors such as the present market condition. The Company will regularly monitor customers' credit records. For customers with bad credit records, the Company will send a payment reminder, shorten the credit period, or cancel the credit period to ensure that the overall credit risk of the Company is controllable.

As of June 30, 2017, the accounts receivable of the top five customers of the Company account for 50.16% of the total accounts receivable of the Company.

(II) Liquidity risk

Liquidity risk is the risk that the Company is unable to obtain sufficient funds in a timely manner to meet the need of business development or to pay due debts and other payment obligations.

The Company has continuously monitored its short-term and long-term capital needs to maintain sufficient cash reserves. The Company has also continuously monitored compliance with the terms of the Loan Agreement, and obtained commitments on provision of sufficient reserve funds from major financial institutions to meet short-term and long-term capital needs.

As of June 30, 2017, the undiscounted cash flows of financial liabilities based on the due date are shown in the following table:

Item	Closing balance					
	Net book value	Original book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	545,000,000.00	545,000,000.00	545,000,000.00	---	---	---
Accounts payable	118,802,646.01	118,802,646.01	118,802,646.01	---	---	---
Advance receipts	1,267,716,176.21	1,267,716,176.21	1,267,716,176.21	---	---	---
Other payables	1,330,173,622.95	1,330,173,622.95	1,330,173,622.95	---	---	---
Long-term borrowings	1,487,250,000.00	1,487,250,000.00	715,000,000.00	772,250,000.00		
Subtotal of financial liabilities	4,748,942,445.17	4,748,942,445.17	3,976,692,445.17	772,250,000.00	---	---

Continued:

Item	Opening balance					
	Net book value	Original book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	355,000,000.00	355,000,000.00	355,000,000.00	---	---	---
Accounts payable	31,010,953.20	31,010,953.20	31,010,953.20	---	---	---
Advance receipts	923,965,168.05	923,965,168.05	923,965,168.05	---	---	---
Other payables	800,746,883.93	800,746,883.93	800,746,883.93	---	---	---
Long-term borrowings	1,518,000,000.00	1,518,000,000.00	488,000,000.00	1,030,000,000.00		
Subtotal of financial liabilities	3,628,723,005.18	3,628,723,005.18	2,598,723,005.18	1,030,000,000.00	---	---

(III) Market risk

1. Exchange rate risk

Main operation of the Company takes place in China and its main businesses are settled in RMB. As of June 30, 2017, the Company held foreign currency 10,813.43 HKD (equivalent to RMB 9,385.19) only and no foreign currency financial liabilities. Therefore, the overall currency risk is controllable.

2. Interest rate risk

The interest rate risk of the Company mainly arises from bank borrowings. Financial liabilities at a floating rate may expose the Company to the cash flow interest rate risk while financial liabilities at a fixed rate may expose the Company to the fair value interest rate risk. The Company determines the relative proportion of fixed rate contracts to floating rate contracts based on the prevailing market environment.

The financial department of the Company has continuously monitored the interest rate of the Company. The increase in the interest rate will result in increase in the cost of new interest-bearing debts and interest expenses on interest-bearing debts not yet paid by the Company at a floating rate and have a material adverse impact on the Company's financial performance. The management will make adjustments in a timely manner based on the latest market condition, which can be interest rate swap arrangements to reduce interest rate risks.

XI. Disclosure of fair value

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

Unit: yuan

Item	Period-end fair value			
	Level-1 fair value measurement	Level-2 fair value measurement	Level-3 fair value measurement	Total
(I) Persistent fair value measurement	-	-	-	-
(II) Available-for-sale financial assets	469,079.59			469,079.59
(2) Equity instrument investment	469,079.59			469,079.59
II. Non-persistent fair value measurement	-	-	-	-

2. Basis for determination of market pricings of sustainable and non-sustainable Level 1 fair value measurements**3. Qualitative and quantitative information on valuation technique and important parameters used for sustainable and non-sustainable Level 2 fair value measurements****4. Qualitative and quantitative information on valuation technique and important parameters used for sustainable and non-sustainable Level 3 fair value measurements****5. Information on regulation of opening and closing book values and unobservable parameter sensitivity analysis during sustainable Level 3 fair value measurement****6. Causes of inter-level conversion within the current period and policy of conversion time point determination during sustainable fair value measurements****7. Valuation technique changes within the current period and causes thereof****8. Fair values of financial assets and liabilities not measured by fair values****9. Others**

The above-mentioned Items 2 to 9 are not applicable.

XII. Related parties and related party transactions**1. Information on the parent company of the Company**

Name of parent company	Place of registration	Nature of business	Registered Capital	Percentage of the Company's shares held by the parent company	Percentage of the Company's voting shares held by the parent company
Shenzhen SEG Group Co., Ltd.	Shenzhen	Comprehensive business	138,112.16	55.70%	55.70%

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

2. Information on subsidiaries of the Company

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

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

☐ Applicable ☒ Not applicable

4. Information on other related parties

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

Shenzhen Si Semiconductors Co., Ltd.	Subsidiary of shareholders
Shenzhen SEG Plaza Investment & Development Co., Ltd.	Subsidiary of shareholders
Shenzhen talent Training Center	Division of the subsidiary of the controlling shareholder
Huizhou SEG Property Service Co., Ltd.	Holding company of the management of the subsidiary of the controlling shareholder
Guangdong Kaiying Enterprise Management Co., Ltd.	Shareholder of the sub-subsidiary of the controlling subsidiary
Minghao Group	Original shareholder of the sub-subsidiary of the controlling subsidiary
Wang Li	Chairman
Zhang Guangliu	Director
Cao Xiang	Director
Yu Qian	Director
Liu Zhijun	Director, General Manager, finance chief
Zheng Dan	Director, Vice General Manager, Secretary of the Board of Directors
Li Luoli	Independent Director
Song Pingping	Independent Director
Fan Zhiqing	Independent Director
Xu Ning	Chairman of the Board of Supervisors
Tang Chongyin	Supervisor
Liu Fusong	Supervisor
Ru Guiqin	Supervisor

5. Information on related transactions

(1) Connected transaction for the purchase and sales of goods and the provision and acceptance of labor services

List of goods/labor services

Unit: yuan

Related party	Content of connected transaction	Amount incurred in the current period	Approved transaction quota	Exceeding the transaction quota or not	Amount incurred in the previous period
Shenzhen SEG Group Co., Ltd.	Purchase of houses				1,948,700.00
Huizhou SEG Property Service Co., Ltd.	Property management expense	52,929.00			52,929.00
Guangdong Kaiying Enterprise Management Co.,	Project demolition expense	3,000,000.00			

Ltd.					
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List of goods/labor services

Unit: yuan

Related party	Content of connected transaction	Amount incurred in the current period	Amount incurred in the previous period
Shenzhen SEG Group Co., Ltd.	Providing property management service	114,470.94	179,017.80
Shenzhen SEG Group Co., Ltd.	Selling houses		127,515,337.24
Shenzhen SEG Business Operation Co., Ltd.	Providing property management service		410,541.45
SEG Talent Training Center	Providing property management service	102,398.55	
Shen SEG Hi-tech Industrial Co., Ltd.	Providing property management service	91,573.58	

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

Trusted management/contracting of the Company:

Unit: yuan

Name of entrusting/contract issuing party	Name of entrusted party/contractor	Type of entrusted/contracted assets	Starting date	Ending date	Pricing basis for income from entrusted management/contracting	Confirmed trust profit/contracting profit in the reporting period
Shenzhen SEG Group Co., Ltd.	SEG Property Development Co., Ltd.	Underground parking plot of SEG Plaza	May 31, 2000	December 31, 2020	Trusteeship Agreement	68,759.04

List of entrusted management/contracting:

Unit: yuan

Name of entrusting/contract issuing party	Name of entrusted party/contractor	Type of entrusted/contracted assets	Start date	End date	Pricing basis for entrusted management/contracting expenses	Confirmed entrusting /contracting expenses in the reporting period
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(3) Leases between the Company and related parties

The Company acts as the lessor:

☐ Applicable ☒ Not applicable

The Company acts as the lessee:

Name of lessee	Type of leased assets	Rental recognized in the current period	Rental recognized in the previous period
Shenzhen SEG Group Co.,	Warehouse with an area of	...	328,074.00

Ltd.	809.26M ² on 8F, SEG Plaza		
Total		...	328,074.00

(4) Related guarantee

□ Applicable √ Not applicable

(5) Borrowing and lending of related party

Unit: yuan

Related party	Amount of borrowing	Start date	End date	Note
Borrowing				
Shenzhen SEG Group Co., Ltd.	80,000,000.00	April 18, 2016	April 17, 2018	As of June 30, 2017, the balance of borrowing fund is RMB 32,484,663.00, the annual interest rate is 8.00%, and the accrued interest is RMB 2,754,175.58.
Shenzhen SEG Group Co., Ltd.	100,000,000.00	June 17, 2016	June 16, 2018	As of June 30, 2017, the borrowing fund has been paid off, and the accrued interest is RMB 5,739,768.74.
Lending				

(6) Asset transfer and debt restructuring of related party

Unit: yuan

Related party	Content of connected transaction	Amount incurred in the current period	Amount incurred in the previous period
Shenzhen SEG Group Co., Ltd.	Shenzhen SEG Group Co., Ltd. transferred to the Company 55% of the equity of SEG Kangle, 100% of the equity of SEG Property Development, 100% of the equity of SegMaker, and 79.02% of the equity of SEG Real Estate. The underlying assets estimated at RMB 5,157,147,200.00 on the base date of appraisal (March 31, 2016).		

(7) Remuneration of key managers

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key managers	156.35	124.51

6. Accounts receivable from and payable to related parties

(1) Receivables

Unit: yuan

Project name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Huizhou SEG Property Service Co., Ltd.	8,444,755.99		9,512,439.19	
Other receivables	Shenzhen SEG Computers Co., Ltd.	9,950.00		9,950.00	
Other receivables	Shenzhen SEG Group Co., Ltd.	870,591.63		17,552.93	
Other receivables	Shenzhen SEG Business Operation Co., Ltd.			52,040.36	

(2) Payables

Unit: yuan

Project name	Related party	Period-end book balance	Period-end book balance
Dividends payable	Shenzhen SEG Group Co., Ltd.	287,100.00	12,088,800.00
Dividends payable	Shenzhen SEG Computers Co., Ltd.	662,310.00	662,310.00
Dividends payable	Shenzhen SEG Plaza Investment & Development Co., Ltd.	93,080.59	93,080.59
Other payable	Guangdong Kaiying Enterprise Management Co., Ltd.	3,219,050.00	3,219,050.00
Other payable	Shenzhen SEG Group Co., Ltd.	749,856,053.54	171,810,341.05
Other payable	Shen SEG Hi-tech Industrial Co., Ltd.	250,001.05	203,438.70
Other payable	Shen SI Semiconductors Co., Ltd.	30,993.00	30,993.00
Other payable	Shenzhen SEG Plaza Investment & Development Co., Ltd.	921,957.48	921,957.48
Other payable	Minghao Group	68,265,454.60	93,265,454.60

7. Commitment of related parties

8. Others

(1) The Company as the lessee

Names of lessor	Type of leased property	Rental expense recognized in the current period	Rental expense recognized in the previous period
Shenzhen SEG Commercial Operation Branch	8F, Kangle Building	---	223,448.07
Shenzhen SEG Group Co., Ltd.	No. 2 Warehouse (66.7 M ²), B1/F, SEG Plaza	---	72,036.00
Shenzhen SEG Group Co., Ltd.	48 sets of property with total area of 3,907.13 M ²	951,000.00	475,500.00

	including Rooms 1-416, Building 101, SEG Industrial Zone; 1F, Fibre Complex Building; 6F, Nio. 2 workshop; Room 403, Qingyi Complex Building, Nanyuan Road; and Room 1705, Qingan Building and so on ,		
Shenzhen SEG Group Co., Ltd.	61 items of property with total construction area of 9,672.12 M ² ; including 1F, SEG Kangle Building; 8F, Kangle Industrial Building, west area of 8F of No.2 SEG Industrial Building and etc.; 3F, Building 101, Shangbu Industrial Zone; Rooms 506 and etc. of Building 303, Pengji Shangbu apartment for the single; and corridor on 4F between Buildings A and B, No. 101, Zhenxing Road and so on	3,918,666.00	
Total		4,869,666.00	770,984.07

(2) Subsidiaries of the Company as the lessor:

Name of lessee	Type of leased property	Rental expense recognized in the current period	Rental expense recognized in the previous period
Shenzhen SEG Talent Training Center	11F & 4F, Technology Park	---	852,083.55
Shenzhen SEG Group Co., Ltd.	61F & 62F, SEG Plaza	786,891.43	-
Total		786,891.43	852,083.55

XIII. Share-based payment

☐ Applicable ☒ Not applicable

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

Important commitment on the balance sheet date

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

Remaining lease term	Xi'an SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.

Remaining lease term	Xi'an SEG Electronics Market Co., Ltd.	Shenzhen SEG Electronics Market Management Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.
Within one year (including one year)	13,500,000.00	5,289,602.28	---	---	---
Above one year but within two years (including two years)	13,750,000.00	5,448,290.31	---	---	---
Above two years but within three years (including three years)	14,000,000.00	5,611,738.98	---	---	---
Over 3 years	14,187,500.00	1,413,225.21	---	---	---
Total	55,437,500.00	17,762,856.77	Note *1	Note *2	Note *3

(Continued)

Remaining lease term	Suzhou SEG Intelligent Technology Co., Ltd.	Shunde SEG Electronics Market Management Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd.	Suzhou SEG Digital Plaza Management Co., Ltd.	Huizhou Stars Real Estate Development Co., Ltd.
Within one year (including one year)	2,000,000.00	---	---	12,585,711.40	4,739,170.62
Above one year but within two years (including two years)	---	---	---	12,793,808.48	2,264,638.95
Above two years but within three years (including three years)	---	---	---	13,293,241.47	
Over 3 years	---	---	---	45,548,288.87	
Total	2000,000.00	Note *4	Note *5	84,221,050.22	7,003,809.57

(Continued)

Remaining lease term	Suzhou SEG Digital Plaza Management Co., Ltd.	Wuizhou Qunxing Real Estate Development Co., Ltd.	Beijing SEG Property Development Co., Ltd.
Within one year (including one year)	12,585,711.40	4,739,170.62	3,914,826.30
Above one year but within two years (including two years)	12,793,808.48	2,264,638.95	3,963,126.11
Above two years but within three years (including three years)	13,293,241.47		4,269,024.87
Over 3 years	45,548,288.87		13,415,991.15
Total	84,221,050.22	7,003,809.57	25,562,968.42

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

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

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

Note *4: According to the cooperation agreement of the parties, Shunde SEG Electronics Market Management Co., Ltd. agrees that the rents shall be negotiated once a year subject to the supplementary agreement concluded before.

Note *5: Wuxi SEG Electronics Market Co., Ltd. is exempted from the rental within the three years before opening of the Company and pays the rental in the fourth year according to 70% of the pre-tax profits of the electronics market. Therefore, the amount of rental in the future is uncertain.

2. Significant acquisitions or restructuring plan

On February 3, 2016, Shenzhen SEG Co., Ltd. and Shenzhen SEG Group Co., Ltd. entered into the *Framework Agreement on Share Issuance and Cash Payment to Acquire Assets*. The Company intended to purchase the equity of target companies held by SEG Group (including 55% of equity of SEG Kangle, 100% of equity of SEG Property, 100% of equity of SEG SegMaker, and 79.02% of equity of SEG Real Estate) by non-public offering of shares and in cash, and issue private placement to no more than 10 specific investors to raise supporting funds of no more than RMB 2 billion. The supporting funds are used to pay the cash considerations of such transaction, the subsequent investment to the construction project of Xi'an SEG Plaza, and the subsequent investment to the construction project of Shenzhen SEG International Electronics Industry Center by Shenzhen SEG New Urban Construction Development Co., Ltd.

On January 17, 2017, the Company received the *Approval on Shenzhen SEG Co., Ltd.'s Issuing Shares to Shenzhen SEG Group Co., Ltd. to Acquire Assets and Raise Supporting Funds* (Z. J. X. K. [2017] No. 21) issued by the CSRC. On January 19, 2017, the Company completed the business registration formalities for equity changes in SegMaker, SEG Kangle, SEG Property Development, and SEG Real Estate Investment. On January 21, 2017, the newly-added share capital RMB 450,857,239.00 for asset purchase was verified. On February 15, 2017, the Company received the *Acceptance Confirmation of the Application for Share Registration* issued by Shenzhen Branch of China Securities Depository and Clearing Company Limited. As confirmed, 450,857,239 A shares are issued for non-public offering, and the new shares are restricted outstanding shares listed on March 6, 2017.

As of the reporting date, the Company's non-public offering of shares to no more than 10 specific investors is under way.

3. Other important financial commitments

(1) Information on mortgaged assets

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

Owner of property	Name of property	Closing net value	Remarks
Shenzhen SEG Co., Ltd.	4F, SEG Plaza	43,315,741.25	Mortgaged to loan from the bank
Shenzhen SEG Co., Ltd.	Some floors of Contemporary Window	51,476,952.71	Mortgaged to loan from the bank
Shenzhen SEG Co., Ltd.	31F, Stars Plaza	9,150,016.33	Mortgaged to loan from the bank
Shenzhen SEG Co., Ltd.	Other houses	6,572,813.17	Mortgaged to loan from the bank
Shenzhen SEG Real Estate Investment Co., Ltd.	See houses listed in Note VI (30)	28,232,606.94	

Owner of property	Name of property	Closing net value	Remarks
Huizhou Stars Real Estate Development Co., Ltd.	Some houses of SEG Holiday Plaza	119,691,853.07	
Total		258,439,983.47	

(2) Asset pledge

According to the trust loan contract made by and between our sub-subsidiary Shenzhen SEG New Urban Construction Development Co., Ltd. (hereinafter referred to as "SEG New Urban") and Bohai International Trust Co., Ltd. (hereinafter referred to as "Bohai International Trust"), Bohai International Trust shall grant a loan of RMB 500,000,000.00 to SEG New Urban. According to the *Right Pledge Contract* made by and between our subsidiary, Shenzhen SEG Real Estate Investment Co., Ltd. (hereinafter referred to as "SEG Real Estate") and Bohai International Trust, the pledged right is the 52.0461% equity of SEG New Urban held by SEG Real Estate.

(3) Investment

On November 25, 2015, SEG Real Estate, Beijing Zhonghe Agricultural Investment Fund Management Co., Ltd., and Beijing Smart Agricultural Valley Investment Co., Ltd. concluded an agreement on increasing capital for Shenzhen SEG Real Estate Investment & Development Co., Ltd. (hereinafter referred to as "SEG Development") and developing the Pingshan Tiantou Community renovation project. According to the agreement, SEG Real Estate shall contribute RMB 66,670,000.00 cash to SEG Development and hold 40% equity of SEG Development after the contribution. Within 13 months after the agreement takes effect, SEG Real Estate has the right to decide whether to make an actual contribution to SEG Development. If SEG Real Estate fails to make an actual contribution, SEG Real Estate shall be deemed to waive its rights as a shareholder rather than breach the agreement. As of June 30, 2017, the Pingshan Tiantou Community renovation project has not been approved and SEG Real Estate has not contributed to SEG Development.

(4) External guarantee

1) On May 5, 2015, the subsidiary of SEG Real Estate, Huizhou Stars Real Estate Development Co., Ltd. (hereinafter referred to as "Huizhou Stars") and Huizhou Branch of China Construction Bank (hereinafter referred to as "Construction Bank") concluded the *Maximum Residential Housing (Commercial Housing) Loan Guarantee Contract*. According to the contract, Huizhou Stars shall offer phased joint liability guarantees to all debtors establishing a mortgage debtor-creditor relationship with Construction Bank by purchasing commercial houses of the "SEG Holiday Plaza" project at No. 20, Huizhou Avenue between January 23, 2015 and January 23, 2018 until the real estate proprietorship certificates and encumbrance mortgage registration certificates are handled and submitted to Construction Bank. Huizhou Stars shall retain 5% deposits, no more than RMB 3,000,000.

2) On May 6, 2016, the subsidiary of SEG Real Estate, SEG New Urban and Futian Sub-branch of Shenzhen Branch of Bank of Communications (hereinafter referred to as "Bank of Communications") concluded the *Agreement on Residential Housing Mortgage Loan Cooperation*. According to the Agreement, SEG New Urban shall offer joint liability guarantees to all debtors establishing a mortgage debtor-creditor relationship with Bank of Communications by purchasing residential houses of the "SEG New Urban Plaza" project of SEG New Urban at Sanlian Community, Buji Street, Longgang District, Shenzhen until the real estate proprietorship certificates and encumbrance mortgage registration certificates are handled and submitted to Bank of Communications. SEG New Urban does not need to save deposits in Bank of Communications. The term of cooperation is ten years.

3) On May 6, 2016, the subsidiary of SEG Real Estate, SEG New Urban and Shenzhen Diwang Sub-branch of Agricultural Bank of China (hereinafter referred to as "Agricultural Bank of China") concluded the *Agreement on New House Mortgage Loan Bank-Enterprise Cooperation*. According to the Agreement, SEG New Urban shall offer joint liability guarantees to all debtors establishing a residential housing debtor-creditor relationship with Agricultural Bank of China by purchasing commercial houses of the "SEG New Urban Plaza" project of SEG New Urban at Sanlian Community, Buji Street, Longgang District, Shenzhen until the mortgage registration are handled for the purchased houses and right certificates are submitted to Agricultural Bank of China. The term of cooperation is one years. When the term expires, this Agreement can remain in force if both parties agree.

4) On July 4, 2014, the subsidiary of SEG Real Estate, SEG New Urban and Buji Sub-branch of Shenzhen Rural Commercial Bank (hereinafter referred to as "Rural Commercial Bank") concluded the *Agreement on Building Mortgage Credit Granting*. According the Agreement, Rural Commercial Bank shall grant office building and apartment mortgage credits of no more than RMB 200 million without mortgage deposits to the "SEG New Urban Plaza Phase II" project (to be checked against the permit for presale) at Sanlian Community, Buji Street, Longgang District, Shenzhen from July 7,

2016 to July 7, 2019. SEG New Urban shall offer joint liability guarantees until the mortgage registration are handled for the purchased houses and real estate proprietorship certificates are submitted to Rural Commercial Bank.

5) On May 6, 2016, the subsidiary of SEG Real Estate, SEG New Urban and Shenzhen Futian Sub-branch of Shenzhen Branch of China Merchants Bank (hereinafter referred to as "China Merchants Bank") concluded the *Agreement on Building Mortgage Loan Cooperation*. According to the Agreement, SEG New Urban may advise purchasers to apply for loans to China Merchants Bank to purchase houses of the "SEG New Urban Plaza Phase II" project at No. 18, Bulong Road, Buji Sub-district, Longgang District, Shenzhen. The maximum loan amount is 55% of the house price. The loan term shall be no more than ten years. The interest rate shall be subject to the rules of the People's Bank of China. SEG New Urban shall offer unconditional and irrevocable joint liability guarantees for the loans granted by China Merchants Bank to purchasers from the day China Merchants Bank and purchasers conclude loan contracts until the mortgage registration are handled for the purchased houses and real estate proprietorship certificates or real estate encumbrance certificates are submitted to China Merchants Bank.

6) On May 6, 2016, the subsidiary of SEG Real Estate, SEG New Urban and Shenzhen Shangbu Sub-branch of Bank of China (hereinafter referred to as "Bank of China") concluded the *Agreement on Building Mortgage Loan Cooperation*. According to the Agreement, Bank of China shall grant mortgage credits of no more than RMB 300 million to the "SEG New Urban Plaza" project, and the amount of each mortgage loan granted to purchasers shall not exceed 55% of the house price. The loan term shall be no more than ten years. SEG New Urban shall issue a *Guarantee Contract* to Bank of China for each loan applicant. The guarantee period shall last from the day the Contract takes effect until the mortgage registration are handled for the purchased houses and real estate proprietorship certificates or real estate encumbrance certificates are submitted to Bank of China. The Contract shall be valid for three years.

7) On February 7, 2017, SEG New Urban, the subsidiary of SEG Real Estate, signed with China Construction Bank Co., Ltd. Shenzhen Branch (hereinafter referred to as "Construction Bank Shenzhen Branch") the *Contract of Guaranty of Maximum Amount of Borrowing for Individual Housing (Commercial Buildings)*, which stipulates therein that no maximum limit will be fixed in guaranty, which is provided by SEG New Urban from December 31, 2016 to December 31, 2021 in the mode of joint liability based on stages for all the debtors who purchase the individual housing (commercial buildings) locating at "SEG New Urban Plaza" in Sanlian Community, Buji Sub-district, Longgang District, Shenzhen and enter into the relation of mortgage loan with Construction Bank Shenzhen Branch, and that the period of guaranty will commence from the date when Construction Bank Shenzhen Branch signs with the debtor the single borrowing contract and end on the date when the pledge of the property (pre-sale) enters into force and the relevant certification documents are checked and accepted after the borrower submits them to Construction Bank Shenzhen Branch. SEG New Urban Construction Company does not need to deposit any guarantee fund into Construction Bank Shenzhen Branch, and that the term of mutual cooperation is five years.

8) On June 30, 2017, SEG New Urban, the subsidiary of SEG Real Estate, signed with China Citic Bank Co., Ltd. Shenzhen Branch the *Contract of Guaranty of Maximum Amount*, which stipulates therein that SEG New Urban provides the guaranty of maximum amount to the contracts, which form the relationship of debtor-creditor relationship and are signed between China Citic Bank Shenzhen Branch and Shenzhen Zhaocheng Investment Group Co., Ltd. during the period from June 30, 2017 to June 13, 2018, and that the maximum amount for guaranteed creditor's rights is the principal of 210 million yuan together with its interests and default interests and so on. The term of guaranty is two years commencing from the date when the performance of liabilities of the main contract expires or the guaranty will be cancelled on the date when SEG New Urban transfer the ownership of the property purchased by the client to the purchaser.

9) On July 6, 2017, SEG New Urban, the subsidiary of SEG Real Estate, signed with China Citic Bank Co., Ltd. Shenzhen Branch (hereinafter referred to as Citic Bank Shenzhen Branch) the *Contract of Pledge of Maximum Amount*, which stipulates that SEG New Urban provides the security guarantees of maximum amount to the contracts, which form the relationship of debtor-creditor relationship and are signed between China Citic Bank Shenzhen Branch and Shenzhen Zhaocheng Investment Group Co., Ltd. during the period from June 30, 2017 to June 13, 2018, and that the maximum amount for guaranteed creditor's rights is the principal of 260 million yuan together with its interests and default interests and so on. The pawn for the security guarantees is the property of 2F to 5F of Tower 1, SEG New Urban Plaza.

4. Contingencies

(1) Contingencies on the balance sheet date

1) Contingencies arising from pending litigation or arbitration and financial impacts

Plaintiff	Defendant	Case	Amount of subject (RMB 10,000)	Basic information about the case	Progress of the case
Nanning Haiqi Real Estate Development Co., Ltd. ("Nanning Haiqi")	Nanning SEG Electronics Market Co., Ltd. ("Nanning SEG"), Shenzhen SEG Co., Ltd.	Dispute over the lease contract	11.70	Case number: 2016 G. 0102 M. C. No. 4611 Nanning Haiqi alleged that Nanning SEG occupied its shop front located at No. 6, A Zone, 1F, Property Development Plaza, 158 East Renmin Road, Nanning and petitioned the court to order Nanning SEG to pay the occupancy expense of RMB 37,800, liquidated damages of RMB 71,300, and attorney fee of RMB 8,000, and that the Company should bear the joint liability.	The first instance has been decided. The plaintiff has appealed.
Nanning Haiqi Real Estate Development Co., Ltd.	Nanning SEG Electronics Market Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the lease contract	104.19	Case number: 2016 G. 0102 M. C. No. 4612 Nanning Haiqi alleged that Nanning SEG failed to return the house in accordance with the Civil Judgment (2015) X. M. Y. C. Zi. No. 1393 made by the People's Court of Xingning District, Nanning and the <i>Lease Contract for Nanning SEG Electronics Market</i> and petitioned the court to order Nanning SEG to pay for rental and decoration losses of RMB 996,900 and the attorney fee of RMB 45,000, and that the Company should bear the joint liability.	The first instance has been decided. The plaintiff has appealed.
Nanning Haiqi Real Estate Development Co., Ltd.	Nanning SEG Electronics Market Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the lease contract	1,026.30	Case number: 2016 G. 0102 M. C. No. 3653 Nanning Haiqi signed the <i>Lease Contract for Nanning SEG Electronics Market</i> with Nanning SEG and the Company and paid RMB 2,000,000 to Nanning Haiqi for house lease and decoration as specified by the Contract. As the Contract was dissolved by the Civil Judgment (2015) X. M. Y. C. Zi. No. 1393 made by the People's Court of Xingning District, Nanning, Nanning Haiqi requested the Court to order that Nanning SEG should pay Nanning Haiqi RMB 2,000,000 for decoration losses, RMB 8,000,000 as liquidated damages, and RMB 263,000 as the attorney fee, and that the Company should bear the joint liability.	The first instance has been decided. Both the plaintiff and defendant have appealed.
Nanning Yuanpeng Property Service Co., Ltd. ("Nanning Yuanpeng")	Nanning SEG Electronics Market Co., Ltd., Shenzhen SEG Co., Ltd.	Dispute over the property service contract	246.98	Case number: 2016 G. 0102 M. C. No. 3654 Nanning Yuanpeng, Nanning SEG, and the Company signed the <i>Property Management Contract</i> . As Nanning SEG failed to pay the property management fee in due time, Nanning Yuanpeng requested the Court to order that Nanning SEG should pay Nanning Yuanpeng RMB 1,316,200 as the property management fee, RMB 1,070,100 as liquidated damages for delay, and RMB 83,500 as the attorney fee.	Nanning SEG is the prevailing party. The plaintiff has appealed.
Nanning SEG Electronics Market Co., Ltd.	China Construction Bank Nanning Taoyuan Sub-branch ("CCB Taoyuan Sub-branch")	Dispute over the lease contract	88.64	Case number: 2016 G. 0102 M. C. No. 672 As CCB Taoyuan Sub-branch breached the <i>Lease Contract for Nanning SEG Electronics Market</i> , refused to pay the rent, and unreasonably occupied the shop front, Nanning SEG petitioned the court to order CCB Taoyuan Sub-branch to vacate and return the shop front and pay the rent and property management fee in arrears and	The case has been registered but not heard.

				liquidated damages of RMB 886,400.	
Shenzhen SEG Industrial Investment Co., Ltd. ("SEG Industrial")	Shenzhen Wonder Industry Co., Ltd., Liu Guiyun, Liu Yu	Dispute over the purchase and sales contract	839.41	Case number: (2017) Y. 0304 M. C. No. 5092 As Shenzhen Wonder Industry Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 7,899,800 as of January 2017 and overdue fine of RMB 514,300, and that Liu Guiyun and Liu Yu should bear the joint liability.	The first instance has been held and pending.
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Yixin Zhongtian Technology Co., Ltd., Zhe Shaojun, Zhao Xiaoyan, Xinjiang Jiazhaohengye Electronic Technology Co., Ltd., Xinjiang Zhongdi Communication Equipment Co., Ltd.	Dispute over the purchase and sales contract	1,480.57	Case number: (2017) Y. 0304 M. C. No. 5088 As Shenzhen Yixin Zhongtian Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 13,241,700 as of January 2017 and overdue fine of RMB 1,564,000.	The first instance has been held and pending.
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Comnet Technology Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., Shenzhen Baiyide Technology Co., Ltd.	Dispute over the purchase and sales contract	515.54	Case number: (2017) Y. 0304 M. C. No. 7976 As Shenzhen Comnet Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 5,144,200 as of the end of February 2017 and overdue fine of RMB 11,200.	The case has been registered but not heard.
Shenzhen SEG Industrial Investment Co., Ltd.	Shenzhen Runneng Digital Technology Co., Ltd., Xiao Qingshan, Zhou Ronghua, Anhua Meishan Small Loan Co., Ltd., Shenzhen Baiyide Technology Co., Ltd.	Dispute over the purchase and sales contract	1,534.50	Case number: (2017) Y. 0304 M. C. No. 7977 As Shenzhen Runneng Digital Technology Co., Ltd. delayed the payment for goods, SEG Industrial petitioned the court to order the former to make payment for goods of RMB 15,251,100 as of the end of February 2017 and overdue fine of RMB 93,900.	The case has been registered but not heard.
Beijing SEG Property Development Co., Ltd. ("Beijing SEG Property")	Beijing Furao Real Estate Development Co., Ltd.	Dispute over the lease contract	2004.74	Case number: (2016) J. 0102. M. C. No. 21435 Beijing SEG Property and Beijing Furao entered into the <i>Beijing House Lease Contract</i> on May 29, 2015. Beijing SEG Property has fulfilled obligations hereunder, but Beijing Furao still fails to deliver houses at the south section to Beijing SEG Property, which constituted a fundamental breach of contract. Beijing SEG Property requested the court to confirm that the <i>Beijing House Lease Contract</i> and the <i>Supplementary Agreement</i> had been rescinded on July 14, 2016 and to order Beijing Furao to pay the liquidated damages of RMB 8,047,400.	The case has been registered but not heard.

				and return double the deposit of RMB 12,000,000.	
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1. Issued letter of guarantee (L/G) and letter of credit (L/C)

L/G No.	Beneficiary	Bank	L/G amount	Unused amount	Due date
GC1783916000848	Shenzhen Tongchan Group Co., Ltd.	Bank of China, Shenzhen branch	3,510,192.00	3,510,192.00	2018.4.22

Except the above matters, as of June 30, 2017, the Company has no significant matters or contingencies to disclose.

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

The Company has no significant matters or contingencies to disclose.

XV. Events after the balance sheet date

1. Major non-adjustment items

Unit: yuan

Item	Content	Impacted amount of the financial condition and operating result	Reason for failure to estimate the impacted amount
Significant investment	At the 23 rd (Extraordinary) Session of the 7 th Board of Directors held on August 9, 2017, the <i>Resolution on Investing in Shenzhen SEG Yicheng Science and Technology Co., Ltd. and Running SEG Maker Education Technology Experience Museum</i> was deliberated on and passed. The Company intends to contribute with Shenzhen Yingmengxin Science and Technology Co., Ltd. (hereinafter referred to as "Yingmengxin") RMB 10,000,000 to Shenzhen SEG Yicheng Science and Technology Co., Ltd. (hereinafter referred to as "SEG Yicheng", to be registered with the Administration for Industry & Commerce) and SEG Maker Education Technology Experience Museum. The Company will subscribe RMB 5,100,000 (51% share), and Yingmengxin will subscribe RMB 4,900,000 (49% share).		

2. Profit distribution

☐ Applicable ☒ Not applicable

3. Sales return

□ Applicable √ Not applicable

4. Note to other matters after the balance sheet date

□ Applicable √ Not applicable

XVI. Other important matters**1. Accounting error correction in the previous period****2. Debt restructuring****3. Assets exchange****4. Pension plan****5. Termination of business****6. Information on branches****7. Major transactions and matters influencing decision-making of investors**

The above-mentioned Items 1 to 7 are not applicable.

8. Others**(I) Purchase of financial products with idle funds**

On the second shareholders meeting held on July 21, 2014, the *Proposal on Purchase of Financial Products Using Idle Funds of the Company* was passed, which allows the Company and its subsidiaries to invest and manage wealth by using idle funds of no more than RMB 1,000,000,000. The general meeting of the Company approves that the general manager of the Company can make decisions on special projects and the management of the Company executes such decisions. The investment period is from the date of resolution to June 30, 2016 (calculated since the time when the financial product is purchased). At the 2nd extraordinary general meeting (2016) on September 3, 2016, the Company approved the *Proposal on Purchase of Financial Products Using Idle Funds of the Company*, and extended the investment term to June 30, 2019 (calculated from the time when financial products are purchased).

As of June 30, 2017, the amount of financial products purchased by the Company and its subsidiaries is as follows:

Unit: ten thousand yuan

Company name	Shenzhen SEG Co., Ltd.	Wujiang SEG Electronics Market Co., Ltd.	Shenzhen SEG Baohua Enterprise Development Co., Ltd.	Wuxi SEG Electronics Market Co., Ltd.	Xi'an Hairong SEG Electronics Market Co., Ltd.
Amount	10,800.00	1,000.00	8,000.00	800.00	1,940.00

Continued:

Company name	Xi'an Electronics Market Co., Ltd.	Shenzhen SEG Credit Co., Ltd.	Changsha SEG Development Co., Ltd.	Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	SEG Kangle Enterprise Development Co., Ltd.
Amount	1,100.00	100.00	2,700.00	360.00	4,200.00

Continued:

Company name	SEG Property Development Co., Ltd.	Shenzhen SegMaker Co., Ltd.	Shenzhen SEG Real Estate Investment Co., Ltd.	Total
Amount	8,000.00	8,048.00	170.00	47,218.00

XVII. Notes to the parent company financial statements**1. Accounts receivable****(1) Accounts receivable disclosed by type**

Unit: yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable with an significant amount individually, for which bad debt provision is separately accrued	7,163,876.44	71.97%	7,163,876.44	100.00%		7,163,876.44	77.07%	7,163,876.44	100.00%	
Accounts receivable with bad debt provision accrued based on credit risk feature combinations	1,084,566.74	10.90%			1,084,566.74	426,069.15	4.58%			426,069.15
Accounts receivable with an insignificant amount individually, for which bad debt provision is separately accrued	1,705,306.44	17.13%	1,705,306.44	100.00%		1,705,306.44	18.35%	1,705,306.44	100.00%	
Total	9,953,749.62	100.00%	8,869,182.88	89.10%	1,084,566.74	9,295,252.03	100.00%	8,869,182.88	95.42%	426,069.15

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

√ Applicable □ Not applicable

Accounts receivables (by company)	Closing balance			
	Accounts receivables	Bad debt provision	Percentage	Reason for provision
Jiangsu Unicom	3,092,011.09	3,092,011.09	100.00%	Unable to be recovered for aging of over 5 years
Shenzhen Liyuanshun Industrial Co., Ltd.	1,906,865.35	1,906,865.35	100.00%	Unable to be recovered for aging of over 5 years
Shanghai Tianci Industrial Co., Ltd.	899,000.00	899,000.00	100.00%	Unable to be recovered for aging of over 5 years
Zhejiang Financial Information Co., Ltd	786,000.00	786,000.00	100.00%	Unable to be recovered for aging of over 5 years
Sichuan Huiyuan Electronics Co., Ltd.	480,000.00	480,000.00	100.00%	Unable to be recovered for aging of over 5 years

Total	7,163,876.44	7,163,876.44	--	--
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Among the combinations, accounts receivable for which bad debt provision is computed by aging method:

☒ Applicable ☐ Not applicable

Unit: yuan

Aging	Closing balance		
	Accounts receivables	Bad debt provision	Percentage
Sub-item within 1 year			
Within 1 year	1,084,566.74		
Subtotal of accounts aged under 1 year	1,084,566.74		
Total	1,084,566.74		

Note to basis for confirming the combination:

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

☐ Applicable ☒ Not applicable

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

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

Company name	Closing balance			
	Accounts receivables	Bad debt provision	Percentage (%)	Reason for provision
Shenzhen Walmart Zhujiang Department Store	198,348.57	198,348.57	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Shenfang Department Store	162,985.00	162,985.00	100.00	Unable to be recovered for aging of over 5 years
Jiang Weibin	126,925.35	126,925.35	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Jinhua Sheng Electronics Company	85,000.00	85,000.00	100.00	Unable to be recovered for aging of over 5 years
Other 43 units	1,132,047.52	1,132,047.52	100.00	Unable to be recovered for aging of over 5 years
Total	1,705,306.44	1,705,306.44	100.00	-

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

☐ Applicable ☒ Not applicable

(3) Accounts receivable written off in the current period

☐ Applicable ☒ Not applicable

(4) Accounts receivable with top 5 closing balance collected based on debtors

Company name	Closing balance	Percentage in the total amount of accounts receivable	Accrued bad debt provision
Jiangsu Unicom	3,092,011.09	31.06	3,092,011.09
Shenzhen Liyuanshun Industrial Co., Ltd.	1,906,865.35	19.16	1,906,865.35
Shanghai Tianci Industrial Co., Ltd.	899,000.00	9.03	899,000.00
Zhejiang Financial Information Co., Ltd	786,000.00	7.90	786,000.00
Sichuan Huiyuan Electronics Co., Ltd.	480,000.00	4.82	480,000.00
Total	7,163,876.44	71.97	7,163,876.44

(5) Account receivable with its recognition terminated due to transfer of financial assets

□ Applicable √ Not applicable

(6) Assets and liabilities due to transfer of account receivable

□ Applicable √ Not applicable

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

Unit: yuan

Class	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivables with single significant amount and single bad debt provision	14,227,563.86	1.70%	14,227,563.86	100.00%		14,227,563.86	1.90%	14,227,563.86	100.00%	
Accounts receivables with bad debt provision accrued based on credit risk feature combinations	812,775,385.30	96.94%	7,478.53		812,767,906.77	724,666,448.71	96.58%	7,478.53		724,658,970.18
Accounts receivables with an insignificant amount individually, for which bad debt provision is separately accrued	11,373,065.58	1.36%	11,373,065.58	100.00%		11,373,065.58	1.52%	11,373,065.58	100.00%	
Total	838,376,014.74	100.00%	25,608,107.97	3.05%	812,767,906.77	750,267,078.15	100.00%	25,608,107.97	3.41%	724,658,970.18

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

√ Applicable □ Not applicable

Unit: yuan

Other receivables (by company)	Closing balance			
	Other receivables	Bad debt provision	Percentage	Reason for provision
Yangjiang Yuntong Grease Co., Ltd.	8,530,276.35	8,530,276.35	100.00%	Unable to be recovered for aging of over 5 years
Shenzhen Lianjing Trade Co., Ltd.	5,697,287.51	5,697,287.51	100.00%	Unable to be recovered for aging of over 5 years
Total	14,227,563.86	14,227,563.86	--	-

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

√ Applicable □ Not applicable

Unit: yuan

Aging	Closing balance		
	Other receivables	Bad debt provision	Percentage
Sub-item within 1 year			
Within 1 year	7,513,706.16		
Subtotal of accounts aged under 1 year	7,513,706.16		
1-2 years	131,806.58	6,590.33	5.00%
2-3 years	8,882.00	888.20	10.00%
Total	7,654,394.74	7,478.53	0.10%

Note to basis for confirming the combination:

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

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

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

Company name	Closing balance			
	Accounts receivables	Bad debt provision	Percentage (%)	Reason for provision
Shenzhen Tuopu Industrial Co., Ltd.	3,281,387.96	3,281,387.96	100.00	Unable to be recovered for aging of over 5 years
Yunsen Trade Co., Ltd.	1,668,343.74	1,668,343.74	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Shoujia Industrial Development Co., Ltd.	1,611,184.04	1,611,184.04	100.00	Unable to be recovered for aging of over 5 years
Shenzhen Jimeng Industrial	1,358,912.37	1,358,912.37	100.00	Unable to be recovered for

Development Co., Ltd.				aging of over 5 years
Other 18 units	3,453,237.47	3,453,237.47	100.00	Unable to be recovered for aging of over 5 years
Total	11,373,065.58	11,373,065.58	100.00	-

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

The amount of the current accrued bad debt provision is RMB 0.00 yuan.

(3) Other receivable written off in the current period

☐ Applicable ☒ Not applicable

(4) Classification of other receivables by nature

Unit: yuan

Nature of receivables	Period-end book balance	Period-end book balance
Receivables of related parties	803,781,680.78	720,586,858.45
Creditor's right transfer cost	23,457,016.62	25,600,629.44
Imprest	231,993.20	929,258.20
Deposit and security deposit	1,339,309.78	1,338,309.78
Others	9,566,014.36	1,812,022.28
Total	838,376,014.74	750,267,078.15

(5) Other receivables with top 5 closing balance collected based on debtors

Unit: yuan

Company name	Nature of payables	Closing balance	Aging	Percentage in the total amount of closing balance of other receivables	Closing balance of bad debt provision
Nantong SEG Times Plaza Development Co., Ltd.	Loans and interests	750,463,182.67	Within 4 years	89.51%	
Shenzhen SEG Industrial Investment Co., Ltd.	Loans and interests	42,048,490.03	Over 5 years	5.02%	
Suzhou SEG Digital Plaza Management Co., Ltd.	Incomings and outgoings	10,000,000.00	1-2 years	1.19%	
Yangjiang Yuntong Grease Co., Ltd.	Debt restructuring of SEG Orient	8,530,276.35	Over 5 years	1.02%	8,530,276.35
Shenzhen Lianjing Trade Co., Ltd.	Creditor's incomings and outgoings	5,697,287.51	Over 5 years	0.68%	5,697,287.51
Total	-	816,739,236.56	-	97.42%	14,227,563.86

(6) Accounts receivable involving government subsidies

☐ Applicable ☒ Not applicable

(7) Other receivable with its recognition terminated due to transfer of financial assets

☐ Applicable ☒ Not applicable

(8) Assets and liabilities due to transfer or increase of other receivable

☐ Applicable ☒ Not applicable

Other note:

3. Long-term equity investment

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,238,744,056.16		1,238,744,056.16	269,935,426.24		269,935,426.24
Investment in cooperative enterprises and joint ventures	178,225,972.14		178,225,972.14	183,649,044.67		183,649,044.67
Total	1,416,970,028.30		1,416,970,028.30	453,584,470.91		453,584,470.91

(1) Investment in subsidiaries

Unit: yuan

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision	Closing balance of impairment provision
Shenzhen SEG Baohua Enterprise Development Co., Ltd.	20,512,499.04			20,512,499.04		
Shenzhen SEG Industrial Investment Co., Ltd.	29,181,027.20			29,181,027.20		
Changsha SEG Development Co., Ltd.	69,000,000.00			69,000,000.00		
Shenzhen SEG Electronics Market Management Co., Ltd.	2,100,000.00			2,100,000.00		
Suzhou SEG Electronics Market Co., Ltd.	1,350,000.00			1,350,000.00		
Xi'an SEG	1,950,000.00			1,950,000.00		

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision	Closing balance of impairment provision
Electronics Market Co., Ltd.						
Shenzhen SEG Credit Co., Ltd.	59,251,900.00			59,251,900.00		
Shenzhen SEG Nanjing Electronics Market Management Co., Ltd.	20,000,000.00			20,000,000.00		
Xi'an Hairong SEG Electronics Market Co., Ltd.	1,530,000.00			1,530,000.00		
Wujiang SEG Electronics Market Co., Ltd.	1,530,000.00			1,530,000.00		
Wuxi SEG Electronics Market Co., Ltd	1,530,000.00			1,530,000.00		
Shunde SEG Electronics Market Management Co., Ltd.	6,000,000.00			6,000,000.00		
Nanning SEG Electronics Market Management Co., Ltd.	8,000,000.00			8,000,000.00		
Nantong SEG Times Plaza Development Co., Ltd.	30,000,000.00			30,000,000.00		
Suzhou SEG Digital Plaza Management Co., Ltd.	8,000,000.00			8,000,000.00		
Xi'an						

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrued impairment provision	Closing balance of impairment provision
Fengdong New Town SEG Times Plaza Real Estate Co., Ltd.						
Suzhou SEG Intelligent Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Shenzhen SEG Longyan Energy Technology Co., Ltd.		82,500,000.00		82,500,000.00		
SEG Lianzhong Internet Technology Co., Ltd.		8,250,000.00		8,250,000.00		
Shenzhen SEG Zhongtong Technology Co., Ltd.		980,000.00		980,000.00		
Shenzhen SegMaker Co., Ltd.		238,750,258.57		238,750,258.57		
SEG Kangle Enterprise Development Co., Ltd.		34,025,375.47		34,025,375.47		
SEG Property Development Co., Ltd.		61,749,318.18		61,749,318.18		
Shenzhen SEG Real Estate Investment Co., Ltd.		542,553,677.70		542,553,677.70		
Total	269,935,426.24	877,078,629.92	-	1,238,744,056.16		

(2) Investment in cooperative enterprises and joint ventures

Unit: yuan

Investee	Opening balance	Increase/Decrease of the year								Closing balance	Closing balance of impairment provision
		Additional investment	Negative investment	Investment profit or loss confirmed under the equity method	Adjustment of other comprehensive income	Other equity changes	Issued cash dividends or profits	Accrued impairment provision	Others		
1. Cooperative enterprise											
2. Associate											
Shanghai SEG Electronics Market Co., Ltd.	2,551,558.06			-193,453.73						2,358,104.33	
Shenzhen Huakong SEG Co., Ltd.	174,552,073.99			-3,033,891.98	-62.16					171,518,119.85	
Shenzhen International Consumer Electronics Exchange/Exhibition Center Co., Ltd.	6,545,412.62			-2,195,664.66						4,349,747.96	
Subtotal	183,649,044.67			-5,423,010.37	-62.16					178,225,972.14	
Total	183,649,044.67			-5,423,010.37	-62.16					178,225,972.14	

4. Operating income and operating cost

Unit: yuan

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	48,543,360.95	35,675,486.34	51,626,681.87	36,890,488.44
Total	48,543,360.95	35,675,486.34	51,626,681.87	36,890,488.44

5. Investment income

Unit: yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income by the cost method	45,941,526.55	-4,826,750.85
Long-term equity investment income by the equity method	-5,423,010.37	32,747,355.51
Others	14,401,051.12	17,841,726.10

Item	Amount incurred in the current period	Amount incurred in the previous period
Total	54,919,567.30	45,762,330.76

XV. Supplemental information

1. Details on non-recurring profit or loss

☒ Applicable ☐ Not applicable

Unit: yuan

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	-111,492.83	
Government subsidies included in current profit or loss (except those closely related with corporate business and enjoyed according to national standards or certain quota)	3,716,243.11	
Fund appropriation charges for non-financial entities recognized in current profit or loss	1,676,532.33	
Current net profit or loss of subsidiaries arising from merger of enterprises under common control from the beginning of the period to the date of merger	10,632,970.72	
Trustee fee from entrusted operation	68,759.04	
Other non-operating income and expenses except the above-mentioned items	10,467,166.60	
Less: Amount of affected income tax	3,242,832.45	
Influenced amount of minority shareholders' equity	3,977,444.37	
Total	19,229,902.15	--

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

☐ Applicable ☒ Not applicable

2. Return on equity and earnings per share

Profit in report period	Weighted average ROE	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	2.67	0.0405	0.0405
Net profit attributable to common shareholders of the Company after deduction of recurring profit or loss	1.77	0.0265	0.0265

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

Chapter 11 Documents Available for Reference

- (1) The Financial Statements with signatures and seals of the legal person, the responsible person of accounting work and the responsible person of the accounting institution;
- (2) The original copies of all the files and the manuscripts of public notices of the Company which were disclosed on the newspapers specified by CSRC in the reporting period.