

FOSHAN ELECTRICAL AND LIGHTING CO., LTD.

ANNUAL REPORT 2017

March 2018

Part I Important Statements, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Foshan Electrical and Lighting Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representations, misleading statements or material omissions in this Report.

He Yong, the Company’s legal representative, Liu Xingming, the Company’s General Manager, and Tang Qionglan, the Company’s Chief Financial Officer (CFO) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All directors have attended in person the board session for reviewing this report except the following:

Name	Position	Reason for not attending the session in person	Name of the proxy
Lv Wei	Independent Director	On business	Lu Rui

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

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

The Company has described in detail in this Report the risk of market competition, the risk of rising labor costs, the risk of rising raw material prices, the risk of falling prices of inventories, the risk of exchange rate fluctuations and the risk of doubtful receivable accounts. Please refer to “Possible Risks” in “Outlook of the Company’s Future Development” in “Part IV Company Performance Discussion and Analysis” of this Report.

The Board has considered and approved the following dividend payout proposal for the Reporting Period: based on the total shares of 1,272,132,868, a cash dividend of RMB 3.29 (tax inclusive) per 10 shares would be distributed to all the common shareholders, with the share dividend being 0 shares (tax inclusive) per 10 shares to be converted from retained earnings and 1 share per 10 shares to be converted from capital reserves.

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Definitions

Term	Definition
The “Company”, “FSL” or “we”	Foshan Electrical and Lighting Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
Parent, Parent Company	Foshan Electrical and Lighting Co., Ltd. exclusive of subsidiaries, except where the context otherwise requires
GRAM	Guangdong Rising Assets Management Co., Ltd.
Electronics Group	Guangdong Electronics Information Industry Group Ltd.
GD Rising Finance	Guangdong Rising Finance Holding Co., Ltd.
Shenzhen Rising Investment	Shenzhen Rising Investment Development Co., Ltd.
Hong Kong Rising Investment	Hong Kong Rising Investment Development Limited
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Meeting of Shareholders	Meeting of shareholders of Foshan Electrical and Lighting Co., Ltd.
Board of Directors	Board of directors of Foshan Electrical and Lighting Co., Ltd.
Supervisory Board	Supervisory board of Foshan Electrical and Lighting Co., Ltd.
Annual report auditor	Beijing Zhongzhengtiantong Certified Public Accountants LLP
RMB, RMB’0,000	In RMB yuan, in RMB ten thousand yuan

Part II Corporate Profile and Key Financial Information

I Corporate Information

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

II Contact Information

	Board Secretary	Securities Representative
Name	Lin Yihui	Huang Yufen
Address	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China	No. 64, Fenjiang North Road, Chancheng District, Foshan City, Guangdong Province, P.R.China
Tel.	(0757) 82810239	(0757) 82966028
Fax	(0757) 82816276	(0757) 82816276
Email address	fsl-yh@126.com	fslhyf@163.com

III Media for Information Disclosure and Place where this Report Is Kept

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

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

Unified social credit code	91440000190352575W
Change in main business scope of the Company since going public (if any)	No change
Change of controlling shareholder (if any)	No change

V Other Information

Independent certified public accounting (or "CPA") firm hired by the Company:

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

Independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

Independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	2017	2016	2017-over-2016 change	2015
Operating revenue (RMB)	3,800,188,261.54	3,366,454,968.60	12.88%	2,876,659,100.63
Net income attributable to shareholders of the listed company (RMB)	740,308,725.30	1,072,342,050.13	-30.96%	53,405,593.12
Net income attributable to shareholders of the listed company before nonrecurring gains and	353,549,021.39	351,237,317.17	0.66%	150,093,497.33

losses (RMB)				
Net cash flows from operating activities (RMB)	215,821,192.79	289,978,768.48	-25.57%	188,325,189.43
Basic earnings per share (RMB/share)	0.5819	0.8429	-30.96%	0.042
Diluted earnings per share (RMB/share)	0.5819	0.8429	-30.96%	0.042
Weighted average return on equity (%)	15.14%	21.40%	-6.26%	1.27%
	December 31, 2017	December 31, 2016	Change of December 31, 2017 over December 31, 2016	December 31, 2015
Total assets (RMB)	5,675,811,824.29	6,100,169,400.30	-6.96%	6,048,296,432.78
Equity attributable to shareholders of the listed company (RMB)	4,779,115,459.39	4,990,466,577.12	-4.24%	5,023,546,888.12

VII Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Income and Equity Differences under CAS and IFRS

Applicable Not applicable

No such differences for the Reporting Period.

2. Net Income and Equity Differences under CAS and Foreign Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,093,649,938.81	930,275,644.03	926,328,050.98	849,934,627.72
Net income attributable to shareholders of the listed company	119,874,574.94	108,620,085.63	450,036,365.74	61,777,698.99
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	119,491,016.83	107,693,216.87	65,754,068.84	60,610,718.85

Net cash flows from operating activities	-50,923,130.47	19,859,943.25	-72,743,338.89	319,627,718.90
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Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

Yes No

IX Nonrecurring Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2017	2016	2015	Note
Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments)	176,540,060.61	-5,776,457.37	-8,172,702.85	Sale of the Company's entire stake in Qinghai Fozhao Lithium Energy Exploitation Co., Ltd. in Current Period
Government subsidies charged to current gains and losses (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)	1,185,148.00	1,669,377.53	4,780,007.27	
Gains and losses on changes in fair value of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	269,362,165.95	853,216,065.17	19,472,654.77	Sale in Current Period through stock exchange's public centralized quotation system of shares of Guoxuan High-Tech stock held by the Company
Reversed portion of impairment allowance for accounts receivable on which impairment test is carried out separately		3,535,749.69		
Non-operating income and expense other than above	1,640,395.69	-4,774,788.19	-130,293,226.71	
Other gains and losses that meet definition of nonrecurring gain/loss			944,428.72	
Less: Income tax effects	61,971,050.60	127,331,306.57	-16,925,475.37	
Non-controlling interests effects (net of tax)	-2,984.26	-566,092.70	344,540.78	

Total	386,759,703.91	721,104,732.96	-96,687,904.21	--
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Explanation of why the Company classifies an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassifies any nonrecurring gain/loss item listed in the said explanatory announcement as a recurring gain/loss:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Main Business Scope of the Company in Reporting Period

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

No.

1. The Company's Main Business Scope or Products

We design, manufacture and market high-quality, green and energy-efficient lighting products and electrical equipment, as well as provide comprehensive lighting and electrical solutions. Our products mainly include electrical products such as LED lighting products and fixtures, traditional lighting products and switches, which are widely used for indoor and outdoor lighting, landscape lighting, motor vehicle lighting and buildings' electrical switch systems, among others. Currently, we have three major operating divisions, namely, lighting, electrical products and vehicle lighting. Upon years of development, we have won quite many honors such as the title of "The King of Lamps in China", and our "FSL" and "Fenjiang" brands have been certified as "Famous China Brands".

2. Main business models

(1) Procurement model

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

(2) Production models

① Production of the conventional products

Concerning the conventional products, we analyze sales of every month and predict future market demand so as to formulate a production plan for the coming month. And our workshops produce according to the plan to avoid extra stock and at the same time ensure that there is enough for sale.

② Production according to orders

Different from the conventional lighting products which are of little variation in specifications, LED lighting

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

③ Combination of independent production and outsourcing

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

(3) Sales model

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

3. Main driving forces for growth

The Reporting Period saw unfavorable factors such as fierce competition, price battles, rising raw material and labor costs and the appreciation of RMB. However, relying on its advantages in technology, brand, channel, and scale, the Company consistently pushed forward the technology upgrade of main products through continual R&D investment and technological innovation so as to improve the quality of its products. It also strengthened marketing and optimized the structure of its products to be sold. Additionally, it effectively controlled procurement cost and improved production efficiency by way of a higher level of automation in manufacturing. As a result, the Company's comprehensive competitiveness has increased further and its operating revenue kept growing in a steady manner.

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

The recent years have witnessed the rapid rise of the LED lighting technology. Due to the sharp drop in their cost and their remarkable performance in energy saving & emission reduction, LED lighting products have been

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

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

II Material Change in Main Assets

1. Material Change in Main Assets

Main assets	Reason for material change in the period
Property, plant and equipment	No material change
Intangible assets	No material change
Construction in progress	The closing amount increased 127.78% from the opening amount mainly due to increase in ongoing construction projects

2. Main Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

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

No.

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

Channel advantage

The Company has been sticking to the marketing strategy of deeply focusing and refining channels. Through years of development and experience accumulation, the Company currently has four major sales channels for the domestic market, which contains the circulation and wholesales channel, the exclusive shop channel, the E-business retail channel, and the engineering commercial lighting channel, forming a marketing network covering the whole country. And the Company primarily serves as an OEM partner for internationally famous lighting companies and sells its own FSL-branded products on the overseas market. Relying on strong and perfect sales channels, products of the Company can rapidly enter the market, which has significantly improved the Company's market development capability and competitiveness.

Brand advantage

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

Technology advantage

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

Scale advantage

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

Part IV Company Performance Discussion and Analysis

I Overview

(I) Summary

China still saw a harsh and complicated economic development at home and abroad during 2017. Internationally, the world economy continued to recover with stronger power for growth, whereas political and economic factors caused an anti-globalization tide where certain economies called for the return of its international companies from abroad, increasing trade conflicts, more volatile currency exchange rates and dramatic political changes. Domestically, China's economy entered a "New Normal" state steadily, with intensive and tight real estate macro-controls. Regarding the lighting industry, it is shifting from fast development to a period characterized by slowdown in growth along with the general economic trend, with high costs of raw materials squeezing companies' space for profits. In face of the complicated economic environment and the fierce industry-wide competition, the Company adapted to the "New Normal" state of China's economy by closely adhering to the strategic objectives of "Cutting-Edge Technologies, Internationally-Famous Brands and Large-Scale Production" the Board had put forward, continually encouraging innovation through more investments, expanding its markets, building its brands, upgrading management and increasing its core competitiveness.

For 2017, the Company achieved operating revenue of RMB 3,800.1883 million, up 12.88% from the year earlier, and net income attributable to the shareholders of the listed company of RMB 740.3087 million, down 30.96% compared to last year. Net income decreased primarily because of a 46.63% drop in investment income from RMB 853.2161 million generated in 2016 by selling 29,270,000 shares of Guoxuan High-tech's stock to RMB455.3777 million generated in 2017 by selling 8,770,400 shares of Guoxuan High-tech's stock and a 38% stake in Qinghai Fozhao Lithium Energy Exploitation Co., Ltd.

(II) Major Work in 2017

1. Continued to increase investment in R&D and innovation, and strengthened core competitiveness of the Company

During the Reporting Period, the Company closely focused on its strategic goals to continue increasing new product development, technology upgrades and process improvements, and enhance product market competitiveness of the Company. In 2017, the Company was guided by market demands to develop 385 series of new products and 27 series of technological processes, which included main products such as indoor lighting,

household products and commercial lighting. Sales revenue came from new products reached RMB1.145 billion. At the same time, the Company increased investment in smart lighting. Through the cooperation with external scientific research institutes and smart companies, the designs of wired and wireless schemes for the three intelligent lighting control systems and supporting smart lighting products were completed, which helped the Company to prepared well for the launch of smart lighting products in 2018.

2. Deepened market development and built a multi-dimensional market structure

In 2017, the Company piloted a new operation mode, and deeply tapped the development potential of each channel based on the promotion of new products to build a market structure in which domestic, foreign, online, and offline multi-dimensional markets are closely interacting and developing collaboratively. In the domestic market, the wholesale channels adopted new operation modes to standardize market prices, achieve the sharing of interests and ensure long-term beneficial development of the market; in the meanwhile, establishment of special stores was expanded and accelerated to set up greater special stores to offer better experiences, and during the year, 443 new stores were set up. In respect of e-commerce channel, in addition to the flagship stores opened by Tmall, Jingdong and Suning Tesco, new professional e-commerce channel distributors were developed to cooperate with platform promotion activities to promote product differentiation, and thus won competition share and formed a retail mode for online and offline communication. In the development of engineering channel, the Company successfully entered into contracts on the centralized purchasing projects with Evergrande Real Estate, Times Property, Guangwu Real Estate, Galaxy Real Estate and Heneng Group and other real estate firms, which fully recognized products of the Company, and thus greatly enhanced the brand influence of the Company. In terms of overseas sales, the Company continued to maintain and develop key customers by R&D and services to increase order quantities of individual customer, actively developed new customers and made major breakthroughs in weak areas. During the Reporting Period, more than 200 new customers were developed, including three key customers, which increased the Company's overseas sales. Efforts were continuously put on brand promotion, channel construction and product development of FSL's independent brands to further increase the publicity and reputation of FSL brands overseas, constantly improve overseas channel network layout, and develop different products for different regional markets. During the Reporting Period, the sales revenue from products under the Company's own brands increased by 37%.

3. Comprehensively promoted brand building and remodeled brand value

In 2017, the Company comprehensively promoted brand building of FSL and FSL Electric Technology. On the traditional media TV, it signed the 2018 strategic cooperation agreement with CCTV, and planned to place advertisements on CCTV in 2018. On the Internet, it cooperated with Baidu Promotion and conducted in-depth

brand communication in WeChat and other social media platforms to attract more online click-through rates. In terms of outdoor advertisement, seats advertisements and posters were placed on the Beijing-Guangzhou high-speed rail line. On the advertising channel of the industry, information on new products and the Company were published from time to time in “DAZHAOMING”, and strengthened company branding by holding activities like Designers’ Assistance and sponsoring influential competitions of the industry. At the same time, the Company participated in international and domestic large-scale exhibitions and released various series of new products with different specifications. Through approach to different channels, the Company brand image had been further enhanced to a middle and high end gradually.

4. Actively developed new business and rapidly developed electric technology

2017 was the first whole year for full-scale operation of the Company’s holding subsidiary Zhida Electric Technology. The Company created high-quality creative switch products by innovations of product technology, appearance and innovation. It encouraged distributors by integration of existing channel resources, development of core distributors and the full implementation of the county and township regional exclusive agency policy of "Who sows, who reaps". In addition, it greatly improved the brand publicity of FSL Electric Technology by activities such as WeChat red packet promotion, hydroelectricity conferences and centralized promotion with brand promotion of the Company, and thus increased the sales of electric technology business. At present, Zhida Electric Technology owns 216 first-tier contributors and more than 4,800 terminal outlets. It also entered into strategic cooperation agreements with 7 real estate developers such as Evergrande Real Estate and Kangqiao Real Estate, and 5 decoration companies such as Gold Mantis and Grandland, building a good base for the future development of KA channel of Zhida Electric Technology. During the Reporting Period, We gained sales revenue in electrical engineering equipment of RMB 128.5913 million.

5. Breakthroughs in the development of automotive lighting and new impetus for the Company development

The company seized the opportunity of transformation and upgrading of automotive lighting industry from traditional light sources to LED automotive lighting, gave full play to the Company’s accumulated advantages in the traditional light source of car lights and cut into the LED automotive lighting business. In August 2017, the Company established the Automotive Lamp Department to achieve flat management of automotive lamp business. By increasing R&D investment and introducing automated production lines, the Company's LED automotive lamp products now cover LED headlights, LED-assisted lamps and LED rear lights. At the same time, it intensified efforts in market development and had succeeded in reaching cooperation with Dongfeng Nissan, Dongfeng Liuzhou Automobile, BAIC Yinxiang, Geely, Chery, Changfeng Leopard, Lifan Motors and other well-known domestic automotive OEMs. The sales revenue of LED auto lighting business increased by 225% year-on-year,

and added new impetus for the Company development.

II Analysis of Main Business

1. Summary

See “Part IV Company Performance Discussion and Analysis”, “I Overview” herein.

2. Revenue and Cost

(1) Breakdown of Operating Revenue

Unit: RMB

	2017		2016		Change
	Revenue	Percentage of total operating revenue (%)	Revenue	Percentage of total operating revenue (%)	
Total	3,800,188,261.54	100%	3,366,454,968.60	100%	12.88%
By operating division					
Lighting products and fixtures	3,800,188,261.54	100.00%	3,366,454,968.60	100.00%	12.88%
By product category					
LED lighting products	2,629,174,231.52	69.19%	2,045,681,465.82	60.77%	28.52%
Traditional lighting products	1,015,201,248.68	26.71%	1,293,539,060.72	38.42%	-21.52%
Electrical products	128,591,276.67	3.38%			
Other	27,221,504.67	0.72%	27,234,442.06	0.81%	-0.05%
By operating segment					
China	2,311,103,467.42	60.82%	2,147,742,100.25	63.80%	7.61%
Overseas	1,489,084,794.12	39.18%	1,218,712,868.35	36.20%	22.19%

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Income

Applicable Not applicable

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

No.

Unit: RMB

	Operating revenue	Cost of operating revenue	Gross margin percentage	YoY change in operating revenue	YoY change in cost of operating revenue	YoY change in gross margin percentage
By operating division						
Lighting products and fixtures	3,800,188,261.54	2,940,069,129.71	22.63%	12.88%	16.75%	-2.57%
By product category						
LED lighting products	2,629,174,231.52	2,088,567,069.13	20.56%	28.52%	31.93%	-2.05%
Traditional lighting products	1,015,201,248.68	745,553,284.02	26.56%	-21.52%	-18.66%	-2.58%
Electrical products	128,591,276.67	89,456,617.22	30.43%			
Other	27,221,504.67	16,492,159.34	39.41%	-0.05%	-10.61%	7.16%
By operating segment						
China	2,311,103,467.42	1,697,439,056.07	26.55%	7.61%	6.47%	0.78%
Overseas	1,489,084,794.12	1,242,630,073.64	16.55%	22.19%	34.50%	-7.64%

Main business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes No

Operating division	Item	Unit	2017	2016	Change
Lighting products and fixtures	Unit sales	Piece	868,749,877	871,948,420	-0.37%
	Output	Piece	852,675,184	881,564,257	-3.28%
	Inventory	Piece	117,711,225	133,785,918	-12.02%

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

Applicable Not applicable

(4) Execution Progress of Major Signed Sales Contracts in Reporting Period

Applicable Not applicable

(5) Breakdown of Cost of Operating Revenue

By operating division and product category

Unit: RMB

Operating division	Item	2017		2016		Change
		Cost of operating revenue	Percentage of total cost of operating revenue (%)	Cost	Percentage of total cost of operating revenue (%)	
Lighting products and fixtures		2,940,069,129.71	100.00%	2,518,164,099.97	100.00%	16.75%
Lighting products and fixtures	Raw materials	2,139,903,308.07	72.78%	1,696,469,566.51	67.37%	26.14%
Lighting products and fixtures	Labor cost	500,797,273.73	17.03%	504,117,326.14	20.02%	-0.66%
Lighting products and fixtures	Depreciation and other	282,876,388.57	9.62%	299,126,920.36	11.88%	-5.43%
Lighting products and fixtures	Other	16,492,159.34	0.56%	18,450,286.96	0.73%	-10.61%

Unit: RMB

Product category	Item	2017		2016		Change
		Cost of operating revenue	Percentage of total cost of operating revenue (%)	Cost of operating revenue	Percentage of total cost of operating revenue (%)	
LED lighting products	Raw materials	1,658,258,780.94	56.40%	1,139,950,591.51	45.27%	45.47%
LED lighting products	Labor cost	320,338,525.94	10.90%	264,639,920.23	10.51%	21.05%
LED lighting products	Depreciation and other	109,969,762.25	3.74%	178,506,859.97	7.09%	-38.39%
LED lighting products	Subtotal	2,088,567,069.13	71.04%	1,583,097,371.71	62.87%	31.93%
Traditional lighting products	Raw materials	412,293,959.50	14.02%	556,518,975.00	22.10%	-25.92%
Traditional lighting products	Labor cost	167,854,073.03	5.71%	239,477,405.91	9.51%	-29.91%
Traditional lighting products	Depreciation and other	165,405,251.49	5.63%	120,620,060.39	4.79%	37.13%
Traditional lighting products	Subtotal	745,553,284.02	25.36%	916,616,441.30	36.40%	-18.66%

Electrical products	Raw materials	69,350,567.63	2.36%			
Electrical products	Labor cost	12,604,674.76	0.43%			
Electrical products	Depreciation and other	7,501,374.83	0.26%			
Electrical products	Subtotal	89,456,617.22	3.04%			
Other products and services	Other	16,492,159.34	0.56%	18,450,286.96	0.73%	-10.61%
Total		2,940,069,129.71	100.00%	2,518,164,099.97	100.00%	16.75%

(6) Change in Scope of Consolidated Financial Statements for Reporting Period

Yes No

1、FSL Europe GmbH, a new subsidiary 100% owned by the Company with a registered capital of EUR25,000, was newly included into the Company's consolidated financial statements of the Reporting Period.

2、A creditor of subsidiary Suzhou Mont Lighting Co., Ltd. (Suzhou Mont) applied to the court for Suzhou Mont's bankruptcy. On June 2, 2016, the Suzhou Industrial Park court appointed Jiangsu Yingyuan Law Firm to be Suzhou Mont's custodian through the Decision (2016) Suzhou 0591 Civil Bankruptcy No. 03. And the control of the Company over Suzhou Mont has ceased since that day. Pursuant to the accounting standards for business enterprises, the Company has excluded Suzhou Mont from its consolidation scope.

(7) Major Change in Business Scope or Product or Service Range in Reporting Period

Applicable Not applicable

(8) Main Customers and Suppliers

Main customers:

Total sales to top five customers (RMB)	597,183,160.80
Total sales to top five customers as a percentage of total sales of Reporting Period (%)	15.72%
Total sales to related parties among top five customers as a percentage of total sales of Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue generated (RMB)	Percentage of total sales of Reporting Period (%)
1	Customer A	234,665,863.31	6.18%
2	Customer B	122,733,845.02	3.23%
3	Customer C	122,393,439.52	3.22%
4	Customer D	65,196,701.18	1.72%
5	Customer E	52,193,311.77	1.37%
Total	--	597,183,160.80	15.72%

Other information about the main customers:

Applicable Not applicable

None of the top five customers is a related party of the Company.

Main suppliers:

Total purchases from top five suppliers (RMB)	354,148,637.74
Total purchases from top five suppliers as a percentage of total purchases of Reporting Period (%)	15.64%
Total purchases from related parties among top five suppliers as a percentage of total purchases of Reporting Period (%)	4.08%

Information about top five suppliers:

No.	Supplier	Payment for purchases (RMB)	Percentage of total purchases of Reporting Period (%)
1	Supplier A	94,588,261.29	4.08%
2	Supplier B	88,306,378.54	3.90%
3	Supplier C	69,978,442.82	3.09%
4	Supplier D	67,937,029.09	3.00%
5	Supplier E	33,338,526.00	1.47%
Total	--	354,148,637.74	15.64%

Other information about the main suppliers:

Applicable Not applicable

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

3. Expense

Unit: RMB

	2017	2016	Change	Reason for material change
Selling expenses	213,812,639.74	204,777,965.73	4.41%	
Administrative expenses	213,580,974.54	211,412,262.47	1.03%	
Finance costs	10,972,282.52	-28,457,453.89	138.56%	Increase in currency exchange loss driven by RMB appreciation and growing exports

4. Research and Development Expense

Applicable Not applicable

The Company always took science and technology as the first priority, paid attention to technology R&D, constantly researched and developed new products and technologies meeting market demands, promoted the optimization and upgrade of product structure, improved the technology content of products, and improved the core competitiveness of the Company. Meanwhile, the Company strengthened the research on technique and technology of products, so as to cut down product cost and improve quality. In the Reporting Period, the Company spent a total of RMB127.98 million on R&D, accounting for 3.37% of the operating revenue of the Reporting Period.

Details about R&D expense:

	2017	2016	Change
Number of R&D personnel	260	259	0.39%
R&D personnel as a percentage of total employees	2.82%	2.78%	0.04%
R&D expense (RMB)	127,982,819.06	110,070,467.56	16.27%
R&D expense as a percentage of operating revenue	3.37%	3.27%	0.10%
Capitalized R&D expense (RMB)	0.00	0.00	
Capitalized R&D expense as a percentage of total R&D expense	0.00%	0.00%	

Reason for any significant YoY change in the proportion of R&D expense in operating revenue:

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2017	2016	Change
Subtotal of cash generated by operating activities	3,792,544,040.88	3,266,614,809.01	16.10%
Subtotal of cash used in operating activities	3,576,722,848.09	2,976,636,040.53	20.16%
Net cash flows from operating activities	215,821,192.79	289,978,768.48	-25.57%
Subtotal of cash generated by investing activities	366,096,873.47	982,592,873.51	-62.74%
Subtotal of cash used in investing activities	946,893,845.08	720,093,967.08	31.50%
Net cash flows from investing activities	-580,796,971.61	262,498,906.43	-321.26%
Subtotal of cash generated by financing activities		10,000,000.00	-100.00%
Subtotal of cash used in financing activities	539,956,095.34	15,901,660.85	3,295.60%
Net cash flows from financing activities	-539,956,095.34	-5,901,660.85	-9,049.22%
Net increase in cash and cash equivalents	-909,099,433.58	545,737,534.17	-266.58%

Explanation of why any of the data above varies materially:

Applicable Not applicable

1. Cash generated by investing activities decreased 62.74% during the current year compared to last year, primarily driven by a sharp drop in shares of Guoxuan High-Tech's stock sold by the Company through the stock exchange's public centralized quotation system.
2. Cash used in investing activities increased 31.50% during the current year compared to last year, primarily driven by a higher amount of investments in bank's principal-protected wealth management products and structured deposit products by the Company with its own idle money.
3. Net cash flows from investing activities decreased 321.26% during the current year compared to last year, primarily driven by a sharp drop in shares of Guoxuan High-Tech's stock sold by the Company through the stock exchange's public centralized quotation system.
4. Cash generated by financing activities decreased 100.00% during the current year compared to last year,

primarily driven by last year's cash received from minority shareholder investments by subsidiaries.

5. Cash used in financing activities increased 3,295.60% during the current year compared to last year, primarily driven by a sharp increase in cash dividend distributed.

6. Net cash flows from financing activities decreased 9049.22% during the current year compared to last year, primarily driven by a sharp increase in cash dividend distributed.

7. Net increase in cash and cash equivalents decreased 266.58% during the current year compared to last year, primarily driven by decreases in net cash flows from investing and financing activities.

Reason for any material difference between the net operating cash flows and the net income of the Reporting Period:

Applicable Not applicable

For the Reporting Period, the net operating cash flows stood at RMB215,821,192.79 while the net income stood at RMB745,820,319.26, representing a difference of RMB-529,999,126.47, primarily driven by the Company's sale of some shares of Guoxuan High-Tech's stock, as well as by the Company's sale of its whole stake in Qinghai Fozhao Lithium Energy Exploitation Co., Ltd. in the current year.

III Non-Core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Percentage of pretax income (%)	Source/Reason	Recurring or not
Investment income	522,604,626.66	59.88%	Sale of certain shares of Guoxuan High-tech's stock and stake in Qinghai Fozhao Lithium Energy Exploitation Co., Ltd. & receipt of dividend from investee	Not
Asset impairments	34,774,814.13	3.98%	Allowances for doubtful accounts and inventory valuation	Not
Non-operating income	3,420,866.46	0.39%	Government subsidies received and others	Not
Non-operating expense	8,329,138.20	0.95%	Disposal of non-current assets	Not

IV Analysis of Assets and Liabilities

1. Material Change in Asset Composition

Unit: RMB

	December 31, 2017		December 31, 2016		Change in percentage (%)	Reason for material change
	Value	Percentage of total assets (%)	Value	Percentage of total assets (%)		
Monetary assets	570,184,208.96	10.05%	1,479,283,642.54	24.25%	-14.20%	A higher amount of investments in bank's principal-protected wealth management products and structured deposit products by the Company with its own idle money
Accounts receivable	756,291,432.56	13.32%	595,257,954.00	9.76%	3.56%	Increase in operating revenue and changed payment days of certain customers
Inventories	746,466,889.87	13.15%	753,681,605.19	12.36%	0.79%	
Long-term equity investments	179,414,105.14	3.16%	210,394,932.69	3.45%	-0.29%	
Property, plant and equipment	483,520,866.64	8.52%	446,006,929.66	7.31%	1.21%	
Construction in process	162,814,991.68	2.87%	71,479,325.91	1.17%	1.70%	More ongoing construction items

2. Assets and Liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Gains/losses on fair value changes in Reporting Period	Cumulative fair value changes charged to equity	Allowance for impairment for Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Closing balance
Financial assets							
3.Available-for-sale financial assets	1,427,901,096.63		843,068,339.74		143,604,335.25	303,851,886.49	1,086,953,227.20
Subtotal of	1,427,901,096.63		843,068,339.74		143,604,335.25	303,851,886.49	1,086,953,227.20

financial assets	63						7.20
Total of above	1,427,901,096.63		843,068,339.74		143,604,335.25	303,851,886.49	1,086,953,227.20
Financial liabilities	0.00						0.00

Material change in the measurement attributes of the main assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as of End of Reporting Period

Not applicable.

V Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount of Reporting Period (RMB)	Total investment amount of last year (RMB)	Change
143,604,335.25	220,507,350.00	-34.90%

2. Material Equity Investments Made in Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Main business scope of investee	Way of investment	Amount of investment	The Company's stake in investee	Source of investment funds	Joint investor	Term of investment	Type of investment	Investment progress as of balance sheet date	Projected earnings	Return on investment in Reporting Period	Any legal matter involved	Disclosure date (if any)	Index to disclosed information (if any)
Guoxuan High-tech Co., Ltd.	Development, manufacturing and sales of lithium-ion battery and its materials, battery,	Subscription in Guoxuan High-tech's rights issue	143,604,335.25	3.99%	The Company's own money	None	N/A	Rights issue	Subscription in rights issue completed	0.00	89,896,943.25	No	11/17/2017	www.cninfo.com.cn

<p>motor and vehicle control system; R&D, manufacturing and sales of emergency power supply for lithium-ion battery, energy storage battery and electric tool battery; R&D, manufacturing, sales and installation of high and low pressure switches and complete sets of equipment, digitized electrical equipment, distribution network intelligent equipment and components as well as three-box products; R&D, manufacturing, sales and installation</p>													
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<p>of renewable solar and wind energy equipment; R&D, manufacturing, sales and installation of energy-saving and environmental protection appliances and equipment as well as marine electrical appliances and equipment; R&D, manufacturing, and sales of transformer, substation, large-scale charging equipment, vehicle-mounted charger and vehicular high-voltage distribution cabinet; self-operation and agency of import and export of various</p>														
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	commodities and technologies (national restrictions (except for goods and technologies limited to be operated or prohibited to be imported or exported by the State); design and construction of urban and road lighting projects. (Projects that are subject to approval according to the law may only be carried out after approval by the relevant departments.)													
Total	--	--	143,604,335.25	--	--	--	--	--	--	0.00	89,896,943.25	--	--	--

3. Material Non-Equity Investments Ongoing in Reporting Period

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Variety of securities	Symbol of securities	Name of securities	Initial investment cost	Accounting measurement method	Opening carrying value	Gain/Loss on fair value changes in Reporting Period	Accumulated fair value changes charged to equity	Purchased in Reporting Period	Sold in Reporting Period	Gain/losses in Reporting Period	Closing carrying value	Accounting title	Source of investment funds
Domestic/Foreign stock	002074	Guoxuan High-tech	160,000,000.00	Fair value method	1,355,383,288.49		791,603,733.86	143,604,335.25	304,428,520.24	277,558,504.02	1,011,838,873.50	Available-for-sale financial asset	The Company's own money
Domestic/Foreign stock	601818	China Everbright Bank	30,828,816.00	Fair value method	72,517,808.14		51,464,605.88			1,817,581.89	75,114,353.70	Available-for-sale financial asset	The Company's own money
Domestic/Foreign stock	N/A	Xiamen Bank	292,574,133.00	Cost method	292,574,133.00					21,942,835.20	292,574,133.00	Available-for-sale financial asset	The Company's own money
Domestic/Foreign stock	N/A	Foshan branch of Guangdong Development Bank	500,000.00	Cost method	500,000.00						500,000.00	Available-for-sale financial asset	The Company's own money
Total			483,902,949.00	--	1,720,975,229.63	0.00	843,068,339.74	143,604,335.25	304,428,520.24	301,318,921.11	1,380,027,360.20	--	--
Disclosure date of announcement on Board's consent for securities investment													

Disclosure date of announcement on shareholders' meeting's consent for securities investment (if any)	
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(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Funds Raised

Applicable Not applicable

No such cases in this Reporting Period.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

Transaction party	Asset sold	Date of sale	Transaction price (RMB0 '000)	Net profit contributed to the Company from the period-begin to the date of sale (RMB0 '000)	Effect on the Company (see note 3)	Ratio of the net profit contributed by the sale of the asset to the Company's total profit (%)	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transactions)	Ownership of the asset involved has been all transferred or not	Creditor's rights and liabilities involved have been all transferred or not	Executed as scheduled or not; if not, give reasons and measures taken	Disclosure date	Index to disclosed information
Concentrated bidding in second	Some of the Guoxuan High-te	07/06/2017	30,442.85	22,895.78	No impact on the business	30.70%	Market price when reducing the	No	N/A	Yes	Yes	Yes	08/15/2017	Indicative Announcement on Sale

ary market	ch stock				continuity and management stability of the Company		stock							of Some of Guoxuan High-tech Stock (No. 2017-023) on www.cninfo.com.cn
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2. Sale of Major Equity Interests

√ Applicable □ Not applicable

Transaction party	Equity sold	Date of sale	Transaction price (RMB0'000)	Net profit contributed to the Company from the period-begin to the date of sale (RMB0'000)	Effect on the Company	Ratio of the net profit contributed by the sale of the equity interests to the Company's total profit (%)	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company	Ownership of the equity interests involved has been all transferred or not	Executed as scheduled or not; if not, give reasons and measures taken	Disclosure date	Index to disclosed information
Keda Clean Energy Co. Ltd	38% stock equity of Qinghai Fozhao Lithium Energy Exploitation Co., Ltd.	06/27/2017	18,981.76	16,151.2	No impact on the business continuity and management stability of the Company	21.66%	Assessment result	No	N/A	Yes	Yes	06/28/2017	Progress Announcement on the transfer of the stock equity of Qinghai FSL Lithium

					y								Energy Exploita tion Co., Ltd. (No. 2017-01 9) on www.cn info.co m.cn
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VII Main Controlled and Joint Stock Companies

√ Applicable □ Not applicable

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

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Foshan Chansheng Electronic Ballast Co., Ltd.	Subsidiary	Manufacture	1,000,000.00	47,424,057.25	35,554,946.80	185,797,415.13	14,645,341.39	10,983,679.01
Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd.	Subsidiary	Manufacture	72,782,944.00	117,638,074.35	110,891,072.56	72,330,165.55	6,800,675.91	4,927,919.16
Foshan Taimei Times Lamps Co., Ltd.	Subsidiary	Manufacture	500,000.00	89,867,338.76	21,976,179.36	153,043,784.51	6,992,974.05	5,218,058.76
FSL New Light Source Technology Co., Ltd.	Subsidiary	Manufacture	50,000,000.00	56,578,705.81	54,822,930.37	21,756,800.72	1,331,464.34	998,598.25
FSL (Xinxiang) Lighting Co.,	Subsidiary	Manufacture	35,418,439.76	53,192,692.42	47,115,552.92	51,442,544.32	3,681,443.91	2,744,753.56

Ltd.								
Guangdong Fozhao Financing Lease Co., Ltd.	Subsidiary	Finance	200,000,000.00	229,946,252.53	229,346,302.86		7,902,089.02	5,926,566.76
FSL Lighting Equipment Co., Ltd.	Subsidiary	manufacture	15,000,000.00	64,378,292.66	51,014,875.46	116,648,546.63	11,052,666.41	5,931,359.45
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Subsidiary	Manufacture	41,683,200.00	57,100,355.43	49,522,513.70	37,612,371.64	7,910,295.39	4,057,448.65
FSL Zhida Electric Technology Co., Ltd.	Subsidiary	Manufacture	50,000,000.00	100,220,916.31	43,513,890.99	129,462,815.58	10,787,534.66	8,053,421.08
FSL Europe GmbH	Subsidiary	Manufacture	195,812.50	195,057.50	195,057.50			

Subsidiaries obtained or disposed in this Reporting Period

√ Applicable □ Not applicable

Subsidiary	How to obtain or dispose the subsidiary in this Reporting Period	Effect on overall production and operation results
FSL Europe GmbH	Newly incorporated	Good for expanding the international market, and improving the Company's sustained development capability and overall earnings, and laying a foundation for the next step of the Company's development strategy

Information about the main controlled and joint stock companies:

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

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

—Foshan Chanchang Electric Appliances (Gaoming) Co., Ltd., which is a Sino-foreign joint venture invested and

established by the Company and Prosperity Lamps and Components Ltd, had obtained license for business corporation on August 23, 2005 through approval by Foreign Trade and Economic Cooperation Bureau of Gaoming District, Foshan with document “MWJMY Zi [2005] No. 79”. The Company holds 70% equities of the said company; therefore the said subsidiary was included into the scope of the consolidated financial statements since the date of foundation.

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

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

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

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

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

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

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

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

—FSL Europe GmbH is a Limited Liability company invested and set up in German with registered capital Euro25,000. It got the business license on November 30, 2017 whose 100% stock equity is held by the Company, and it is included into the scope of consolidated financial statement from the date of establishment.

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Outlook for the Future Development of the Company

(I) Development trends of the industry

1. Industry competition

LED light source is hailed as the third revolution in the lighting history of mankind. It has the advantages of high efficiency, energy saving, environmental protection, long service life and rich colors. It has set off an upsurge of development and research in the world. Although the new lighting and replacement needs have led to the rapid development of LED, due to too much capital influx into the LED field, especially in the LED downstream applications because of its relatively low barriers to entry, there is a clear structural overcapacity in the LED lighting industry, and thus led disorder and vicious competition in the market, which mainly focus on serious product homogeneity, unclear product standards and fierce competition in the price of finished products. At present, market concentration of LED downstream applications is still not high, and the competition among brands and companies is still fierce. At the same time, the great pressure from continuous rise of raw material prices, transportation costs and manpower costs hinders the rapid development and profitability of enterprises. The industry is facing reshuffling. Enterprises lacking technology, brands and channels can't survive in the "LED winter" and quite from the market, while large enterprises or companies with core competitiveness can seize the opportunity of deep adjustment and re-division of global industrial structure, and continue to extend the industrial chain to consolidate their leading positions by the use of funds, technology, brands, channels and other advantages. Superior resources are further concentrated in leading enterprises in the industry. The stronger becomes stronger. The market share of a strong brand with leading reputation will be effectively increased on the basis of maintaining stable consumption.

2. Development trend of the industry

In the long run, with the accelerated pace of urbanization in China, the per capita disposable income of urban and rural residents has increased, and consumer demand has increased. Some international lighting companies have withdrawn from the domestic market and shortened their product lines, thus creating room for the development of lighting companies in China. At the same time, the continued emergence of emerging segments will bring major opportunities for the future development of the lighting industry, and consumers will become the driving force for the industry to change. It can be predicted that the market competition will continue to be fierce, and the subdivisions of channel, consumer group and product will enter a new stage.

(1) Integrated lighting has become the trend of the industry

In the early stages of development of LED lighting, due to price, technology, consumer habits and other reasons, alternative LED light source products with the same appearance and interface of traditional light sources were the

first to penetrate this stage. However, after several years of development, LED technology has become more and more stable, furthermore, prices have been declining and consumption upgrades, consumer acceptance of LED lighting products continues to increase, and the requirements for the comfort, appearance, and function of LED lighting products are constantly raised. The design of LED lighting products focuses on appearance, user experience, color and material instead of lighting effect. LED lighting products effectively integrate lighting technology and product applications through industrial design to achieve more novel design sense and light comfort, bringing greater added value to lighting products to meet different lighting needs of consumers. Therefore, integrated LED lighting products will become key products and the major driving force in the future application development of LED lighting.

(2) The coming forth of hot products in subdivided areas brings significant opportunities for industrial development

With the continuous development and progress of LED technology, features of LED lighting such as rich colors and diverse functions have been continuously found. In addition to the penetration of traditional lighting market, LED automotive lighting, plant lighting, medical lighting and other emerging market segments have become hot spots in the market, generating great opportunities for LED industry development. Taking LED automotive lighting as an example, automotive lighting mainly includes headlights, taillights, turn signals, reversing lights, daytime running lights and interior lighting. Due to characteristics of LED automotive lighting such as energy-saving, long life, small size and high brightness, LED lights are applied in more and more cars. In particular, LED headlights were only used in high-end brands and high-end models in the past, but nowadays, they are applied in many domestic self-owned brand vehicles, making a trend of popularization. According to statistics from China Association of Automobile Manufacturers, in 2017, China had an annual vehicle production of 29.015 million and a sale of 28.879 million, ranking the first in the world for nine consecutive years. According to the Market Research Report on LED Automotive Lighting Industry 2017 issued by OFweek Industry Research Center, the penetration rate of LED lights in China was about 10%~15% in 2016, and the overall market size of LED lights exceeds RMB 5 billion. According to the estimated penetration rate of 60% of LED lights in the market in 2022 and domestic automobile market sales growth rate of 5% in the next few years, by 2022, the domestic market size of LED lights will reach RMB 76.6 billion. In the meanwhile, according to statistics from the Ministry of Public Security of China, as of the end of 2017, the number of motor vehicles in China was as high as 310 million. There is also a promising market for LED automotive lighting modification and replacement.

(3) Smart lighting has become a new direction for the development of the industry and enjoys a promising market. In 2015, the State Council issued the document Made in China 2025, which clearly stated that it was necessary to overall layout and promote the research, development, and industrialization of products such as smart lighting appliances, indicating that intelligent lighting (home) would usher in the “Blue Ocean”. At the same time, with the rapid development of mobile Internet and cloud computing, intelligent control technology continues to advance. The functions of intelligent lighting systems are increasingly diverse and can be applied in different environments, gradually satisfying consumers' demand for personalized lighting and quality of life. Smart lighting is attracting more and more attention from companies and consumers. According to the national smart lighting (home) market research data published in “DAZHAOMING”, more than 67% of LED lighting dealers began to consider agents and sales of smart lighting (home) products. Moreover, an online survey from Tencent Home Appliances showed that as many as 95% of netizens expressed interest in smart homes. Considering the huge market potential, Huawei, Haier, Midea, Xiaomi and other large companies have entered the smart lighting (home) field, and smart lighting has entered a stage of rapid development. According to the data from the LED Research Institute of GGII, the scale of China's intelligent lighting output reached RMB 14.7 billion in 2016, an increase of 102.8% compared to 2015; and China's smart lighting output value is expected to reach RMB 28.4 billion in 2017, an increase of

93.2% year-on-year. It is estimated that by 2020 China's smart lighting output scale will reach RMB 103.5 billion. Smart lighting is becoming a new outlet for the development of the industry and enjoys a promising market.

(4) Healthy lighting gradually enters the market and becomes an important direction for future development

With the introduction of national strategic plan Healthy China 2030, the health industry may become a new growth point for stimulating the economy of our country. The health industry covers a wide range which includes health lighting. After more than ten years of development, LED technology keeps making breakthroughs. Consumer demand for lighting is no longer limited to lighting functions and aesthetic requirements, but upgrades to quality, health, biological safety and environment of light. Healthy lighting has gradually entered the consumption field of the public and become an important direction for the future development of LED.

(II) Future development strategy of the Company

The company will keep adhering to professional development and focusing on the three major business segments of “lighting, electric technology and automotive lighting”. It will vigorously implement the strategy of “high-tech precision, internationalization of brand and sales, and large-scale production” to comprehensively enhance operation quality and sustainability of the Company.

(III) Business Plan for 2018

1. Keep developing the market for extension

(1) Keep developing the domestic market for the three major business of lighting, electric technology and automotive lighting

In the lighting section, the Company will systematically plan for various channels, implement channel optimization and addition, coordinate product optimization and innovation for different channels, and tap the market potential of various channels. It will reform the project operation system, improve the level of terminal services and accelerate the development of engineering channels and KA channels. In addition, the Company will integrate multiple resources with the help of brand communication and assistance, and promote sales by all-round promotions, publishes of new products, news and hot products.

In terms of electric technology, the Company will carry out creative product upgrades with the concept of “rich, smart and updatable” on the basis of existing product lines, so as to further expand the brand reputation of FSL Electric Technology with brand promotion of the Company. It will continue to implement the regional exclusive agency policy and strictly follow up the system. It will continue to improve the coverage of sales network, guide distributors to increase resource investments, and vigorously expand engineering and KA channels to provide creative electric technology solutions for more large-scale projects.

In respect of automotive lighting, the Company will keep increasing R&D investment in LED modules, LED optical components and other products, speeding up upgrading of production lines and launch of new products. It will maintain existing customers, actively follow up potential customers in negotiation, and develop new customers.

(2) For overseas markets, the Company will keep following up the strategy of key customers by good management and services to improve relationship with customers. It will continue to optimize product sales structure, increase the proportion of LED lighting sales, further focus on strategic markets, develop key and potential markets to optimize overseas market layout of the Company.

2. Accelerate R&D of new products, enrich and upgrade smart lighting and intelligent electric technology product lines

LED products are replaced extremely fast, and R&D of new products must be continuously conducted to enrich product lines so as to guarantee sustainable development of the Company. In 2018, the Company will continue to increase investment in technology and products, enhance cooperation between production, teaching and research, keep innovating for product iterations, and reserve cutting-edge and forward-looking technologies. According to

the development orientation of the Company, R&D will be focused on lighting products and LED automotive lighting that are applicable to different channels and regions. In terms of smart lighting, based on the smart lighting control system completed in 2017, the Company will develop smart lighting voice control, APP control, and panel control systems which are the combination of intelligent lighting and smart switches. Besides, more intelligent lighting positioned in smart lighting systems will be developed to integrate products and control systems, and thus form the overall solution of indoor lighting from a single product for more comfortable and smarter living experiences of consumers.

3. Continue to reduce costs and increase efficiency

First of all, the Company will strengthen production and procurement management to increase income, reduce expenditure and improve efficiency. To achieve this item, the Company will improve material utilization, save energy, reduce consumption, and optimized staffing to improve efficiency; strictly control production process costs to improve management; expand the scope of centralized procurement and tender procurement to strengthen procurement management; strengthen the pre-judgment of material prices and make good procurement plans in advance; promote the development and use of procurement supply chain systems, and improve supplier management to ensure the quality and quantity of materials supplied. Secondly, the Company will increase investment in technological transformation to improve technology. For this item, the Company will keep increasing the degree of automation and intelligent production, save human resources costs, improve product process structure, and increase production efficiency. Thirdly, the Company will exert scale effect to expand the scale of production and sales, which will bring marginal utility and effectively reduce unit product cost.

4. Strengthen brand promotion for brand upgrade

On the basis of comprehensive promotion of brand building in 2017, the Company will continue to strengthen its brand promotion in 2018. It will carry out long term advertising and special projects in the authoritative high-end video media of CCTV-2、CCTV-7、CCTV-10, high-speed rail cars with high-end people and professional newspapers. In addition, the Company will increase promotion in online new media, and make full use of new media such as the Company official website and WeChat to carry out various forms of online publicity and promotion activities to fully demonstrate the philosophy, brand culture and product connotation of Foshan Lighting. At the same time, the Company will build the image of terminal stores by participation in large-scale professional exhibitions at home and abroad, so as to establish the industry status and leading brand image of Foshan Lighting. Through these all-round and multi-channel brand promotions, the brand influence of Foshan Lighting will be further enhanced and new brand value will be greatly added.

5. Strengthen staff training and improve remuneration assessment system

The Company will strengthen staffing, improve the selection and training of staff as well as the training system, and promote the training of professional and highly-skilled personnel. It will improve the remuneration assessment system in key departments such as production workshops, sales departments and R&D departments, and implement a result-oriented remuneration system to continuously improve remuneration efficiency. It will also promote the construction of a diversified incentive mechanism and constantly improve the remuneration assessment system.

(IV) Possible risks

1. The risk of increased market competition

From the macro perspective, with the declining growth rate of domestic investment, the implementation of real estate control policies, the rise of international trade protectionism, political turmoil and other issues, the industry may face the risk of lack of growth momentum. From the industry perspective, as a fully competitive industry, lighting applications are not only subject to the competition of companies in the field of original applications, but also the competition of LED upstream and downstream chip companies as well as packaging

companies that gradually extends to the lighting application field. If the market competition intensifies further in the future, the profitability of the Company may be negatively impacted.

2. The risk of rising labor costs and raw material price fluctuations

Due to the influence of domestic labor supply and demand as well as employment policies, labor costs keep increasing, especially in the Pearl River Delta region with more developed economy. In addition, raw materials of the Company account for a high proportion of operation costs, and some of the raw materials experienced a wave of price increases in 2017. As some raw material prices are associated with uncontrollable factors such as global market conditions and national macroeconomic policies, there is a risk of price fluctuation of raw materials.

3. The risk of inventory loss from falling price

As of the end of the reporting period, the inventory amount is high, and the inventory mainly includes raw materials, semi-finished products and finished products. Due to the large number of product types and models, the inventory amount of the Company is relatively high. Moreover, as the sales revenue of the Company increases year by year, the raw materials and inventories that are stored to meet production and sales will increase simultaneously. It will lead to a higher inventory maintained in the Company. In case that prices or demand changes occur in the raw material or product sales market in the future, the Company may experience a risk of inventory depreciation.

4. The risk of exchange rate fluctuations

The RMB exchange rate in China is based on market supply and demand, with reference to a basket of currencies for regulation and a managed floating exchange rate system. Exchange rate fluctuations will happen with the fluctuations of global economy, simmering tension of some regions and the monetary policies of various countries. Export business accounts for 39.18% of the Company business, and the scale has been increasing year by year. If the exchange rate fluctuates significantly, business performance of the Company will be affected.

5. The risk of bad debts on accounts receivable

With the expansion of sales scale of the Company, the amount of accounts receivable has increased. The main debit customers of the Company are all long-term customers with good business reputations. Major adverse changes in the financial status of major debtors may result in the risk of bad debts on accounts receivable.

X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

√ Applicable □ Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
02/16/2017	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
06/01/2017	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
07/06/2017	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
12/05/2017	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
12/12/2017	One-on-one meeting	Institution	Investor Relations-EasyIR- www.cninfo.com.cn
12/14/2017	One-on-one meeting	Institution	Investor Relations-EasyIR-

		www.cninfo.com.cn
Times of visit		6
Number of visiting institutions		31
Number of visiting individuals		47
Number of other visitors		0
Significant undisclosed information disclosed, revealed or leaked	None	

Part V Significant Events

I Profit Distribution and Converting Capital Reserve into Share Capital for Common Shareholders

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

Applicable Not applicable

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

Special statement about cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes
Minority interests have the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with applicable regulations and transparent.	Yes

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

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

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

to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB534,295,804.56.

For 2017, based on the total 1,272,132,868 shares of the Company as at December 31, 2017, a cash dividend of RMB3.29 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total distributed cash dividends reaching RMB 418,531,713.57. Meanwhile, converting capital reserve into 1 share to all shareholders for every 10 shares.

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

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the Company in the consolidated statements for the year	Proportion in net profit attributable to common shareholders of the Company in the consolidated statements for the year (%)	Cash dividends in other forms	Ratio of cash dividends in other forms
2017	418,531,713.57	740,308,725.30	56.53%	0.00	0.00%
2016	534,295,804.56	1,072,342,050.13	49.83%	0.00	0.00%
2015	15,901,660.85	53,405,593.12	29.78%	0.00	0.00%

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

Applicable Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for this Reporting Period

Applicable Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	3.29
Additional shares to be converted from capital reserve for every 10 shares (share)	1
Total shares as the basis for the profit distribution proposal (share)	1,272,132,868
Total cash dividends (RMB) (tax included)	418,531,713.57
Distributable profit (RMB)	1,572,167,765.91

Percentage of cash dividends in the total profit to be distributed (%)	100%
Cash dividend policy	
Where the Company is at a mature stage of development and has plans for considerable spending, in profit distribution, cash dividends shall reach at least 40% in the total profit to be distributed.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
As audited by Beijing Zhongzhengtiantong Certified Public Accountants LLP, the after-tax net profits of RMB 696,583,753.29 of the Parent Company for 2017, plus the opening retained profits of RMB1,448,907,867.73, minus the distributed profits of RMB534,295,804.56 for 2016 (a cash dividend of RMB4.20 for every 10 shares) and the statutory surplus reserve of RMB 39,028,050.55 for 2017. (According to the regulations of Articles of Association, after withdrawing 5.60% statutory surplus reserve of RMB 39,028,050.55, the statutory surplus reserve of the Company which reached 50% of the registered capital could be no longer withdrew). The closing profits distributable to shareholders of were RMB1,572,167,765.91 for 2017. The Board of Directors has proposed to allocate profits for 2017 as follows: Based on the total 1,272,132,868 shares of the Company as at December 31, 2017, a cash dividend of RMB3.29 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) will be distributed to the A-share and B-share holders for every 10 shares they hold, with the total cash dividends to be distributed reaching RMB 418,531,713.57. Meanwhile, converting capital reserve into 1 share to all shareholders for every 10 shares. The retained profits of RMB 1,153,636,052.34 will be carried forward into the next year. The profit allocation preplan can be effective upon review and approval of the Shareholders' General Meeting of the Company.	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in this Reporting Period or Ongoing at the Period-end

√ Applicable □ Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Period of commitment	Fulfillment
Commitments made in acquisition documents or shareholding alteration documents	Controlling shareholder	About avoidance of horizontal competition	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that they shall eliminate the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements before December 4, 2019.	12/04/2017	24 months	Ongoing
	Controlling	About	Electronics Group and its	12/04/2015	Long-standing	Ongoing

	shareholder	avoidance of horizontal competition	<p>of acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant assets and business of them and their relevant enterprises. 2. All the commitments made by them to eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or</p>			
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			indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.			
	Controlling shareholder	About reduction and regulation of related-party transactions	Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. strictly abide by the regulatory documents of the CSRC and the SZSE, the Company's Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the "Relevant Enterprises" for short) will try their best to avoid or reduce related-party transactions with the Company or the Company's subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the Company, and withdraw from voting when a related-party transaction with	12/04/2015	Long-standing	Ongoing

			<p>them or their Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws, regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.</p>			
	Controlling shareholder	About independence	<p>In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is substantially in competition with the Company's business.</p>	12/04/2015	Long-standing	Ongoing

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

2. Where there had been an Earnings Forecast for an Asset or Project and this Reporting Period was still within the Forecast Period, Explain why the Forecast has been Reached for this Reporting Period.

Applicable Not applicable

IV Occupation of the Company's Funds by the Controlling Shareholder or its Related Parties for Non-operating Purposes

Applicable Not applicable

No such cases in this Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) regarding the "Modified Auditor's Report" Issued by the CPAs Firm for this Reporting Period

Applicable Not applicable

VI YoY changes in accounting policies, estimations and methods

Applicable Not applicable

In order to implement the following changes in accounting policy, the 20th meeting of the 8th Board of Directors of the Company reviewed and approved the Proposal on Changes in Accounting Policies.

On April 28, 2017, the Ministry of Finance issued the Circular on Issuing of Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations (CaiKuai [2017] No. 13), which is required to be implemented by all enterprises that implement the Accounting Standards for Business Enterprises from the date of May 28, 2017.

On May 10, 2017, the Ministry of Finance issued the Circular on Issuance and Revision of Accounting Standards for Business Enterprises No. 16 - Government Subsidies (CaiKuai [2017] No. 15), which is required to be implemented by all enterprises that implement the Accounting Standards for Business Enterprises from the date of June 12, 2017. Government subsidies for enterprises existing on January 1, 2017 will be treated with prospective application method, and new government subsidies between January 1, 2017 and the implementation of this guideline will be adjusted according to the guideline.

On December 25, 2017, the Ministry of Finance issued the Notice of the Ministry of Finance on Revision and Issuance of Format of General Financial Statements of Enterprise (CaiKuai [2017] No. 30) in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Group Held for sale and Terminations of Operation (CaiKuai [2017] No. 13) and Accounting Standards for Business Enterprises No. 16 - Government Subsidies (CaiKuai [2017] No. 15) implemented in 2017, to revise the format of general finance statements of enterprises and apply to financial statements in 2017 and the subsequent periods.

This revision only affected the presentation of the above financial statement items. Neither did it impact the financial status, operation achievements or cash flow of the Company in 2017, nor did it involve retrospective adjustments in previous years.

Particulars about the changes are as follows:

Contents and reasons	Approval procedure	Influenced statement items and amounts
(1) The Ministry of Finance issued the Circular on Issuing of Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and	Reviewed and approved by the 20 th Meeting of the 8 th Board of Directors of	N/A

Termination of Operations in 2017, which was implemented from May 28, 2017. Non-current Assets and Disposal Groups Held for Sale and Termination of Operations existed on the date of implementation will be required to be treated with prospective application method.	the Company	
(2) The Ministry of Finance issued the Circular on Issuance and Revision of Accounting Standards for Business Enterprises No. 16 - Government Grants in 2017, which was implemented from June 12, 2017. Government subsidies existed on January 1, 2017 will be required to be treated with prospective application method; the newly added Government subsidies from January 1, 2017 to the date of implementation also will be required to be adjusted according to the revised rules.		2017: Other income: RMB6,876,386.18 Non-operating income: RMB-6,876,386.18 2016: N/A
(3) The Ministry of Finance issued the Notice of the Revision and Issuance of Format of General Financial Statements of Enterprise (CaiKuai [2017] No. 30) on December 25, 2017, which has reclassified asset disposal gains and losses from “non-operating income” or “non-operating expense” to “asset disposal income”.		2017: Asset disposal income: RMB-10,790.68 Non-operating expense: RMB-10,790.68 2016: Asset disposal income: RMB10,852.26 Non-operating income: RMB -10,852.26

VII Retroactive Restatement due to Correction of Material Accounting Errors in this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

VIII YoY Changes in the Scope of the Consolidated Financial Statements

Applicable Not applicable

1、 FSL Europe GmbH, a new subsidiary 100% owned by the Company with a registered capital of EUR25,000, was newly included into the Company’s consolidated financial statements of the Reporting Period.

2、 A creditor of subsidiary Suzhou Mont Lighting Co., Ltd. (Suzhou Mont) applied to the court for Suzhou Mont’s bankruptcy. On June 2, 2016, the Suzhou Industrial Park court appointed Jiangsu Yingyuan Law Firm to be Suzhou Mont’s custodian through the Decision (2016) Suzhou 0591 Civil Bankruptcy No. 03. And the control of the Company over Suzhou Mont has ceased since that day. Pursuant to the accounting standards for business enterprises, the Company has excluded Suzhou Mont from its consolidation scope.

IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

Name of the domestic CPAs firm	Beijing Zhongzhengtiantong Certified Public Accountants LLP
The Company's payment for the domestic CPAs firm (RMB'0,000)	130
Consecutive years of the audit service provided by the domestic CPAs firm	2
Names of the certified public accountants from the domestic CPAs firm	Tong Quanyong, Luo Dongri
Consecutive years of the certified public accountants from the domestic CPAs firm	2
Name of the foreign CPAs firm (if any)	Naught
The Company's payment for the foreign CPAs firm(if any)	Naught
Consecutive years of the audit service provided by the foreign CPAs firm (if any)	Naught
Names of the certified public accountants from the foreign CPAs firm (if any)	Naught
Consecutive years of the certified public accountants from the foreign CPAs firm (if any)	Naught

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

Yes No

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

Applicable Not applicable

In the Reporting Period, the Company engaged Beijing Zhongzhengtiantong Certified Public Accountants LLP as its internal control auditor with the total audit fees of RMB 480,000

X Possibility of Listing Suspension or Termination after Disclosure of this Report

Applicable Not applicable

XI Bankruptcy and Restructuring

Applicable Not applicable

No such cases in this Reporting Period.

XII Significant Litigations and Arbitrations

Applicable Not applicable

No such cases in this Reporting Period.

XIII Punishments and Rectifications

Applicable Not applicable

No such cases in this Reporting Period.

XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

Applicable Not applicable

In the Reporting Period, the company as well as its controlling shareholder and actual controller without unsatisfied court judgments, large-amount overdue liabilities or the like.

XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or other Incentive Measures for Employees

Applicable Not applicable

No such cases in this Reporting Period.

XVI Significant Related-party Transactions

1. Related-party Transactions Relevant to Routine Operation

Applicable Not applicable

Related transaction party	Relation with the Company	Type of transaction	Contents of transaction	Pricing principle	Transaction price(RMB'0,000)	Price (RMB'0,000)	As a percentage of total value of same-type transactions	Approved transaction line (RMB'0,000)	Over approved line or not	Method of settlement	Obtainable market price for same-type transaction (RMB'0,000)	Disclosure date	Index to disclosed information
Prosperity Lamps & Components	Shareholder that holds over 5%	Purchasing products and	Purchase of materials	Market price	170.60	170.6	0.08%	200	Not	Remittance	170.60	03/30/2017	www.cninfo.com.cn

Limited	shares of the Company	receiving labor service from related party											
Prosperity Electrical (China) Co., Ltd.	Enterprise controlled by related individual	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	2.57	2.57	0.00%	600	Not	Remittance	2.57	03/30/2017	www.cninfo.com.cn
Hangzhou Times Lighting and Electrical Co., Ltd.	Enterprise controlled by related individual	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	161.30	161.3	0.07%	300	Not	Remittance	161.30	03/30/2017	www.cninfo.com.cn
Foshan NationStar Optoelectronics Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	9,458.83	9,458.83	4.18%	20,000	Not	Remittance	9,458.83	03/30/2017	www.cninfo.com.cn
Guangdong Fenghua Advanced Holding Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service	Purchase of materials	Market price	683.79	683.79	0.30%	900	Not	Remittance	683.79	03/30/2017	www.cninfo.com.cn

		from related party											
Guangdong Huayuebao New Energy Co., Ltd.	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of materials	Market price	93.34	93.34	0.04%		Not	Remittance	93.34		N/A
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of equipments	Market price	46.69	46.69	0.83%	200	Not	Remittance	46.69	03/30/2017	www.cninfo.com.cn
Guangdong HuaSheng data solid-state storage Co., Ltd	Under same actual controller	Purchasing products and receiving labor service from related party	Purchase of equipments	Market price	40.00	40.00	0.71%		Not	Remittance	40.00		N/A
Prosperity Lamps & Components Limited	Shareholder that holds over 5% shares of the Company	Selling products and providing labor service to related party	Selling products	Market price	2,917.91	2,917.91	0.77%	3,000	Not	Remittance	2,917.91	03/30/2017	www.cninfo.com.cn
Prosperity	Enterprise	Selling	Selling	Market	6.45	6.45	0.00%	50	Not	Remittance	6.45	03/30/2	www.c

(Hangzhou) Prosperity Electrical Co., Ltd.	se controll ed by related individu al	products and providin g labor service to related party	products	price								017	ninfo.c om.cn
Prosperity Electrical (China) Co., Ltd.	Enterpri se controll ed by related individu al	Selling products and providin g labor service to related party	Selling products	Market price	27.89	27.89	0.01%	50	Not	Remitta nce	27.89	03/30/2 017	www.c ninfo.c om.cn
Foshan NationStar Optoelectronics Co., Ltd.	Under same actual controll er	Selling products and providin g labor service to related party	Selling products	Market price	0.55	0.55	0.00%	50	Not	Remitta nce	0.55	03/30/2 017	www.c ninfo.c om.cn
Guangdong Rising Optoelectronics Technology Co., Ltd	Under same actual controll er	Selling products and providin g labor service to related party	Selling products	Market price	0.28	0.28	0.00%		Not	Remitta nce	0.28		N/A
Total				--	--	13,610. 20	--	25,350--		--		--	--
Details of large-amount sales return				Naught									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total value of routine related transactions by type to occur in the Reporting				In March 2017, the Company predicted the total value of its routine transactions with related parties Foshan NationStar Optoelectronics Co., Ltd., Guangdong Fenghua Advanced Holding Co., Ltd., Prosperity Lamps & Components Limited, Prosperity Electrical (China) Co., Ltd., Prosperity (Hangzhou) Lighting and Electrical Co., Ltd. and Hangzhou Times									

Period	Lighting and Electrical Co., Ltd. , Guangdong Zhongke Hongwei Semiconductor Equipment Co.,Ltd Concerning the purchases from its related parties, the actual amount in 2017 was RMB106,571,200, accounting for 47.36% of the predicted. As for the sales to its related parties, the actual amount in 2017 was RMB29,530,800, accounting for 93.75% of the predicted.
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Other Significant Related Transactions

Applicable Not applicable

1. On December 23, 2016, the Company held the 11th meeting of the 8th Board of Directors, and the Proposal on Signing the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. was examined and approved at the meeting. On the same day, the Company signed the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. (hereinafter referred to as “Rising Finance”), and Rising Finance would provide deposit and settlement services for the Company with half a year validity. During the term of validity of the Agreement, the daily deposit balance of the Company in Rising Finance Company shall not exceed RMB150 million. During the Reporting Period, the daily deposit balance of the Company in Rising Finance Company was RMB101 million.

2. On June 28, 2017, the Company held the 15th meeting of the 8th Board of Directors, and the Proposal on Signing the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. was examined and approved at the meeting. On the same day, the Company signed the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. (hereinafter referred to as “Rising Finance”), and Rising Finance would provide deposit and settlement services for the Company for a term of one year. During the term of validity of the Agreement, the daily deposit balance of the Company in Rising Finance Company shall not exceed RMB150 million. During the Reporting Period, the daily deposit balance of the Company in Rising Finance Company was RMB148 million.

Index to the current announcements about the said related transactions disclosed:

Title of announcement	Disclosure date	Disclosure website
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Announcement on Signing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	12/24/2016	www.cninfo.com.cn
Announcement on Renewing Financial Service Agreement with Guangdong Rising Finance Co., Ltd.	06/29/2017	www.cninfo.com.cn

XVII Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leasing

Applicable Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Entrusted Cash Management

(1) Entrusted Cash Management

Applicable Not applicable

Overviews of entrusted cash management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount
Bank financial products	Self-owned funds	86,000	47,000	0
Structural deposits	Self-owned funds	61,000	51,000	0

Total	147,000	98,000	0
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Particulars of entrusted cash management with single significant amount or low security, bad liquidity, and no capital preservation

Unit: RMB'0,000

Trustee	Type of trustee	Type of wealth management product	Principal	Source of principal	Beginning date	Ending date	Use of principal	Determination of yield	Annualized yield rate for reference	Expected yield (if any)	Actual gain/loss in Reporting Period	Receipt/payment of such gain/loss	Allowance for impairment (if any)	Prescribed procedure executed or not	Plan for more transaction or not	Index to transaction summary and other information (if any)
Bank of China, Foshan branch	Bank	Principal-protected with floating yield	7,000	The Company's own idle funds	07/28/2017	01/29/2018	Investment	Repayment of principal with yield	4.20%	149.01	125.65	To be received		Yes	Yes	www.cninfo.com.cn
Bank of China, Foshan branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	08/08/2017	02/07/2018	Investment	Repayment of principal with yield	4.20%	105.29	84	To be received		Yes	Yes	www.cninfo.com.cn
PingAn Bank, Guangzhou Huanshi East Road sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	08/17/2017	02/14/2018	Investment	Repayment of principal with yield	4.20%	104.14	78.82	To be received		Yes	Yes	www.cninfo.com.cn
Huaxia Bank,	Bank	Principal-protected	13,000	The Company's	10/19/2017	04/19/2018	Investment	Repayment of	4.00%	259.29	104	To be received		Yes	Yes	www.cninfo.com.cn

Foshan branch		with floating yield		own idle funds				principal with yield								n
PingAn Bank, Foshan Jiangwan sub-branch	Bank	Principal-protected with floating yield	6,000	The Company's own idle funds	10/27/2017	04/27/2018	Investment	Repayment of principal with yield	4.20%	125.65	44.88	To be received		Yes	Yes	www.cninfo.com.cn
Shenzhen Rural Commercial Bank, Business Department of Luohu sub-branch	Bank	Principal-protected with floating yield	5,000	The Company's own idle funds	11/08/2017	02/08/2017	Investment	Repayment of principal with yield	4.35%	54.82	30.99	To be received		Yes	Yes	www.cninfo.com.cn
Industrial and Commercial Bank of China, Business Department of Foshan branch	Bank	Principal-protected with floating yield	3,000	The Company's own idle funds	12/12/2017	03/14/2018	Investment	Repayment of principal with yield	4.00%	30.25	6.25	To be received		Yes	Yes	www.cninfo.com.cn
Industr	Bank	Princip	3,000	The	12/29/	03/30/	Invest	Repay	4.00%	29.92	0.66	To be		Yes	Yes	www.

ial and Comm ercial Bank of China, Busine ss Depart ment of Fosha n branch	al-prot ected with floatin g yield	Comp any's own idle funds	2017	2018	ment	ment of princi pal with yield					receiv ed				cninfo.com.cn
Total	47,000	--	--	--	--	--	--	--	858.37	475.25	--		--	--	--

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in this Reporting Period.

4. Other Significant Contracts

Applicable Not applicable

No such cases in this Reporting Period.

XVIII Social Responsibilities

1. Social Responsibilities Taken

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

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

We continuously improve our corporate governance structure, regulate our operation and enhance our management on information disclosure and investor relations. We treat all our investors fairly and justly, ensure

their rights to know about, participate in and vote on the significant events of the Company, and safeguard the legal rights and interests of all our shareholders, especially our minority shareholders.

2. Protection of the rights and interests of our employees

Considering employees the most valuable resource for our survival and development, we constantly improve our employment system, improve the compensation packages for our employees and attach importance to talent cultivation so as to provide opportunities and space for the sustainable development of our employees as well as realize the common development of the employees and the Company. We also pay attention to the health of our employees, attach importance to production safety and labor protection, and improve the working and living conditions for our employees so as to formulate harmonious and stable labor relations.

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

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

4. Protection of the rights and interests of our suppliers

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

5. Environmental protection and sustainable development

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

6. Public relations and welfare

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

2. Targeted Measures Taken to Help People Lift themselves out of Poverty

The Company didn’t take any targeted measures to help people lift themselves out of poverty during the Reporting Period, no subsequent plan temporarily too.

3. Particulars Relevant to Environmental Protection

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

No.

Neither the Company nor any of its controlled subsidiaries have been identified as a heavily polluting business by the environmental protection authorities of China.

XIX Other Significant Events

Applicable Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

Applicable Not applicable

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	12,522,479	0.98%				59,524	59,524	12,582,003	0.99%
1.3 Shares held by other domestic investors	4,406,450	0.34%				59,524	59,524	4,465,974	0.35%
Among which: Shares held by domestic corporations	3,860,675	0.30%						3,860,675	0.30%
Shares held by domestic individuals	545,775	0.04%				59,524	59,524	605,299	0.05%
1.4 Shares held by foreign investors	8,116,029	0.64%						8,116,029	0.64%
Shares held by foreign individuals	8,116,029	0.64%						8,116,029	0.64%
2. Non-restricted shares	1,259,610,389	99.02%				-59,524	-59,524	1,259,550,865	99.01%
2.1 RMB common shares	974,940,045	76.64%				-60,499	-60,499	974,879,546	76.63%
2.2 Domestically listed foreign shares	284,670,344	22.38%				975	975	284,671,319	22.38%
3. Total shares	1,272,132,868	100.00%						1,272,132,868	100.00%

Reasons for any share changes:

 Applicable Not applicable

1. During the Reporting Period, some supervisors and executive officers increased their shareholdings in the Company, representing an increase of 91,049 restricted shares.

2. During the Reporting Period, the Company's shares held by some former executive officers who had stayed unemployed by the Company for six months were unlocked, resulting in an increment of 31,525 non-restricted shares.

3. Due to Item 1 and 2 above, the Company's restricted shares increased by 59,524 shares in the Reporting Period.

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in Reporting Period	Increased in Reporting Period	Closing restricted shares	Reason for lock-up/unlocking	Date of unlocking
Liu Xingming	359,073	0	21,450	380,523	Lock-up of executive officer's shares	Uncertain
Tang Qionglan	0	0	12,150	12,150	Lock-up of executive officer's shares	Uncertain
Wei Bin	25,627	0	9,975	35,602	Lock-up of executive	Uncertain

						officer's shares	
Chen Yu	12,870	0	7,500	20,370	Lock-up of executive officer's shares	Uncertain	
Jiao Zhigang	31,083	0	9,375	40,458	Lock-up of executive officer's shares	Uncertain	
Zhang Yong	18,720	0	7,275	25,995	Lock-up of executive officer's shares	Uncertain	
Zhang Xuequan	9,908	0	10,125	20,033	Lock-up of executive officer's shares	Uncertain	
Xu Xiaoping	0	0	7,575	7,575	Lock-up of executive officer's shares	Uncertain	
Ye Zhenghong	33,696	0	5,625	39,321	Lock-up of supervisor's shares	Uncertain	
Xie Qing	31,525	31,525	0	0	Expiration of lock-up of outgoing executive officer's shares	05/24/2017	
Total	522,502	31,525	91,050	582,027	--	--	

II Issuance and Listing of Securities

1. Securities (Excluding Preference Shares) Issued in this Reporting Period

Applicable Not applicable

2. Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures

Applicable Not applicable

3. Existing Employee-held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and their Shareholdings

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/d ecrease during this Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
Hong Kong Wah Shing Holding Company Limited	Foreign corporation	13.47%	171,360,391			171,360,391	Pledged	83,966,592
Prosperity Lamps & Components Limited	Foreign corporation	10.50%	133,577,143			133,577,143		
Shenzhen Rising Investment Development Co., Ltd.	State-owned corporation	5.12%	65,178,305			65,178,305		
Guangdong Electronics Information Industry Group Ltd.	State-owned corporation	4.74%	60,357,728			60,357,728	Pledged	29,575,287
Central Huijin Asset Management Co., Ltd.	State-owned corporation	2.42%	30,799,000			30,799,000		
Essence	Foreign	1.99%	25,327,190	1532342		25,327,190		

International Securities (Hong Kong) Co., Ltd.	corporation							
DBS Vickers (Hong Kong) Ltd A/C Clients	Foreign corporation	1.86%	23,645,755	90000		23,645,755		
Hong Kong Rising Investment Development Co., Ltd.	Foreign corporation	1.82%	23,165,684			23,165,684		
China Merchants Securities (Hong Kong) Co., Ltd	Foreign corporation	0.86%	10,945,361			10,945,361		
Zhuang Jianyi	Foreign individual	0.85%	10,821,372		8,116,029	2,705,343		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)	Naught							
Related or acting-in-concert parties among the shareholders above	Among the top 10 shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are acting-in-concert parties; and Prosperity Lamps & Components Limited and Zhuang Jianyi are acting-in-concert parties. Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.							
Shareholdings of the top ten non-restricted shareholders								
Name of shareholder	Number of non-restricted shares held at the period-end		Type of shares					
			Type	Number				
Hong Kong Wah Shing Holding Company Limited	171,360,391		RMB share	common	171,360,391			
Prosperity Lamps & Components Limited	133,577,143		RMB share	common	133,577,143			
Shenzhen Rising Investment Development Co., Ltd.	65,178,305		RMB share	common	65,178,305			
Guangdong Electronics Information Industry Group Ltd.	60,357,728		RMB share	common	60,357,728			
Central Huijin Asset Management Co., Ltd.	30,799,000		RMB share	common	30,799,000			
Essence International Securities (Hong	25,327,190		Domestically		25,327,190			

Kong) Co., Ltd.		listed foreign share	
DBS Vickers (Hong Kong) Ltd A/C Clients	23,645,755	Domestically listed foreign share	23,645,755
Hong Kong Rising Investment Development Co., Ltd.	23,165,684	Domestically listed foreign share	23,165,684
China Merchants Securities (Hong Kong) Co., Ltd	10,945,361	Domestically listed foreign share	10,945,361
Peng Weiyang	8,188,888	RMB common share	8,188,888
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	Among the top 10 non-restricted common shareholders, Hong Kong Wah Shing Holding Company Limited, Shenzhen Rising Investment Development Co., Ltd., Guangdong Electronics Information Industry Group Ltd. and Hong Kong Rising Investment Development Co., Ltd. are acting-in-concert parties; Apart from that, it is unknown whether there is among the top 10 shareholders any other related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		
Ten top common shareholders conducting securities margin trading(if any) (see note 4)	Among the top ten non-restricted shareholders, individual shareholder Peng Weiyang held 0 shares in the Company through her common securities accounts and held 8,188,888 shares in the Company through her accounts of collateral securities for margin trading, representing a total holding of 8,188,888 shares in the Company.		

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

Yea No

No such cases in this Reporting Period.

2. Information about the Controlling Shareholder

Nature of the controlling shareholder: Controlled by the local government

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
Guangdong Electronics Information Industry	He Yong	10/19/2000	91440000725458764N	Development, production and sale of electronics, IT products and

Group Ltd.				electrical appliances, operation of electronic information networks and computers, electronic computer technology service, and equipment and venue rental service; sale of electronic computers and fittings, electronic components, electron devices, and electrical machinery and equipment; wholesale of coal; energy performance contracting service, development and consulting service of energy-saving technology, and manufacture and installation of energy-saving equipment; parking lot operation (188 Yueken Road, Tianhe District, Guangzhou, Guangdong Province, P.R.China); import and export of goods; and training of professional and technical personnel.
Shenzhen Rising Investment Development Co., Ltd.	Wu Xiaohui	08/27/2003	91440300754255560K	Equity and venture capital investment (approval shall be obtained for each specific investment project); industrial investment (approval shall be obtained for each specific investment project); trustee service for asset management (not including securities, insurance, funds, financial service, human resources consulting service and other restricted business); and investment information consulting service, economic information consulting service, investment management planning, corporate identity design (excluding restricted business).
Guangdong Rising Finance Holding Co., Ltd.	Che Zuobin	11/14/2014	91440400315213166P	Investment and asset management
Hong Kong Rising Investment Development Limited	Liu Wei	07/11/2001	764105	Investment and asset management
Shareholdings of	In the reporting period,			

controlling shareholder in other listed companies at home or abroad in reporting period	<p>1、Guangdong Electronics Information Industry Group Ltd. held 61,348,500 shares in Foshan NationStar Optoelectronics Co., Ltd., representing a stake of 12.90% in NationStar.</p> <p>2、Shenzhen Rising Investment Development Co., Ltd. held 26,891,983 shares in Guangdong Fenghua Advanced Holding Co., Ltd., accounting for 3% of Fenghua's total shares; and held 93,143,935 shares in Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., representing a stake of 3.91% in Nonfemet. Shenzhen Rising Investment Development Co., Ltd. held 1,302,027 shares in Dongjiang Environmental Co. Ltd, accounting for 0.15% of Dongjiang Environment's total shares;</p> <p>3、Guangdong Rising Finance Holding Co., Ltd. held 8,583,755 shares in Guangdong Fenghua Advanced Holding Co., Ltd., accounting for 0.96% of Fenghua's total shares; and held 6,876,386 shares in Dongjiang Environmental Co. Ltd, accounting for 0.54% of Dongjiang Environment's total shares.</p>
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Change of the controlling shareholder during this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

3. Information about the Actual Controller

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

Type of the actual controller: Corporation

Name of actual controller	Legal representative/person in charge	Date of establishment	Credibility code	Main business scope
Guangdong Rising Assets Management Co., Ltd.	Xu Guang	12/23/1999	91440000719283849E	Asset management and operation, equity management and operation, investment operation, and management and re-investment of investment earnings; other business authorized by the state-owned assets administration of the Guangdong Province; contractor service for overseas projects and domestic projects calling for international bids, contractor service for survey, consulting, design and supervision of the aforesaid overseas projects, export of

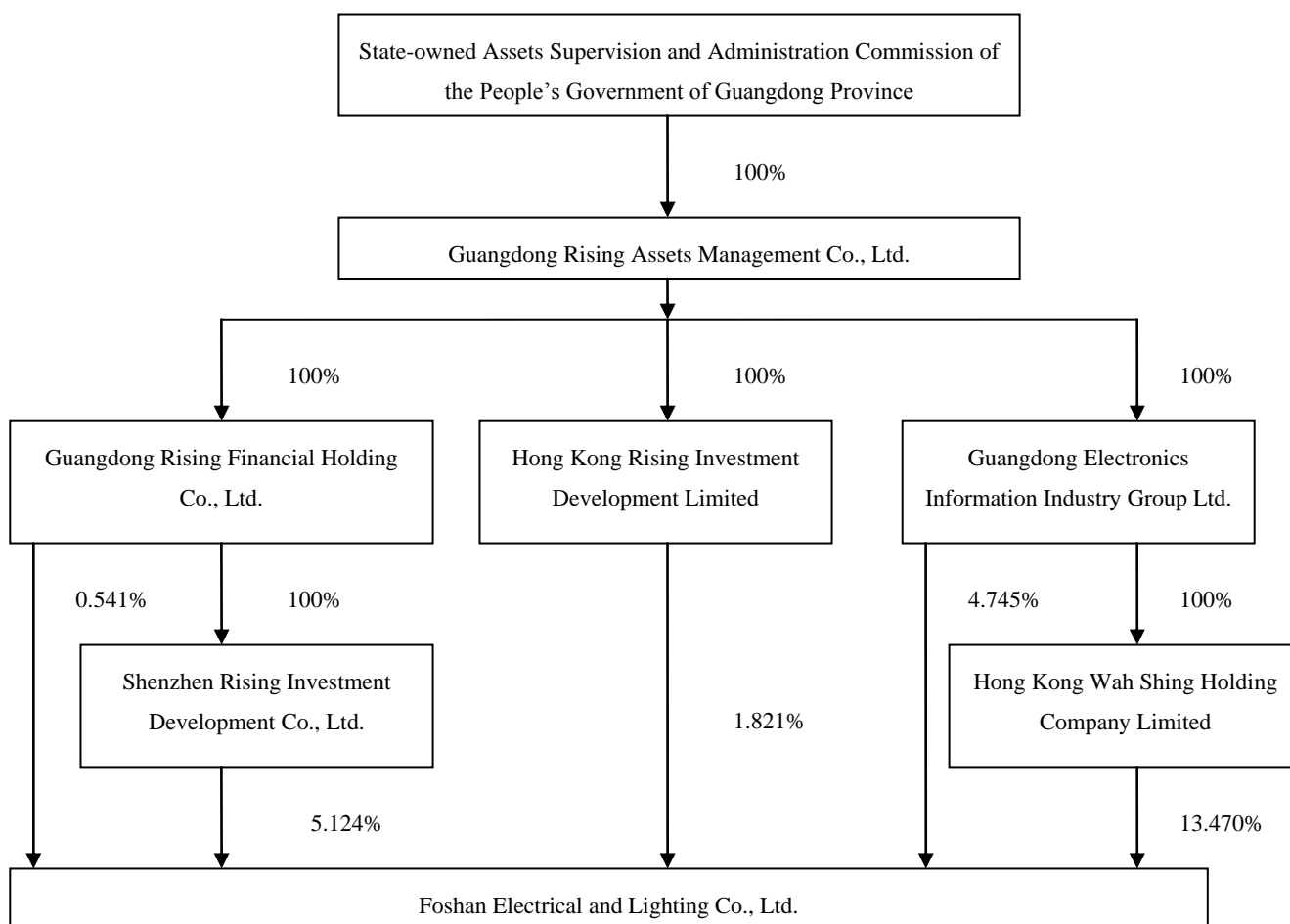
				equipment and materials for the aforesaid overseas projects, and dispatch of contract workers for the aforesaid overseas projects; property rental service; and exploitation, sale and deep processing of rare earth (operated by the branches with the relevant licenses).
Shareholdings of the actual controller in other listed companies at home or abroad in this Reporting Period	<p>At the end of the Reporting Period, Guangdong Rising Assets Management Co., Ltd. directly or indirectly held the following stakes in other listed companies at home or abroad:</p> <ol style="list-style-type: none"> 1. a 42.87% stake of 129,372,517 shares in Rising Nonferrous (stock code: 600259); 2. a 32.28% stake of 768,173,283 shares in Nonfemet (stock code: 000060); 3. a 23.99% stake of 214,778,089 shares in Fenghua Advanced (stock code: 000636); 4. a 20.38% stake of 96,933,132 shares in NationStar Optoelectronics (stock code: 002449); 5. a 15.70% stake of 139,456,690 shares in Dongjiang Environment (stock code: 002672); 6. a 6.94% stake of 5,614,082,653 shares in China Telecom (stock code: 00728). 			

Change of the actual controller during this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



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

Applicable Not applicable

4. 10% or Greater Corporate Shareholders

Applicable Not applicable

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

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

Part VII Preferred Shares

Applicable Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening shareholding (share)	Increase in this Reporting Period (share)	Decrease in this Reporting Period (share)	Other increase/decrease (share)	Closing shareholding (share)
He Yong	Board Chairman	Incumbent	Male	57	12/25/2015	12/25/2018	0	0	0	0	0
Zhuang Jianyi	Vice Board Chairman	Incumbent	Male	66	12/25/2015	12/25/2018	10,821,372	0	0	0	10,821,372
Cheng Ke	Director	Incumbent	Male	43	12/25/2015	12/25/2018	10,500	0	0	0	10,500
Qi Siyin	Director	Incumbent	Male	37	10/18/2016	12/25/2018	0	0	0	0	0
Huang Zhiyong	Director	Incumbent	Male	48	12/25/2015	12/25/2018	0	0	0	0	0
Liu Xingming	Director & GM	Incumbent	Male	55	04/22/2016	12/25/2018	478,764	28,600	0	0	507,364
Zhang Nan	Independent Director	Incumbent	Female	68	12/25/2015	12/25/2018	0	0	0	0	0
Lu Rui	Independent Director	Incumbent	Male	42	12/25/2015	12/25/2018	0	0	0	0	0
Lv Wei	Independent Director	Incumbent	Male	53	12/25/2015	12/25/2018	0	0	0	0	0
Liang Yuefei	Chairman of the Supervisory Board	Incumbent	Female	42	12/25/2015	12/25/2018	0	0	0	0	0
Zhuang Junjie	Supervisor	Incumbent	Male	32	12/25/2015	12/25/2018	0	0	0	0	0
Ye Zhenghong	Supervisor	Incumbent	Male	44	12/10/2015	12/25/2018	44,928	7,500	0	0	52,428

Lin Qing	Supervisor	Incumbent	Male	48	09/20/2016	12/25/2018	20,530	0	0	0	20,530
Liang Yueyi	Supervisor	Incumbent	Female	43	09/20/2016	12/25/2018	0	0	0	0	0
Lin Yihui	Board Secretary	Incumbent	Male	63	01/26/2016	12/25/2018	13,000	16,600	0	0	29,600
Tang Qionglan	CFO	Incumbent	Female	47	01/26/2016	12/25/2018	0	16,200	0	0	16,200
Wei Bin	Vice GM	Incumbent	Male	48	01/26/2016	12/25/2018	34,169	13,300	0	0	47,469
Jiao Zhigang	Vice GM	Incumbent	Male	45	01/26/2016	12/25/2018	41,444	12,500	0	0	53,944
Chen Yu	Vice GM	Incumbent	Male	45	01/26/2016	12/25/2018	17,160	10,000	0	0	27,160
Zhang Yong	Vice GM	Incumbent	Male	43	08/23/2016	12/25/2018	24,960	9,700	0	0	34,660
Zhang Xuequan	Vice GM	Incumbent	Male	40	08/23/2016	12/25/2018	13,211	13,500	0	0	26,711
Xu Xiaoping	Vice GM	Incumbent	Male	47	01/26/2016	12/25/2018	0	10,100	0	0	10,100
Total	--	--	--	--	--	--	11,520,038	138,000	0	0	11,658,038

Note: The management used an equity incentive fund to purchase shares of the Company's stock at the end of the year.

II Changes in Directors, Supervisors and Executive Officers

Applicable Not applicable

III Brief Biographies

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

1. Working Experience of the Directors

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

Company since December 2015.

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

Mr. Cheng Ke: Han nationality, born in February 1974, a member of the Communist Party of China and an auditor with the bachelor's degree. He once acted as the Attendant of the Audit Division of Guangzhou Dongshan Corporate Authority of Guangzhou Military Logistics Department, the Assistant Supervisor, the Supervisor, the Senior Executive and the Vice-Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd., Vice GM of Hubei Ashennan Expressway Development Co., Ltd., Hubei Gdrising Han-E Expressway Co., Ltd. and Hubei Han-Cai Expressway Co., Ltd. and now acts as the Minister of the Financing Plan Department of Guangdong Rising Assets Management Co., Ltd. and the Director of Guangdong Rising Finance Co., Ltd. and Foshan NationStar Optoelectronics Co., Ltd. And he was elected as a director of the 8th Board of the Company in December 2015.

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

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

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

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

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

Mr. Lu Rui (Independent Director): Chinese Han Nationality, no permanent residency abroad, born in January 1975. He is now a professor of Finance, doctoral tutor, the Head of the Accounting and Capital Operation Research Center of the Lingnan College of Sun Yat-Sen University. He graduated in 2003 from the Management Accounting of Sun Yat-Sen University with a master's degree of Management; and in 2006, he graduated from the Management Accounting of Sun Yat-Sen University with a doctor's degree of Management. He acted as the Teaching Assistant and the Lecturer of the Financial Accounting Department of Guangzhou Finance & Trade Management Institute during the period from July 1996 to August 2003; the Lecturer and associate professor of the Finance and Taxation Department of Lingnan College of Sun Yat-Sen University during the period from July 2006 to October 2012; and the associate professor of Finance of the Lingnan College of Sun Yat-Sen University during the period from November 2012 to June 2016. And he has been a profession of Finance and doctoral tutor at the Lingnan College of Sun Yat-Sen University since July 2016. His other academic and social posts mainly include: the member of Expert Committee of China Association for Public Companies, a national leading accounting professional recognized by the Ministry of Finance, the member of All-China Financial Youth Federation, the member of the senior member of Accounting Society of China, the member of Accounting Society of America; the Independent Director of Guangzhou GCI Science & Technology Co., Ltd., Xilong Scientific Co., Ltd., Guangzhou Goaland Energy Conservation Tech Co., Ltd., and Youmi Technology Co., Ltd; the Chairman of Guangzhou Zijing Education Co., Ltd. And he was elected as an independent director of the 8th Board of the Company in December 2015.

Mr. Lv Wei (Independent Director): Chinese Nationality, born in December 1964. He is a doctoral candidate in economic administration at Fudan University and a doctor's degree holder in economics. He was a teaching assistant, a lecturer, a departmental chief, an associate profession and then a professor at Fudan University during the period from August 1989 to March 2003. And he has been working in Shanghai Jiao Tong University since April 2003. He was a professor and doctoral tutor of the Department of Business Administration of the Antai Management School of Shanghai Jiao Tong University during the period from April 2003 to March 2006, and has been a professor and doctoral tutor of the Department of Business Administration of the Antai Economics and Management School of Shanghai Jiao Tong University since April 2006. He has been the head of the SJTU-USC Cultural Creativity Industries School since October 2014; an independent director of Shanghai Shibe Hi-tech Co., Ltd. since September 2012; and an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. since May 2015. And he was elected as an independent director of the 8th Board of the Company in December 2015.

2. Working Experience of the Supervisors

Ms. Liang Yuefei: Han nationality, born in November 1975, a member of the Communist Party of China and a CCPA member. She graduated from Guangdong Polytechnic Normal College with a bachelor's degree. She once acted as the Vice-Minister of the Total Fiscal Audit Department of Guangdong Electronics Information Industry Group Ltd.. And now acts as the general manager assistant, Minister of the Total Fiscal Department and Employee Supervisor of Guangdong Electronics Information Industry Group Ltd., the Supervisor of Foshan Sigma Venture Capital Co., Ltd. and the chairman of the Supervisory Board of Foshan NationStar Optoelectronics

Co., Ltd. And she was elected as the chairman of the 8th Supervisory Board of the Company in December 2015.

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

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

Mr. Lin Qing: born in September 1969, member of the Communist Party of China, undergraduate degree, electric light source engineer; has been working in the company since August 1991; worked as mercury lamp workshop technician and workshop director from June 1996 to February 2002; as the workshop director and factory director of the fluorescent lamp factory from March 2002 to September 2009; as the director of Technology Department since October 2009; in July 2015, elected as a discipline committee member of the company's CPC committee. And he was elected as a Employee Supervisor of the Company in September 2016.

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

3. Working experience of the Senior Management Staff

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

Mr. Lin Yihui: Born in November 1954, a member of the Communist Party of China with a master's degree in Economics. He was in active service in force from December 1970 to 1986 and acted as posts of command, battalion and group; works in Foshan International Trust and Investment Company from 1986 to September 2000 and acted as Section Chief and Vice GM and was in charge of the securities business of the Company as well as host the works such as the underwritten offering and listing recommendation of the shares of various companies over years; acted as the 1st and 2nd Directors of the Company; worked as Board Secretary of the Company from October 2000 to April 2010; acted as Party Secretary of the Company from May. 2010 to July 2015. He has acted as the Secretary of the Company since May 2013.

Ms. Tang Qionglan: born in March 1970, member of the Communist Party of China, bachelor degree, China Certified Public Accountant, worked as an accountant in Foshan Certified Public Accountants, served as audit manager of BDO China Shu Lun Pan Certified Public Accountants LLP Foshan Branch; as Deputy Manager of

the Finance Department, Manager, Chief Financial Officer, Deputy General Manager and Chief Financial Officer of Foshan NationStar Optoelectronics Co., Ltd. from October 2008 to January 2016. In January 2016, he elected as the Chief Financial Officer of the Company.

Mr. Wei Bin: Born in May 1969, a member of the Communist Party of China and an engineer with a bachelor's degree. He joined in the Company in 1991, and responsible for the product development of the graduate school of the Company from March 1992 to December 1996, acted as Workshop Manager of Energy Saving Lamp Workshop from January 1997 to December 2004, acted as Workshop Manager of HID Workshop from January to December 2005, acted as Workshop Manager of T5 Workshop from 2006 to November 2008, acted as the Department Director of the Technology Department from November 2008 to 2009 and acted as Vice GM of the Company from September 2009.

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

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

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

Mr. Zhang Yong: Born in June 1974, a member of the Communist Party of China and a mechanical engineer with a college degree. From July 1997, he joined in the Foshan Electrical and Lighting Co., Ltd. and successively acted as Deputy Director and Director of Lamp Filament Appliance Workshop from October 1999 to June 2008; acted as Factory Director of Gaoming Fluorescent Lamp Factory and Factory Director of Gaoming Branch Factory from July 2008 to December 2008; respectively acted as Department Director of Product Department, OEM Department, Mechanical Dynamics Department and Infrastructure Department from January 2009 to December 2012; acted as General Manager Assistant from March 2013 to August 2016. He was a supervisor and the Chairman of the Board of Supervisors of the Company from September 2013 to August 2016; has been the chairman of the Labor Union of the Company since September 2013; was elected as the Deputy Party Secretary in July 2015; and has been a vice GM of the Company since August 2016.

Mr. Zhang Xuequan: Born in December 1977, a member of the Communist Party of China with a bachelor's degree. He joined the Company in October 1996. He worked in the former Iodine-tungsten Lamp Workshop from October to December 1996; worked in the Technology Department and then the Quality Control Department from

January 1997 to August 2002; acted as the Workshop Manager of Lamp Workshop from September 2002 to May 2008; acted as the Department Director of the Business Management Department of the Company from June 2008 to August 2016. He has concurrently acted as the Office Director since February 2016. He has been the Party Branch Secretary for the Administrative Office of the Company from July 2010 to June 2017, and a member of the party committee of the Company since July 2015. He was a supervisor of the Company from May 2013 to August 2016 and has been a vice GM of the Company since August 2016.

Posts concurrently held in shareholding entities

Applicable Not applicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity (yes/no)
He Yong	Guangdong Electronics Information Industry Group Ltd.	Chairman, Party Secretary			Yes
Zhuang Jianyi	Prosperity Lamps & Components Limited	Chairman			Yes
Huang Zhiyong	Guangdong Electronics Information Industry Group Ltd.	Vice GM			Yes
Liang Yuefei	Guangdong Electronics Information Industry Group Ltd.	Planning Manager & GM Assistant			Yes
Zhuang Junjie	Prosperity Lamps & Components Limited	Director			Yes

Posts held concurrently in other entities

Applicable Not applicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the entity (yes/no)
Cheng Ke	Guangdong Rising Assets Management Co., Ltd.	Planning and Finance Manager			Yes
Qi Siyin	Guangdong Rising Assets Management Co., Ltd.	Capital Operation Manager			Yes
Lu Rui	Lingnan (University) College of Sun Yat-Sen University	Professor			Yes
Lv Wei	Antai School of Management of SJTU	Professor			Yes

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

Applicable Not applicable

IV Remuneration of Directors, Supervisors and Executive Officers

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

executive officers

Decision-making procedure for the remuneration of directors, supervisors and senior management	The Remuneration & Appraisal Committee under the Board of Directors decides the remuneration of directors, supervisors and senior management in accordance with the Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, Compensation Plan for Executive Officers, and the Salary System reviewed and approved on the 2011 Annual Shareholders' General Meeting, and the particulars on completing current main financial indexes & operating goals, as well as the fulfillment of job responsibilities by them.
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration of directors (excluding independent directors), supervisors and senior management who withdraw remuneration in the Company are all decided in accordance with the Company's Plan for Implementing the Equity Incentive Mechanism for Middle-and Top-Rank Management Personnel, Compensation Plan for Executive Officers, and the Salary System and the relevant appraisal indexes. The allowance of independent directors should be granted according to the standard reviewed and approved by 2015 Annual Shareholders' General Meeting.
Actual payment of the remuneration of directors, supervisors and senior management	The total remuneration (before tax) actually paid to the directors, supervisors and senior management staff for 2017 were RMB11.2967 million.

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company (yes/no)
He Yong	Board Chairman	Male	57	Incumbent		Yes
Zhuang Jianyi	Vice Board Chairman	Male	66	Incumbent		Yes
Cheng Ke	Director	Male	43	Incumbent		Yes
Qi Siyin	Director	Male	37	Incumbent		Yes
Huang Zhiyong	Director	Male	48	Incumbent		Yes
Liu Xingming	Director & GM	Male	55	Incumbent	173.17	No
Zhang Nan	Independent Director	Female	68	Incumbent		No
Lu Rui	Independent Director	Male	42	Incumbent	14.4	No
Lv Wei	Independent Director	Male	53	Incumbent	14.4	No

Liang Yuefei	Supervisory Board Chairman	Female	42	Incumbent		Yes
Zhuang Junjie	Supervisor	Male	32	Incumbent		Yes
Ye Zhenghong	Supervisor	Male	44	Incumbent	54.02	No
Lin Qing	Supervisor	Male	48	Incumbent	39.17	No
Liang Yueyi	Supervisor	Female	43	Incumbent	64.23	No
Lin Yihui	Board Secretary	Male	63	Incumbent	101.91	No
Tang Qionglan	CFO	Female	47	Incumbent	106.84	No
Wei Bin	Vice GM	Male	48	Incumbent	103.84	No
Jiao Zhigang	Vice GM	Male	45	Incumbent	100.68	No
Chen Yu	Vice GM	Male	45	Incumbent	93.68	No
Zhang Yong	Vice GM	Male	43	Incumbent	93.68	No
Zhang Xuequan	Vice GM	Male	40	Incumbent	96.84	No
Xu Xiaoping	Vice GM	Male	47	Incumbent	72.81	No
Total	--	--	--	--	1,129.67	--

Equity incentives for directors, supervisors and executive officers in this Reporting Period

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	2,113
Number of in-service employees of main subsidiaries	7,096
Total number of in-service employees	9,209
Total number of employees with remuneration in this Reporting Period	9,209
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	7,653
Sales	814
Technical	540
Financial	51
Administrative	151

Total	9,209
Educational backgrounds	
Educational background	Number of employees
College and above	1,472
Technical secondary school and high school	1,652
Below high school	6,085
Total	9,209

2. Employee Remuneration Policy

The general principal of the employee's remuneration policy is: as for the external part, the Company should maintain the market competitiveness of the talents by possessing of the attraction and as for the internal part, should possess of the impartiality and consistency. The salary level of the external labor market and the social average salary level as well as the wage guiding issued by the governmental department are the important reference basis for the confirm of the salary standard of the Company; to confirm different pay grade according to different positions and the position characteristics and to furthest incentive the enthusiasm of the employees; to abide with the principal of giving priority to efficiency and give consideration of the fairness and to object to the equalitarianism when distributing the remunerations, to pay with generous compensation for those excellent employees who creates great value, to appropriately incline to the key talents and the market supply shortage talents; the lowest salary of the Company should not be lower than the local lowest salary standard.

3. Employee Training Plans

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

4. Labor Outsourcing

Applicable Not applicable

Part IX Corporate Governance

I Basic Situation of Corporate Governance

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

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

Yes No

No such cases in this Reporting Period.

II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separate from the Controlling Shareholder

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

1. As for the business, the Company is independent of the controlling shareholders and the subordinate enterprises and owns the independent business departments and management system as well as possesses of independent and entire business and self-dependent operating ability.
2. As for the personnel, the Company formulates the independent management system such as the labor, personnel and the salary, possesses the independent personnel department and the operating management team. The Senior Executives of the Company are serving at the Company in full time and receiving the salary from the Company.
3. As for the assets, the assets of the Company are independent and entire with clear ownership, and possesses the independent production system, BOP system and the supporting facilities, as well as possesses the legal ownership of the land, factories, equipments related to the production and operating and the assets such as the trademark, patent and the non-patent technology, and possesses the entire control and govern power of all the assets of the Company without any behavior such as any controlling shareholder occupies the assets of the Company.
4. As for the institutions, the Company set up the independent and entire organizations and institutions, and the construction as well as the operating of the corporate governance institutions is executed strictly executed

according to the Articles of Association, and the production and operating as well as the offices are entirely independent from the controlling shareholders with any situation of working under one roof with the controlling shareholders.

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

III Horizontal Competition

√ Applicable □ Not applicable

Type of issue	Name of controlling shareholder	Nature of controlling shareholder	Cause for issue	Solution	Solution's progress and follow-up plan
Horizontal competition	Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited	Local State-owned Assets Supervision and Administration Commission	Some enterprises controlled by the controlling shareholders engage in the same or similar business with the Company, which incurs horizontal competition.	Controlling shareholders have made a commitment: (I). Eliminating the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements before December 4, 2019. (II) Commitment of other arrangements for avoiding horizontal competition. As for avoiding the horizontal competition with Foshan Electrical and Lighting, the further commitments on the relevant arrangements made by the Electronics Group, Shenzhen Guangdong Rising Investment and Hong Kong Guangdong Rising Investment as follows: 1. the commitment maker will execute the supervision and restriction on the production and the operating activities of the company and the relevant enterprises except for the above enterprises currently involved with the	Ongoing

			<p>horizontal competition with Foshan Electrical and Lighting and if there is same or similar situation occurs horizontal competition with Foshan Electrical and Lighting from the future promises and the relevant enterprises on the products or business, the commitment maker following measures to solve the problem: (1) when commits to adopt the Foshan Electrical and Lighting considers it is necessary, the Company and the relevant enterprises would decrease the shareholding until entirely completes the transfer of the held relevant assets and business; (2) when Foshan Electrical and Lighting considers it is necessary, should take preference to purchase the relevant assets and business held by the commitment maker and the relevant enterprises through appropriate methods; 2.each commitment made by the commitment maker on eliminating or avoiding the horizontal competition is also adapted to the subordinate enterprises directly or indirectly controlled by the commitment maker and the Company owns the obligation to urge and ensure the other subordinate enterprises to carry out each events and arrangement</p>	
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				<p>stated on the document and to strictly abide to the whole commitments. 3. If the commitment maker or the subordinate enterprises directly or indirectly controlled by the company violated the above commitments that led to the losses of Foshan Electrical and Lighting, the commitment maker should pay for the reasonable compensation.”</p>	
<p>Related-party transactions</p>	<p>Guangdong Electronics Information Industry Group Ltd., Shenzhen Rising Investment Development Co., Ltd., Hong Kong Rising Investment Development Limited</p>	<p>Local SASAC</p>	<p>Related-party transactions existed between some enterprises controlled by the controlling shareholders and the Company</p>	<p>The controlling shareholders committed: 1. guaranteed to strictly abide by the each regulation from the CSRC, the normative laws documents of SZSE and the Articles of Association of Foshan Electrical and Lighting. Among the production and operating activities since then, the promisee would not take advantage of the position of the controlling shareholders and the actual controller to carry out any behavior that harm the benefits of Foshan Electrical and Lighting and other shareholders; 2. the promisee and the other subsidiaries, the branch companies, the joint ventures or associated companies (hereinafter referred to as the “relevant enterprises”) will try their best to avoid and reduce the related transactions with Foshan Electrical and Lighting and its</p>	<p>Ongoing</p>

				<p>subsidiaries; 3. as for the related transactions which are indeed necessary and could not be avoided between the promisee, the relevant enterprises and Foshan Electrical and Lighting, will strictly abide by the market principles of fairness, justice with valuable consideration. When the Annual General Meeting or the Board of Directors is executing the voting on the related transactions which involved with the promisee and the relevant enterprises, should execute the obligation of avoiding the voting and at the same time execute the transactions vetting process as well as the information disclosure obligations according to the relevant laws and regulations and the normative documents. If violated the above commitments and caused the losses to Foshan Electrical and Lighting as well as the subsidiaries and other shareholders, the promisee should assume compensation liability.</p>	
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IV Annual and Special Meetings of Shareholders Convened during this Reporting Period

1. Meetings of Shareholders Convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2016 Annual Meeting of	Annual	38.71%	04/26/2017	04/27/2017	Announcement on Resolutions of 2016

Shareholders					Annual Meeting of Shareholders (No. 2017-016) disclosed on www.cninfo.com.cn
The 1 st Special Meeting of Shareholders in 2017	Special	40.01%	12/04/2017	12/05/2017	Announcement on Resolutions of 1 st Special Meeting of Shareholders in 2017 (No. 2017-037) disclosed on www.cninfo.com.cn

2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed Voting Rights

Applicable Not applicable

V Performance of Independent Directors in this Reporting Period

1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

Attendance of independent directors in board meetings							
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absent for two consecutive times	Presence the meetings of shareholders (times)
Zhang Nan	8	2	6	0	0	No	0
Lu Rui	8	2	6	0	0	No	1
Lv Wei	8	1	7	0	0	No	0

2. Objections Raised by Independent Directors on Issues of the Company

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

Yes No

No such cases in this Reporting Period.

3. Other Details about the Performance of Duties by Independent Directors

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

Yes No

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

During the Reporting Period, in accordance with the requirements of Company Law, Code of Governance of Listed Companies, Guidance on the Establishment of the Independent Directors System of the Listed Companies, Articles of Association and relevant systems, the independent directors of the Company attended the board

sessions held during the Reporting Period, carefully reviewed the proposals proposed on the sessions, paid attention to the operation of the Company, performed the duties sincerely and diligently, and issued independent opinion on acquisition and sale of assets, purchase of financial products, related-party transactions, profit distribution, etc., as well as proposed precious advices on perfection of systems and decision of routine operation of the Company, so as to play an active role in protecting the legal right of the Company and its shareholders.

VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

(I) Work Accomplished by the Audit Committee

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

On March 17, 2017, the Audit Committee convened to discuss and approve the following two topics:

(1) 2016 financial audit report of the Company;

(2) The proposal for renewing the engagement of accounting firm;

Considering that Beijing ZhongzhengTiantong Certified Public Accountants (LLP) is professional and experienced in financial audit of listed companies, and performed its duties diligently in the Company's financial audit work and internal control audit work in 2016, playing the role of the auditing agency well. Moreover, after a year of auditing, it is familiar with the Company's business development and financial status. Therefore, the Audit Committee proposed to continue to employ Beijing ZhongzhengTiantong Certified Public Accountants (special ordinary partnership) as the annual financial auditing agency and internal control auditing agency of the Company in 2017.

(3) 2016 annual work report and 2017 work plan of the Audit Department.

(II) The work of the Remuneration and Assessment Committee

On March 7, 2017, the Remuneration and Assessment Committee of the Board of Directors convened a meeting to assess of the remuneration of the senior management of the Company based on the major financial indicators and business objectives of the Company in 2016, the scope of work and major responsibilities of the senior management of the Company and the indicators of assessment system related to the senior management's job performance. It was considered that the remuneration of the senior management personnel of the Company in 2016 was determined based on the principle of "Remuneration Plan for Senior Management" and the relevant regulations of "Remuneration System" of the Company. The implementation of the Company's accrued incentive fund was in line with the "Establishment of Equity Incentive System for Middle and Senior Management" which was reviewed and approved at the general meeting of shareholders. The incentives implemented by the Company for middle and senior management personnel, business and technology elites was legal and reasonable, and it was conducive to improve the integration of interests of the management and the Company as well as shareholders.

VII Performance of Duties by the Supervisory Board

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

Yes No

The Supervisory Board raised no objections in this Reporting Period.

VIII Appraisal and Incentive for Executive Officers

The senior management of the Company is appointed by the Board of Directors, evaluated by the Remuneration

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

IX Internal Control

1. Serious Internal Control Defects Found in this Reporting Period

Yes No

2. Internal Control Self-evaluation Report

Disclosure date of the internal control self-evaluation report	03/30/2018	
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Internal Control Self-Evaluation Report 2017	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	Defect with one of the following characteristics should be recognized as a serious defect: 1. the defect involved with the malpractices of the Directors, the Supervisors and the Senior Executives; 2. the controlled environment is invalid; 3. the CPA discovered any significant misstatement from the current financial report while the internal control could not discover the mistake during the operating process; 4. the supervision from the Corporate Audit Committee and the internal audit institution on the internal control. If there met with one of the situation of the following, should be recognized as an important defect: 1. the recognized important defect is not solved during the reasonable period; 2. corrects the published financial report; 3. the function of the internal audit of the Company is invalid; 4. the control of whether execute the selection and the application of the accounting policies according to the Generally Accepted	Defect with one of the following characteristics should be recognized as a serious defect: 1. being punished for seriously violating the national laws, the administrative laws and regulations and the normative documents; 2. the Company suffers a serious economic loss due to any serious errors made in decision-making caused by serious lack of decision-making procedures on significant events or unfair decision-making; 3. the Company's reputation has been unrepairably damaged by any conduct in violation of laws and regulations which produces a far-reaching negative impact and draws the public's attention widely; 4. the major business involved with the production and operating of the Company lack of the system control or the system control is invalid; 5. the results of the internal control assessment turn out to include any serious defects

	Accounting Principles is invalid.	and such defects fail to be rectified effectively within 12 months. Defects with the following characteristics should be recognized as important defects: 1. owing to partly lack of the decision-making process on significant events and the undemocratic decision-making process which caused the decision-making mistake that led the Company face with certain economic losses; 2. the negative influences owing to the unlawful acts and the irregularities which involve with wide range and cause public concern among the partial regions which bring certain harms to the reputation of the Company; 3. the system of the major business involved with the production and operating of the Company is incomplete or partially invalid; 4. the results of the internal control assessment turn out to include any serious defects and such defects fail to be rectified effectively within 6 months.
Quantitative standard	Based on the data of the 2017 consolidated statements, the quantitative criterion of confirming the important degree of the misstatement (including the false negatives) from of the consolidated statements of the listed companies is as follows: serious defect: misstatement $\geq 1.0\%$ of the total assets amount; important defects: 0.5% of the total assets amount \leq misstatement $< 1.0\%$ of the total assets amount; common defects: misstatement $< 0.5\%$ of the total assets amount.	According to the quantitative criterion of the internal control defects of the financial report, the quantitative criterion of the internal control defects assessment of the non-financial report confirmed by the Company is as follows: serious defect: misstatement $\geq 1.0\%$ of the total assets amount; important defects: 0.5% of the total assets amount \leq misstatement $< 1.0\%$ of the total assets amount; common defects: misstatement $< 0.5\%$ of the total assets amount.
Number of serious financial-report-related defects		0
Number of serious non-financial-report-related defects		0
Number of important financial-report-related defects		0
Number of important non-financial-report-related defects		0

X Auditor's Report on Internal Control√ Applicable Not applicable

Opinion paragraph in the auditor's report on internal control	
Beijing Zhongzhengtiantong Certified Public Accountants LLP considered that: Foshan Electrical and Lighting Co., Ltd. maintained effective internal control of the financial report in all significant aspects according to the Basic Standards for Internal Control and relevant regulations.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	03/30/2018
Index to the disclosed auditor's report on internal control	See www.cninfo.com.cn for the Auditor's Report on Internal Control
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

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

 Yes No

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

 Yes No

Part X Corporate Bonds

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

No.

Part XI Financial Statements

I Independent Auditor's Report

Type of independent auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	03/28/2017
Name of independent auditor	Beijing Zhongzhengtiantong Certified Public Accountants LLP
No. of independent auditor's report	ZZTT (2018) Auditor's Report No. 0707001
Names of certified public accountants	Tong Quanyong, Luo Dongri

Text of the Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Foshan Electrical and Lighting Co., Ltd.

I Opinion

We have audited the financial statements of Foshan Electrical and Lighting Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as of December 31, 2017, the consolidated and parent company statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at December 31, 2017, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. And key audit matter identified in our audit is summarized as follows:

(I) Bad debt provision for accounts receivable

1. Description of the item

As stated in Notes V and 11 、 Notes VII and 5 of the Consolidated Financial Statements of the Company, as of December 31, 2017, balance of accounts receivable of the Company is RMB805,862,316.13 in total, and the bad debt provision is RMB49,570,883.57, and the book value of accounts receivable is high. For accounts receivable, as per the Chinese Accounting Standards, FSL management determined the allowance for doubtful accounts based on their recoverability. Considering that provision for bad debts of accounts receivable requires the Management to use significant accounting estimates and judgments, and that accounts receivable cannot be recovered on time or cannot be recovered and bad debt losses will have a significant impact on the company's financial statements, we take bad debt provision for account receivable as a key audit item.

2. Audit response

We evaluated and tested the effectiveness of the design and operation of the key internal controls of the Company's Credit Policy and Accounts Receivable Management to confirm the effectiveness of internal controls.

We analyzed the reasonableness of the Company's accounting estimation policy for the provision for bad debts of receivables, including the basis for determining the characteristics of credit risk combination, the criteria for significant amounts and the judgment for separate plan of bad debt provision. We analyzed and calculated the ratio of amount of daily bad debts on the balance sheet and the balance of accounts receivable, and make comparison with the earlier period. We studied the actual amount of bad debt losses of accounts receivable of the previous period, and analyzed whether the provision for bad debts of accounts receivable in this period is sufficient. We also analyzed the aging of accounts receivable and the creditworthiness of customers, and assessed the reasonableness of bad debt provision for accounts receivable.

We combined with audit procedures of other accounts receivable to confirm the recoverability of accounts receivable, such as: correspondence, payment collection after inspection period, consistency of counting and drawing method with the Company's accounting policy, recalculation for confirmation of accuracy of bad debt provision and so on.

IV Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2017 Annual Report other than the financial statements and our auditor's

report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V Responsibilities of Management and Those Charged with Governance for Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beijing Zhongzhengtiantong Certified

Public Accountants LLP

Beijing ·China

Chinese CPA:

(Engagement Partner)

Tong Quanyong

Chinese CPA:

Luo Dongri

March 28, 2018

II Financial Statements

Currency unit for the statements in the notes to the financial statements: RMB

1. Consolidated Balance Sheet

Prepared by Foshan Electrical and Lighting Co., Ltd.

December 31, 2017

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	570,184,208.96	1,479,283,642.54
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	68,368,192.41	67,925,843.74
Accounts receivable	756,291,432.56	595,257,954.00
Prepayments	33,095,313.35	30,292,007.11
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable	12,428,451.86	4,612,406.80
Dividends receivable		
Other receivables	21,215,215.15	11,977,660.58
Financial assets purchased under resale agreements		
Inventories	746,466,889.87	753,681,605.19
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	1,006,062,102.56	441,205,461.72
Total current assets	3,214,111,806.72	3,384,236,581.68
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	1,390,581,536.60	1,732,150,857.01

Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	179,414,105.14	210,394,932.69
Investment property		
Property, plant and equipment	483,520,866.64	446,006,929.66
Construction in progress	162,814,991.68	71,479,325.91
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	155,544,720.36	160,330,395.13
R&D expense		
Goodwill		
Long-term prepaid expense	9,088,933.56	6,897,119.78
Deferred income tax assets	37,675,828.79	43,547,918.44
Other non-current assets	43,059,034.80	45,125,340.00
Total non-current assets	2,461,700,017.57	2,715,932,818.62
Total assets	5,675,811,824.29	6,100,169,400.30
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	539,303,554.54	552,255,512.33
Advances from customers	48,706,778.49	41,180,818.13
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	81,948,630.59	96,021,156.06

Taxes payable	27,350,670.40	138,282,644.72
Interest payable		
Dividends payable		6,287,923.09
Other payables	40,548,489.03	50,104,338.81
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	737,858,123.05	884,132,393.14
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred income	11,858,330.49	10,449,768.49
Deferred income tax liabilities	126,460,250.96	200,112,595.11
Other non-current liabilities		
Total non-current liabilities	138,318,581.45	210,562,363.60
Total liabilities	876,176,704.50	1,094,694,756.74
Owners' equity:		
Share capital	1,272,132,868.00	1,272,132,868.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	285,821,459.07	285,821,459.07

Less: Treasury shares		
Other comprehensive income	716,607,333.78	1,133,971,372.25
Specific reserve		
Surplus reserves	772,953,002.36	733,924,951.81
General reserve		
Retained earnings	1,731,600,796.18	1,564,615,925.99
Total equity attributable to owners of Parent Company	4,779,115,459.39	4,990,466,577.12
Non-controlling interests	20,519,660.40	15,008,066.44
Total owners' equity	4,799,635,119.79	5,005,474,643.56
Total liabilities and owners' equity	5,675,811,824.29	6,100,169,400.30

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

2. Parent Company Balance Sheet

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	502,169,100.40	1,235,417,964.88
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	67,268,192.41	66,222,840.44
Accounts receivable	747,430,159.61	611,855,496.90
Prepayments	70,580,941.09	117,217,953.23
Interest receivable	9,744,035.20	3,590,629.01
Dividends receivable		14,671,820.57
Other receivables	42,174,877.89	56,714,849.84
Inventories	670,527,529.71	717,097,516.25
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	777,495,203.31	379,932,325.87
Total current assets	2,887,390,039.62	3,202,721,396.99
Non-current assets:		
Available-for-sale financial assets	1,390,581,536.60	1,732,150,857.01
Held-to-maturity investments		

Long-term receivables		
Long-term equity investments	663,207,207.40	693,992,222.45
Investment property		
Property, plant and equipment	404,667,257.11	375,075,102.44
Construction in progress	161,024,975.28	69,589,510.14
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	112,251,734.86	117,017,633.92
R&D expense		
Goodwill		
Long-term prepaid expense	8,209,699.77	6,897,119.78
Deferred income tax assets	32,985,075.62	37,790,043.38
Other non-current assets	42,661,573.80	44,519,790.00
Total non-current assets	2,815,589,060.44	3,077,032,279.12
Total assets	5,702,979,100.06	6,279,753,676.11
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	719,912,246.75	701,814,818.26
Advances from customers	47,306,971.94	38,406,798.91
Payroll payable	60,345,714.81	66,764,581.34
Taxes payable	13,294,037.24	121,939,572.62
Interest payable		
Dividends payable		
Other payables	96,824,757.90	258,368,416.59
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		

Total current liabilities	937,683,728.64	1,187,294,187.72
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred income	11,548,330.26	9,984,768.34
Deferred income tax liabilities	126,460,250.96	200,112,595.11
Other non-current liabilities		
Total non-current liabilities	138,008,581.22	210,097,363.45
Total liabilities	1,075,692,309.86	1,397,391,551.17
Owners' equity:		
Share capital	1,272,132,868.00	1,272,132,868.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	293,425,065.15	293,425,065.15
Less: Treasury shares		
Other comprehensive income	716,608,088.78	1,133,971,372.25
Specific reserve		
Surplus reserves	772,953,002.36	733,924,951.81
Retained earnings	1,572,167,765.91	1,448,907,867.73
Total owners' equity	4,627,286,790.20	4,882,362,124.94
Total liabilities and owners' equity	5,702,979,100.06	6,279,753,676.11

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

3. Consolidated Income Statement

Unit: RMB

Item	2017	2016
1. Revenue	3,800,188,261.54	3,366,454,968.60

Including: Operating revenue	3,800,188,261.54	3,366,454,968.60
Interest revenue		
Premium revenue		
Handling charge and commission revenue		
2. Cost of revenue	3,451,947,340.47	2,966,419,594.56
Including: Cost of operating revenue	2,940,069,129.71	2,518,164,099.97
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surtaxes	38,737,499.83	34,882,209.20
Selling expense	213,812,639.74	204,777,965.73
Administrative expense	213,580,974.54	211,412,262.47
Finance costs	10,972,282.52	-28,457,453.89
Asset impairment losses	34,774,814.13	25,640,511.08
Add: Gains on changes in fair value (“-” for losses)		
Investment income (“-” for loss)	522,604,626.66	882,079,521.77
Including: Share of profit or loss of joint ventures and associates	2,222,185.57	4,327,697.03
Foreign exchange gains (“-” for losses)		
Asset disposal income (“-” for loss)	-10,790.68	10,852.26
Other income	6,876,386.18	
3. Operating income (“-” for loss)	877,711,143.23	1,282,125,748.07
Add: Non-operating income	3,420,866.46	3,729,834.01
Less: Non-operating expense	8,329,138.20	12,622,554.30
4. Pretax income (“-” for loss)	872,802,871.49	1,273,233,027.78
Less: Income tax expense	126,982,552.23	199,976,634.04
5. Net income (“-” for net loss)	745,820,319.26	1,073,256,393.74
5.1 Net income from continuing operations (“-” for net loss)	745,820,319.26	1,073,256,393.74

5.2 Net income from discontinued operations (“-” for net loss)		
Attributable to owners of Parent Company	740,308,725.30	1,072,342,050.13
Attributable to non-controlling interests	5,511,593.96	914,343.61
6. Other comprehensive income, net of tax	-417,364,038.47	-1,079,017,783.77
Attributable to owners of Parent Company	-417,364,038.47	-1,079,017,783.77
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-417,364,038.47	-1,079,017,783.77
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	-21,831,908.42	21,831,908.42
6.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-395,531,375.05	-1,100,849,692.19
6.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gains/losses on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	-755.00	
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	328,456,280.79	-5,761,390.03
Attributable to owners of Parent	322,944,686.83	-6,675,733.64

Company		
Attributable to non-controlling interests	5,511,593.96	914,343.61
8. Earnings per share		
8.1 Basic earnings per share	0.5819	0.8429
8.2 Diluted earnings per share	0.5819	0.8429

Where business mergers under the same control occurred in the current period, the net income achieved by the merged parties before the business mergers was RMB0.00, with the amount for last year being RMB0.00.

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

4. Parent Company Income Statement

Unit: RMB

Item	2017	2016
1. Operating revenue	3,708,507,664.85	3,419,178,022.89
Less: Cost of operating revenue	2,969,826,402.98	2,643,247,405.29
Taxes and surtaxes	26,665,351.14	23,282,652.36
Selling expense	194,724,192.62	202,456,041.37
Administrative expense	187,215,509.99	193,826,370.43
Finance costs	11,678,797.13	-23,363,408.54
Asset impairment losses	31,993,956.76	25,569,327.12
Add: Gains on changes in fair value ("-" for losses)		
Investment income ("-" for loss)	514,832,777.29	895,733,724.43
Including: Share of profit or loss of joint ventures and associates	2,222,185.57	4,327,697.03
Asset disposal income ("-" for loss)		
Other income	5,041,565.24	
2. Operating income ("-" for loss)	806,277,796.76	1,249,893,359.29
Add: Non-operating income	3,066,550.72	3,197,757.63
Less: Non-operating expense	3,305,063.89	10,946,958.61
3. Pretax income ("-" for loss)	806,039,283.59	1,242,144,158.31
Less: Income tax expense	109,455,530.30	187,285,711.44
4. Net income ("-" for net loss)	696,583,753.29	1,054,858,446.87
4.1 Net income from continuing	696,583,753.29	1,054,858,446.87

operations (“-” for net loss)		
4.2 Net income from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-417,363,283.47	-1,079,017,783.77
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-417,363,283.47	-1,079,017,783.77
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method	-21,831,908.42	21,831,908.42
5.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-395,531,375.05	-1,100,849,692.19
5.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gains/losses on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	279,220,469.82	-24,159,336.90
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	3,619,290,013.43	3,142,236,107.62
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates received	112,779,670.77	71,456,301.70
Cash generated by other operating activities	60,474,356.68	52,922,399.69
Subtotal of cash generated by operating activities	3,792,544,040.88	3,266,614,809.01
Payments for goods and services	2,448,023,788.20	1,962,007,251.93
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		

Policy dividends paid		
Cash paid to and for employees	687,278,446.70	610,995,842.31
Taxes paid	213,491,815.63	242,817,744.82
Cash used in other operating activities	227,928,797.56	160,815,201.47
Subtotal of cash used in operating activities	3,576,722,848.09	2,976,636,040.53
Net cash flows from operating activities	215,821,192.79	289,978,768.48
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	167,044,960.00	64,155,025.41
Investment income received	197,311,986.47	918,324,848.10
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	1,739,927.00	113,000.00
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities		
Subtotal of cash generated by investing activities	366,096,873.47	982,592,873.51
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	223,289,509.83	99,546,739.15
Payments for investments	723,604,335.25	620,507,350.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		39,877.93
Subtotal of cash used in investing activities	946,893,845.08	720,093,967.08
Net cash flows from investing activities	-580,796,971.61	262,498,906.43
3. Cash generated by or used in financing activities:		
Capital contributions received		10,000,000.00
Including: Capital contributions by non-controlling interests to subsidiaries		10,000,000.00
Increase in borrowings		

Net proceeds from issuance of bonds		
Cash generated by other financing activities		
Subtotal of cash generated by financing activities		10,000,000.00
Repayment of borrowings		
Payments for interest and dividends	539,956,095.34	15,901,660.85
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	539,956,095.34	15,901,660.85
Net cash flows from financing activities	-539,956,095.34	-5,901,660.85
4. Effect of foreign exchange rate changes on cash and cash equivalents	-4,167,559.42	-838,479.89
5. Net increase in cash and cash equivalents	-909,099,433.58	545,737,534.17
Add: Cash and cash equivalents, beginning of the period	1,479,283,642.54	933,546,108.37
6. Cash and cash equivalents, end of the period	570,184,208.96	1,479,283,642.54

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

6. Parent Company Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	3,498,984,831.17	3,164,460,619.08
Tax rebates received	112,779,670.77	71,456,301.70
Cash generated by other operating activities	54,666,997.92	43,134,054.60
Subtotal of cash generated by operating activities	3,666,431,499.86	3,279,050,975.38
Payments for goods and services	2,825,997,236.90	2,428,381,785.03
Cash paid to and for employees	303,882,045.65	235,862,626.78
Taxes paid	103,612,962.70	141,319,406.75

Cash used in other operating activities	237,297,152.74	155,496,800.41
Subtotal of cash used in operating activities	3,470,789,397.99	2,961,060,618.97
Net cash flows from operating activities	195,642,101.87	317,990,356.41
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	167,044,960.00	64,155,025.41
Investment income received	205,798,152.73	918,324,848.10
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	1,693,927.00	14,000.00
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities		
Subtotal of cash generated by investing activities	374,537,039.73	982,493,873.51
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	206,165,249.35	90,609,951.60
Payments for investments	558,800,147.75	591,007,350.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	764,965,397.10	681,617,301.60
Net cash flows from investing activities	-390,428,357.37	300,876,571.91
3. Cash generated by or used in financing activities:		
Capital contributions received		
Increase in borrowings		
Net proceeds from issuance of bonds		
Cash generated by other financing activities		
Subtotal of cash generated by financing activities		
Repayment of borrowings		
Payments for interest and dividends	534,295,804.56	15,901,660.85

Cash used in other financing activities		
Sub-total of cash used in financing activities	534,295,804.56	15,901,660.85
Net cash flows from financing activities	-534,295,804.56	-15,901,660.85
4. Effect of foreign exchange rate changes on cash and cash equivalents	-4,166,804.42	-838,479.89
5. Net increase in cash and cash equivalents	-733,248,864.48	602,126,787.58
Add: Cash and cash equivalents, beginning of the period	1,235,417,964.88	633,291,177.30
6. Cash and cash equivalents, end of the period	502,169,100.40	1,235,417,964.88

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

7. Consolidated Statements of Changes in Owners' Equity

2017

Unit: RMB

Item	2017												
	Equity attributable to owners of Parent Company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
Preferred shares		Perpetual bonds	Other										
1. Balances as of end of prior year	1,272,132,868.00				285,821,459.07		1,133,971,372.25		733,924,951.81		1,564,615,925.99	15,008,066.44	5,005,474,643.56
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business mergers under same control													
Other adjustments													

2. Balances as of beginning of the year	1,272,132,868.00				285,821,459.07		1,133,971,372.25		733,924,951.81		1,564,615,925.99	15,008,066.44	5,005,474,643.56
3. Increase/decrease in the period (“-” for decrease)							-417,364,038.47		39,028,050.55		166,984,870.19	5,511,593.96	-205,839,523.77
3.1 Total comprehensive income							-417,364,038.47				740,308,725.30	5,511,593.96	328,456,280.79
3.2 Capital increased and reduced by owners													
3.2.1 Common shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution									39,028,050.55		-573,323,855.11		-534,295,804.56
3.3.1 Appropriation to surplus reserves									39,028,050.55		-39,028,050.55		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-534,295,804.56		-534,295,804.56
3.3.4 Other													
3.4 Carryforwards													

within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other													
4. Balances as of end of the period	1,272,132,868.00				285,821,459.07		716,607,333.78		772,953,002.36		1,731,600,796.18	20,519,660.40	4,799,635,119.79

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of Parent Company										Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve			Retained earnings
Preferred shares		Perpetual bonds	Other										
1. Balances as of end of prior year	1,272,132,868.00				296,324,375.58		2,212,989,156.02		628,439,107.12		613,661,381.40	34,193,330.93	5,057,740,219.05
Add: Adjustments for changed accounting policies													

Adjustments for corrections of previous errors													
Adjustments for business mergers under same control													
Other adjustments													
2. Balances as of beginning of the year	1,272,132,868.00				296,324,375.58		2,212,989,156.02		628,439,107.12		613,661,381.40	34,193,330.93	5,057,740,219.05
3. Increase/decrease in the period (“-” for decrease)					-10,502,916.51		-1,079,017,783.77		105,485,844.69		950,954,544.59	-19,185,264.49	-52,265,575.49
3.1 Total comprehensive income							-1,079,017,783.77				1,072,342,050.13	914,343,610.00	-5,761,390.03
3.2 Capital increased and reduced by owners					-10,508,536.76							-13,811,685.01	-24,320,221.77
3.2.1 Common shares increased by shareholders												10,000,000.00	10,000,000.00
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other					-10,508,536.76							-23,811,685.01	-34,320,221.77
3.3 Profit distribution					5,620.25				105,485,844.69		-121,387,505.54	-6,287,923.09	-22,183,963.69
3.3.1 Appropriation to surplus reserves									105,485,844.69		-105,485,844.69		
3.3.2													

Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-15,901,660.85	-6,287,923.09	-22,189,583.94
3.3.4 Other					5,620.25								5,620.25
3.4 Carryforwards within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other													
4. Balances as of end of the period	1,272,132,868.00				285,821,459.07		1,133,971,372.25		733,924,951.81		1,564,615,925.99	15,008,066.44	5,005,474,643.56

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

8. Parent Company Statements of Changes in Owners' Equity

2017

Unit: RMB

Item	2017
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	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	1,272,132,868.00				293,425,065.15		1,133,971,372.25		733,924,951.81	1,448,907,867.73	4,882,362,124.94
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	1,272,132,868.00				293,425,065.15		1,133,971,372.25		733,924,951.81	1,448,907,867.73	4,882,362,124.94
3. Increase/decrease in the period (“-” for decrease)							-417,363,283.47		39,028,050.55	123,259,898.18	-255,075,334.74
3.1 Total comprehensive income							-417,363,283.47			696,583,753.29	279,220,469.82
3.2 Capital increased and reduced by owners											
3.2.1 Common shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit									39,028,050.55	-573,320.00	-534,295,000.00

distribution									0.55	3,855.11	804.56
3.3.1 Appropriation to surplus reserves									39,028,050.55	-39,028,050.55	
3.3.2 Appropriation to owners (or shareholders)										-534,295,804.56	-534,295,804.56
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	1,272,132,868.00				293,425,065.15		716,608,088.78		772,953,002.36	1,572,167,765.91	4,627,286,790.20

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury	Other comprehensive	Specific reserve	Surplus reserves	Retained	Total owners'
		Preferre	Perpetu	Other							

		ed shares	al bonds			shares	nsive income			earnings	equity
1. Balances as of end of prior year	1,272,132,868.00				293,419,444.90		2,212,989,156.02		628,439,107.12	515,436,926.40	4,922,417,502.44
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	1,272,132,868.00				293,419,444.90		2,212,989,156.02		628,439,107.12	515,436,926.40	4,922,417,502.44
3. Increase/decrease in the period (“-” for decrease)					5,620.25		-1,079,017,783.77		105,485,844.69	933,470,941.33	-40,055,377.50
3.1 Total comprehensive income							-1,079,017,783.77			1,054,858,446.87	-24,159,336.90
3.2 Capital increased and reduced by owners											
3.2.1 Common shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution					5,620.25				105,485,844.69	-121,387,505.54	-15,896,040.60

3.3.1 Appropriation to surplus reserves									105,485,844.69	-105,485,844.69	
3.3.2 Appropriation to owners (or shareholders)										-15,901,660.85	-15,901,660.85
3.3.3 Other					5,620.25						5,620.25
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	1,272,132,868.00				293,425,065.15		1,133,971,372.25		733,924,951.81	1,448,907,867.73	4,882,362,124.94

Legal representative: He Yong

General Manager: Liu Xingming

Chief Financial Officer: Tang Qionglan

III Company profile

1. Basic Information

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

Credibility code of the Company: 91440000190352575W.

Legal representative: Mr. He Yong

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

Main business of the company and its subsidiaries (hereinafter referred to as “the Company”): lighting products and electro technical products.

The business term of the Company is long-term, which was calculated from the date of issuance of License of Business Corporation.

The Financial Report was approved and authorized for issue by the Board of Directors on March 28, 2018.

2. Scope of the Consolidated Financial Statements

The consolidation scope of the financial statement during the Reporting Period including the Company and the 10 subordinate subsidiaries such as Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd.(referred to as “Chanchang Company”), Foshan Chansheng Electronic Ballast Co., Ltd. (referred to as “Chansheng Company”), Foshan Taimei Times Lamps and Lanterns Co., Ltd. (referred to as “Taimei Company”), Nanjing Fozhao Lighting Components Co., Ltd. (referred to as “Nanjing Fozhao”), FSL (Xinxiang) Lighting Co., Ltd. (referred to as “Xinxiang Company”), Foshan Electrical and Lighting New Light Source Technology Co., Ltd. (referred to as “New Light Source Company”), Guangdong Fozhao Leasing Co., Ltd. (referred to as “Leasing Company”), Foshan Lighting Lamps & Components Co., Ltd. (referred to as “Lamps & Components Company”) and FSL Zhida Electric Technology Co., Ltd(referred to as “Zhida Electric Technology”), and FSL Europe GmbH (referred to as “FSL Europe”). 1 subsidiary was newly added during the Reporting Period.

For details, see relevant contents in Note VIII “Changes in the consolidation scope”, and Note IX “Equities in other entities”

IV Basis for Preparation of Financial Statements

1. Preparation Basis

The financial statements of the Company are based on the continuing operation, and are confirmed and measured according to the actual transactions and events, the Accounting Standards for Business Enterprises - Basic Standards, other various specific accounting standards, the application guide, the interpretation of accounting

standards for business enterprises (hereinafter referred to as the Accounting Standards for Business Enterprises). And based on the following important accounting policies, and accounting estimations, they are prepared according to the relevant regulations of Rules for the Information Disclosure of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Reporting of China Securities Regulatory Commission (Revised in 2014). Except the Cash Flow Statement prepared under the principle of cash basis, the rest of financial statement of the Company are prepared under the principle of accrual basis.

The Company didn't find anything like being suspicious of the ability of continuing operation within 12 months from the end of the Reporting Period with all available information.

2. Continuation

The Company has no matters affecting the continuing operation of the Company and is expected to have the ability to continue to operate in the next 12 months. The financial statements of the Company are prepared on the basis of continuing operation.

V Important Accounting Policies and Estimations

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

No.

Reminders of the specific accounting policies and accounting estimations:

The Company confirmed the specific accounting policies and estimations according to production and operation features, mainly reflecting in the method of provision for accounts receivables bad debt (Note 11. Account Receivables), pricing method of inventory (Note 12. Inventory), depreciation of fixed assets and amortization of intangible assets (Note 16. Fixed Assets and Note 21. Intangible Assets), and recognized time point of income (Note 28. Income), etc.

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

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

2. Fiscal Year

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

3. Operating Cycle

An operating cycle for the Company is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

4. Recording Currency

Renminbi is the recording currency for the statements of the Company, and the financial statements are listed and presented by Renminbi.

5. Accounting Treatment Methods for Business Combinations under the Same Control or not under the Same Control

1. Business combinations under the same control

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the

book value among final controller's consolidated financial statement of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value among final controller's consolidated financial statement of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

2. Business combinations not under the same control

The Company measured the paid assets as the consideration of business combination and liabilities happened or undertaken by fair value. The difference between fair value and its book value shall be included into the current losses and gains. The Company distributed combined cost on the purchasing date.

The difference of the combination cost greater than the fair value of the identifiable net assets of the acquiree acquired is recognized as goodwill; the difference of the combination cost less than the fair value of the identifiable net assets of the acquiree acquired is included into current losses and gains.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the Company and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; intangible asset whose fair value can be measured reliably shall be separately recognized as an intangible asset and shall be measured in light of its fair value; As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the Company, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; As for the contingent liabilities of the acquiree, if their fair values can be measured reliably, they shall be separately recognized as liabilities and shall be measured in light of their fair values.

6. Methods for Preparing Consolidated Financial Statements

1. Principle of determining the scope of consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. Control means that the investors has the right to invest in the investee and enjoy a variable return through the participation of the relevant activities of the investee, and has the ability to use the power over the investee to affect the amount of its return. The Company includes the subsidiaries with actual right of control (including separate entity controlled by the Parent Company) into consolidated financial statements.

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

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

All subsidiaries included into the scope of consolidated financial statements adopted same accounting policies and fiscal year with the Company. If the accounting policies and fiscal year of the subsidiaries are different to the Company's, necessary adjustment should be made in accordance with the Company's accounting policies and fiscal year when consolidated financial statements are prepared.

The consolidated financial statements are based on the financial statements of the Parent Company and subsidiaries included into the consolidated scope. The consolidated financial statements are prepared by the

Company who makes adjustment to long-term equity investment to subsidiaries by equity method according to other relevant materials after the offset of the share held by the Parent Company in the equity capital investment of the Parent Company and owner's equity of subsidiaries and the significant transactions and intrabrand within the Company.

For the balance formed because the current loss shared by the minority shareholders of the subsidiary is more than the share enjoyed by the minority shareholders of the subsidiary in the initial shareholders' equity, if the Articles of Corporation or Agreement didn't stipulate that minority shareholders should be responsible for it, then the balance need to offset the shareholders' equity of the Company; if the Articles of Corporation or Agreement stipulated that minority shareholders should be responsible for it, then the balance need to offset the minority shareholders' equity.

(2) Treatment method of increasing or disposing subsidiaries during the Reporting Period

During the Reporting Period, if the subsidiaries were added due to Business combinations under the same control, then initial book balance of consolidated balance sheet need to be adjusted; the income, expenses, and profits of subsidiaries from the combination's period-begin to the end of the reporting period need to be included into consolidated income statement; the cash flow of subsidiaries from the combination's period-begin to the end of the reporting period need to be included into consolidated cash flow statement. if the subsidiaries were added due to Business combinations not under the same control, then initial book balance of consolidated balance sheet doesn't need to be adjusted; the income, expenses, and profits of subsidiaries from the purchasing date to the end of the reporting period need to be included into consolidated income statement; the cash flow of subsidiaries from purchasing date to the end of the reporting period need to be included into consolidated cash flow statement.

During the Reporting Period, if the Company disposed the subsidiaries, then the income, expenses, and profits of subsidiaries from period-begin to the disposal date need to be included into consolidated income statement; the cash flow of subsidiaries from period-begin to the disposal date need to be included into consolidated cash flow statement.

7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

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

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

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

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

8. Recognition Standard for Cash and Cash Equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments,

which are easily convertible into known amount of cash and whose risks in change of value are minimal.

9. Foreign Currency and Accounting Method for Foreign Currency

1. Foreign currency business

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

2. Translation of foreign currency financial statements

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

The difference of the foreign currency financial statements occurred from the above translation should be listed under the "other comprehensive income" item of the owners' equity of the consolidated financial statement. As for the foreign currency items which actually form into the net investment of the foreign operation, the exchange difference occurred from the exchange rate changes should be listed under the "other comprehensive income" of the owners' equity among the consolidated financial statement when compile the consolidated financial statement. When disposing the foreign operation, as for the discounted difference of the foreign financial statement related to the foreign operation should be transferred in the current gains and losses according to the proportion. The foreign cash flow adopts the spot exchange rate on the occurring date of the cash flow. And the influenced amount of the exchange rate changes should be individually listed among the cash flow statement.

10. Financial Instruments

1. Classification, recognition and measurement of financial assets

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

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

(2) Loan and accounts receivable: the non-derivative financial assets for which there is no quoted price in the

active market and of which the recoverable amount is fixed or determinable shall be classified as loan and accounts receivable. The Company shall make subsequent measurement on its loan and accounts receivable on the basis of the post-amortization costs by adopting the actual interest rate, from which gains and losses, when loan and accounts receivable are terminated from recognizing, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

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

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

2. Classification, Recognition and Measurement of Financial Liabilities

Financial liabilities shall be classified into the following two categories when they are initially recognized: the transactional financial liabilities; and other financial liabilities. The financial liabilities initially recognized by the Company shall be measured at their fair values. For the transactional financial liabilities, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

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

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

3. Recognition and measurement of financial asset transfers

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

liability accordingly.

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

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

4. De-recognition conditions of financial liabilities

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

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

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

5. Recognition method of the fair value of the financial assets and the financial liabilities

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

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

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

As for the measurement for impairment of financial assets measured on the basis of the post-amortization costs,

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

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

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

7. Recognition method of fair value

Fair value refers to the price that market participants got from the sale of an asset or the price paid for the transfer of a liability among the orderly transactions happened on the measurement date. For a financial instrument with active market, its fair value shall be determined by the quotes in the active market. For a financial instrument with no active market, its fair value shall be determined by adopting value appraisal techniques. When the value is appraised, by adopting the value appraisal techniques applying to the current situations with the support of enough available data and other information, the Company chooses the same input value with features of assets and liabilities considered by market participants in the transactions of relevant assets and liabilities, and gives priority in use of observable input value as far as possible. Unobservable input value shall be used when the relevant observable input value cannot be obtained or the obtainment is not practical.

11. Receivables

(1) Accounts Receivable with Significant Single Amount for which the Bad Debt Provision is Made Individually

Definition or amount criteria for an account receivable with a significant single amount	Top five accounts receivable with the largest balances or accounts accounting for over 10% of the total balance of receivables.
Making separate bad-debt provisions for accounts receivable with a significant single amount	For an account receivable with a significant single amount, the impairment test shall be carried out on it separately. If there is any objective evidence of impairment, the impairment loss is recognized and the bad-debt provision is made according to the difference between the present value of the account receivable's future cash flows and its carrying amount. As for non-significant accounts receivable for which separate impairment provisions are

	not necessary as proved by the impairment test, as well as other significant accounts receivable that have not been impaired as proved by a separate impairment test, they shall be grouped according to their credit risks and account ages, and then the impairment test is carried out on a group basis.
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(2) Accounts Receivable which the Bad Debt Provision is withdrawn by Credit Risk Characteristics

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Independently

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

12. Inventory

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

No.

1. Classification of inventory

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

materials. Turnover materials include low-value consumables and packaging.

2. Pricing method of inventory sent out

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

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

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

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

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

4. Inventory system

The inventory system of the Company is perpetual inventory.

5. Amortization method of turnover materials

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

The packaging is amortized in one-off method.

13. Assets Held for Sale

1. Assets held for sale

When a company relies mainly on selling (including the exchanges of non-monetary assets with commercial substance) instead of continuing to use a non-current asset or disposal group to recover its book value, the non-current asset or disposal group is classified as asset held for sale. The non-current assets mentioned above do not include investment properties that are subsequently measured by the fair value model, biological assets measured by fair value less net selling costs, assets formed from employee remuneration, financial assets, deferred income tax assets and rights generated from insurance contracts.

Disposal group refers to a group of assets that are disposed of together as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. In certain circumstances, the disposal group includes goodwill obtained in business combination.

The Company recognizes non-current assets or disposal groups that meet both of the following conditions as held for sale: ① Assets or disposal groups can be sold immediately under current conditions based on the practice of selling such assets or disposal groups in similar transactions; ② Sales are highly likely to occur, that is, the Company has already made a resolution on a sale plan and obtained a certain purchase commitment, and the sale is expected to will be completed within one year, and the sale has been approved if relevant regulations require relevant authority or regulatory authority of the Company to approve it.

Non-current assets or disposal groups specifically obtained by the Company for resale will be classified by the Company as a held-for-sale category on the acquisition date when they meet the stipulated conditions of "expected to be sold within one year" on the acquisition date, and may well satisfy the category of held-for-sale

within a short time (which is usually 3 months).

If one of the following circumstances cannot be controlled by the Company and the transaction between non-related parties fails to be completed within one year, and there is sufficient evidence that the Company still promises to sell the non-current assets or disposal groups, the Company should continue to classify the non-current assets or disposal groups as held-for-sale: ①The purchaser or other party unexpectedly sets conditions that lead to extension of the sale. The Company has already acted on these conditions in a timely manner and it is expected to be able to successfully deal with the conditions that led to the extension of the sale within one year after the conditions were set. ②Due to unusual circumstances, the non-current assets or disposal groups held for sale failed to be sold within one year. In the first year, the Company has taken necessary measures for these new conditions and the assets or disposal groups meet the conditions of held-for-sale again.

If the Company loses control of a subsidiary due to the sale of investments to its subsidiaries, whether or not the Company retains part of the equity investment after the sale, when the proposed sale of the investment to the subsidiary meets the conditions of held-for-sale, the investment to the subsidiary will be classified as held-for-sale in the individual financial statement of the parent company, and all the assets and liabilities of the subsidiary will be classified as held-for-sale in the consolidated financial statement.

When the company initially measures or re-measures non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the fair value minus the net amount of the sale costs, the book value will be written down to the net amount of fair value minus the sale costs, and the amount written down will be recognized as impairment loss of assets and included in the current profit and loss, and provision for impairment of held-for-sale assets will be made. For the confirmed amount of impairment loss of assets of the disposal groups held for sale, the book value of goodwill of the disposal groups will be offset first, and then the book value of various non-current assets in the disposal groups will be offset according to the proportions.

If the net amount that the fair value of the non-current assets or disposal groups held for sale on the follow-up balance sheet date minus the sale costs increases, the previous written-down amount will be restored, and reversed to the asset impairment loss confirmed after the assets being classified as held-for-sale. The reversed amount will be included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale will be confirmed as before.

When a non-current asset or disposal group ceases to be classified as held-for-sale or a non-current asset is removed out from the held-for-sale disposal group due to failure in meeting the classification conditions for the category of held-for-sale, it will be measured by one of the followings whichever is lower:

- ① The book value before being classified as held for sale will be adjusted according to the depreciation, amortization or impairment that would have been recognized under the assumption that it was not classified as held for sale;
- ② The recoverable amount.

2. Termination of operation

Termination of operation refers to a separately identifiable constituent part that satisfies one of the following conditions that has been disposed of by the Company or is classified as held-for-sale:

- (1) This constituent part represents an independent main business or a separate main business area.
- (2) This constituent part is part of an associated plan that is intended to be disposed of in an independent main business or a separate major business area.
- (3) This constituent part is a subsidiary that is specifically acquired for resale.

3. Presentation

In the balance sheet, the Company distinguishes the non-current assets held for sale or the assets in the disposal group held for sale separately from other assets, and distinguishes the liabilities in the disposal group held for sale separately from other liabilities. The non-current assets held for sale or the assets in the disposal group held for sale are not be offset against the liabilities in the disposal group held for sale. They are presented as current assets and current liabilities respectively.

The Company lists profit and loss from continuing operations and profit and loss from operating profits in the income statement. For the termination of operations for the current period, the Company restates the information originally presented as profit or loss of continuing operation in the current financial statements to profit or loss of termination of the comparable accounting period. If the termination of operation no longer meets the conditions of held-for-sale, the Company restates the information originally presented as a profit and loss of termination in the current financial statements to profit or loss of continuing operation of the comparable accounting period.

14. Long-term Equity Investments

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

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

1. Investment cost recognition for long-term equity investments

(1) For the merger of enterprises under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment, and the direct relevant expenses occurred for the merger of enterprises shall be included into the profits and losses of the current period.

(2) For the merger of enterprises not under the same control, The combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquiree, and all relevant direct costs incurred to the acquirer for the business combination. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the Company shall record the said amount into the combination costs.

(3) The cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

(4) The cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

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

(6) The cost of a long-term equity investment obtained by recombination of liabilities shall be recognized at the

fair value.

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

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

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

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

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

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

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized separately according to the net profit or loss and other comprehensive income realized by the investee, and the book value of the long-term equity investment shall be adjusted at the same time. The part entitled shall be calculated according to the profits or cash dividends declared by the investee, and the book value of the long-term equity investment shall be reduced accordingly. For other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When the share of the net profit or loss of the investee is recognized, the net profit of the investee shall be adjusted and recognized according to the fair value of the identifiable assets of the investee when the investment is made. If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment income and other comprehensive income shall be recognized accordingly. For the transactions between the Company and associates and joint ventures, if the assets made or sold don't constitute business, the unrealized gains and losses of the internal transactions are offset by the proportion attributable to the Company, and the investment gains and losses are recognized accordingly. However, the loss of unrealized internal transactions incurred by the Company and the investee attributable to the impairment loss of the transferred assets shall not be offset. If the assets made to associates or joint ventures constitute business, and the investor makes long-term equity investment but does not obtain the control, the fair value of the investment shall be taken as the initial investment cost of the new long-term equity investment, and the difference between initial investment and the book value of the investment is fully recognized in profit or loss for the current period. If the assets sold by the Company to joint ventures or associates constitute business, the difference between the consideration and the book value of the business shall be fully credited to the current profits and losses. If the assets purchased by Company from joint ventures or associates constitute business, conduct accounting treatment in accordance with the provisions of Accounting Standard for Business Enterprises No. 20 - Business combination, and the profits or losses related to the transaction shall be recognized in full.

When the net loss incurred by the investee is recognized, the book value of the long-term equity investment and

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

(3) Acquisition of minority interests

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

(4) Disposal of long-term equity investment

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

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

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

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

3. Impairment provisions for long-term equity investments

For the relevant testing method and provision making method, see **22. Impairment of Long-term Assets in Notes V** herein.

15. Investment Real Estates

Measurement mode of investment real estates

Not applicable

16. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

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

(3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

Not applicable

17. Construction in Progress

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

No

1. Pricing of construction in progress

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

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

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

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

(4) The fixed assets purchased have reached the design or contract requirements, or basically in line with the design or contract requirements.

3. Provision for impairment of construction in progress

Please refer to *Note 22: Long-term Asset Impairment* under Note V for the impairment test method and provision for impairment of construction in progress.

18. Borrowing Costs

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

1. Principle of capitalization of borrowing costs

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

2. Capitalization period of borrowing costs

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

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

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

3. Calculation method of capitalized amount of borrowing costs

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

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

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

19. Biological Assets

Not applicable

20. Oil-gas Assets

Not applicable

21. Intangible Assets

(1) Pricing Method, Useful Life and Impairment Test

1. Recognition criteria of intangible assets

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

2. Initial measurement of intangible assets

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

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

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

3. Subsequent measurement of intangible assets

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

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

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

The impairment test method and withdrawal method for impairment provision of intangible assets are detailed in *Note 22: Long-term asset impairment* under Note V.

(2) Accounting Policy for Internal Research and Development Expenditures

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

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

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

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

22. Impairment of Long-term Assets

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

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

can generate cash inflows independently.

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

Once the impairment loss of the above asset is recognized, the portion that the value is restored will not be written back in subsequent periods.

23. Amortization Method of Long-term Deferred Expenses

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

24. Payroll

(1) Accounting Treatment of Short-term Compensation

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

(2) Accounting Treatment of the Welfare after Demission

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

(3) Accounting Treatment of the Demission Welfare

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owing to relieve the labor relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains

and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

(4) Accounting Treatment of the Welfare of Other Long-term Staffs

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

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

25. Estimated Liabilities

1. Recognition of estimated debts

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

2. Measurement of estimated debts

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

26. Share-based Payment

Not applicable

27. Other Financial Instruments such as Preferred Shares and Perpetual Capital Securities

Not applicable

28. Revenue

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

No

1. Sale of goods

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

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

(1) Method for recognition of the domestic sale income: According to the buyer’s requirements, the Company delivers to the buyer the products that have been considered qualified upon examination. The amount of the income has been determined and the sales invoice has been issued. The payment for the delivered products has been received in full or is expectedly recoverable.

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

2. Provision of labor services

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

The result of the provision of labor services can be reliably estimated refers that all the following conditions are met:

① The amount of income can be measured reliably; ② The relevant economic benefits are likely to inflow to the enterprise; ③ The progress of the transaction can be reliably determined; ④ The cost incurred and to be incurred in the transaction can be measured reliably.

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

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

3. Income from transferring the right to use assets

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

4. Interest income

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

29. Government Subsidies

(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets

The government subsidies related to assets refer to the government subsidies obtained for acquisition, construction or otherwise formation of long-term assets. The government subsidies related to income refer to the government subsidies except the government subsidies related to assets.

The specific standard of classifying the government subsidies as subsidies related to assets: government subsidies for acquisition, construction or otherwise formation of long-term assets.

If the government documents do not specify the subsidy object, the bases that the Company classified the government subsidies as assets-related subsidies or income-related subsidies were as follows: (1) If the specific items for which the subsidy is targeted are stipulated in government documents, divide according to the relative proportion of the amount of expenditure that forms assets and the amount of expenditure included in the cost in the budget for that particular project, and the proportion shall be reviewed at each balance sheet date and changed as necessary; (2) if the government documents only have a general statement of the purpose and do not specify a specific project.

If a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value, and shall be measured at a nominal amount (RMB1) when the fair value cannot be obtained reliably.

For confirmed government subsidies that need to be returned, if there is relevant deferred income, the book balance of related deferred income shall be written off and the excess shall be charged to profit or loss for the Current Period; for other circumstances, it shall be directly charged to profit or loss for the Current Period.

The Company adopts the gross method to confirm government subsidies. The government subsidies related to assets are recognized as deferred income, and are charged to the current profit or loss in a reasonable and systematic manner within the useful lives of the relevant assets (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in non-operating income). Government subsidies measured at nominal amounts are directly charged to profit or loss for the Current Period. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of related undistributed deferred income shall be transferred to the profit or loss of the asset disposal in the Current Period.

(2) Judgment Basis and Accounting Treatment of Government Subsidies Pertinent to Incomes

The specific criteria that the Company classifies government subsidies as income related is: other government subsidies other than asset-related government subsidies.

Government subsidies related to income are treated as follows:

(1) government subsidies used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in non-operating income);

(2) government subsidies used to compensate the relevant costs, expenses or losses incurred by the Company shall be directly included in the current profits and losses (subsidies related to the daily activities of the Company are included in other income; while subsidies unrelated to the daily activities of the Company are included in

non-operating income).

For government subsidies that include both assets-related and income-related parts, they should be distinguished separately for accounting treatment; for government subsidies that are difficult to be distinguished, they should be classified as income-related.

30. Deferred Income Tax Assets/Deferred Income Tax Liabilities

The income tax of the Company includes the current income tax and deferred income tax. Both are recorded into the current gains and losses as income tax expenses or revenue, except in the following circumstances:

- (1) The income tax generated from the business combination shall be adjusted into goodwill;
- (2) The income tax related to the transaction or event directly included in shareholders' equity shall be recorded into shareholders' equity.

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

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

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

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

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

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

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

31. Lease

(1) Accounting Treatment of Operating Lease

(1) The lease fee paid by the Company for rented assets shall be apportioned using the straight-line method over the entire lease term without deducting the rent-free period and shall be included in the current period expenses. The initial direct costs related to the lease transaction paid by the Company are included in current expenses.

When the lessor of the asset assumes the lease-related expenses that should be borne by the Company, the Company should deduct the part of the expenses from the total rental amount, and the deducted rental expenses are apportioned during the lease term and included in the current expenses.

(2) The rental fees received by the company for leasing assets are apportioned on a straight-line basis over the entire lease term without deducting the rent-free period and are recognized as lease income. The initial direct expenses related to lease transactions paid by the company are included in the current expenses; if the amount is larger, they are capitalized and are recorded in the current period in stages on the same basis as the recognition of lease income during the entire lease period.

When the company assumes the lease-related expenses that should be borne by the lessee, the company deducts the expenses from the total amount of rental income and allocates the deducted rental expenses during the lease period.

(2) Accounting Treatments of Financial Lease

(1) Financing leased assets: on the lease starting date, the Company recorded the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognized the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treated the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The company adopted the effective interest method to amortize the unrecognized financing expenses during the asset lease period and included it into financial expenses.

(2) Assets leased by finance: On the lease beginning date, the Company recognized the financial lease receivables, and the difference between the sum of unguaranteed residual values and its present value as unrealized financing income. It is recognized as lease income during any lease period in the future. The initial direct costs incurred by the Company in relation to the lease transaction, were included in the initial measurement of the financial lease receivable and the amount of revenue recognized during the lease period shall be reduced.

32. Other Significant Accounting Policies and Estimates

Not applicable

33. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

Applicable Not applicable

Content and reason for changes	Approval procedures	Note
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<p>(1) The Ministry of Finance issued the Circular on Issuing of Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations in 2017, which was implemented from May 28, 2017. Non-current Assets and Disposal Groups Held for Sale and Termination of Operations existed on the date of implementation will be required to be treated with prospective application method.</p>		<p>N/A</p>
<p>(2) The Ministry of Finance issued the Circular on Issuance and Revision of Accounting Standards for Business Enterprises No. 16 - Government Grants in 2017, which was implemented from June 12, 2017. Government subsidies existed on January 1, 2017 will be required to be treated with prospective application method; the newly added Government subsidies from January 1, 2017 to the date of implementation also will be required to be adjusted according to the revised rules.</p>	<p>Reviewed and approved on the 20th Meeting of the 8th Board of Directors</p>	<p>2017: Other income: RMB6,876,386.18 Non-operating income: RMB-6,876,386.18 2016: N/A</p>
<p>(3) The Ministry of Finance issued the Notice of the Revision and Issuance of Format of General Financial Statements of Enterprise (CaiKuai [2017] No. 30) on December 25, 2017, which has reclassified asset disposal gains and losses from “non-operating income” or “non-operating expense” to “asset disposal income”.</p>		<p>2017: Asset disposal income: RMB-10,790.68 Non-operating expense: RMB-10,790.68 2016: Asset disposal income: RMB10,852.26 Non-operating income: RMB -10,852.26</p>

The above-mentioned change of accounting policies only influenced the presentation of items in financial statements. The financial condition of the Company for 2017, operating results and cash flow were not substantially affected. In addition, the retroactive adjustment to previous years was not involved either.

(2) Significant Changes in Accounting Estimates

Applicable Not applicable

34. Other

None

VI Taxes

1. Main Taxes and Tax Rates

Category of tax	Taxable amount	Tax rate
VAT	Sales volume from goods selling or taxable service	3%、6%、11%、17%
Urban maintenance and construction tax	Turnover tax payable	7%、5%
Enterprise income tax	Taxable income	15%、25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%

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

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

2. Tax Preference

The Company passed the re-examination for High-tech Enterprises, as well as won the “Certificate of High-tech Enterprise” after approval by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Bureau of State Taxation and Guangdong Provincial Bureau of Local Taxation. In accordance with relevant provisions in Corporate Income Tax Law of the People's Republic of China and the Administration Measures for Identification of High-tech Enterprises promulgated in 2007, the Company paid the corporate income tax based on a tax rate of 15% within three years since 1 Jan. 2017.

3. Other

Paid according to the relevant regulation of the tax law.

VII. Notes to Main Items of Consolidated Financial Statements

1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	52,031.79	13,058.91
Bank deposits	565,323,109.99	1,477,005,924.93
Other currency funds	4,809,067.18	2,264,658.70
Total	570,184,208.96	1,479,283,642.54
Of which: total amount deposited overseas	183,066.93	

Other notes

Note: other currency funds were refundable deposits in security companies and the balance of e-commerce.

The monetary funds at the end of the Reporting Period was RMB-909,099,433.58 decreased by 61.46% compared to that of the beginning of the Reporting Period caused by the newly purchase of principal guaranteed financial products and structural deposit products with self-owned idle funds.

2. Financial Assets Measured by Fair Value and the Changes Be Included in the Current Gains and Losses

Applicable Not applicable

3. Derivative Financial Assets

Applicable Not applicable

4. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	68,368,192.41	67,925,843.74
Total	68,368,192.41	67,925,843.74

(2) Notes Receivable Pledged by the Company at the Period-end

Naught

(3) Notes Receivable which Had Endorsed by the Company or Had Discounted and Had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	67,044,744.16	
Total	67,044,744.16	

(4) Notes Transferred to Accounts Receivable because Drawer of the Notes Fails to Executed the Contract or Agreement

Naught

5. Accounts Receivable**(1) Accounts Receivable Disclosed by Category**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	10,061,641.64	1.25%	10,061,641.64	100.00%		10,064,664.92	1.59%	10,064,664.92	100.00%	
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	795,800,674.49	98.75%	39,509,241.93	4.96%	756,291,432.56	624,003,551.87	98.41%	28,745,597.87	4.61%	595,257,954.00
Total	805,862,316.13	100.00%	49,570,883.57	6.15%	756,291,432.56	634,068,216.79	100.00%	38,810,262.79	6.12%	595,257,954.00

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

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Suzhou Mont Lighting Co., Ltd.	10,061,641.64	10,061,641.64	100.00%	The debtor has suffered continual losses due to the size of its business and the market reason, and it is now no longer able to produce again.
Total	10,061,641.64	10,061,641.64	--	--

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

Applicable Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	754,963,224.23	22,648,896.71	3.00%
Subtotal within 1 year	754,963,224.23	22,648,896.71	3.00%
1 to 2 years	13,315,178.98	1,331,517.90	10.00%
2 to 3 years	12,053,209.43	3,615,962.82	30.00%
3 to 4 years	1,708,415.81	854,207.92	50.00%
4 to 5 years	13,509,947.31	10,807,957.85	80.00%
Over 5 years	250,698.73	250,698.73	100.00%
Total	795,800,674.49	39,509,241.93	4.96%

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

Applicable Not applicable

(2) Accounts Receivable Withdraw, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB11,852,635.69; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

(3) The Actual Write-off Accounts Receivable

Unit: RMB

Item	Amount
No. 1	339,032.24

No. 2	303,567.17
No. 3	213,202.93
No. 4	99,999.82
No. 5	68,939.50
Other retails accounts	67,273.25
Total	1,092,014.91

(4) Top 5 of the Closing Balance of the Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of units	Relationship	Book balance	Proportion of the total accounts receivable	Withdrawal bad debt provision
No. 1	Non-related relationship	87,811,524.87	10.90%	2,634,345.75
No. 2	Non-related relationship	23,462,026.55	2.91%	703,860.80
No. 3	Non-related relationship	17,569,710.85	2.18%	527,091.33
No. 4	Non-related relationship	16,702,296.15	2.07%	501,068.88
No. 5	Non-related relationship	14,826,880.66	1.84%	444,806.42
Total		160,372,439.08	19.90%	4,811,173.18

(5) Account Receivable which Terminate the Recognition owing to the Transfer of the Financial Assets

Naught

(6) The Amount of the Assets and Liabilities Formed by the Transfer and the Continues Involvement of Accounts Receivable

Naught

6. Prepayment

(1) Listed by Aging Analysis

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	25,971,834.21	78.48%	25,191,421.39	83.16%

1 to 2 years	2,782,505.53	8.41%	3,788,046.20	12.51%
2 to 3 years	3,250,778.25	9.82%	616,046.47	2.03%
Over 3 years	1,090,195.36	3.29%	696,493.05	2.30%
Total	33,095,313.35	--	30,292,007.11	--

(2) Top 5 of the Closing Balance of the Prepayment Collected according to the Prepayment Target

Unit: RMB

Name of units	Relationship	Closing balance	Proportion	Time
No. 1	Non-related relationship	2,900,000.00	8.76%	2015
No. 2	Non-related relationship	2,540,589.35	7.68%	2017
No. 3	Non-related relationship	2,268,855.42	6.86%	2017
No. 4	Non-related relationship	1,931,656.55	5.84%	2017
No. 5	Non-related relationship	1,463,911.36	4.42%	2017
Total		11,105,012.68	33.56%	

7. Interest Receivable

(1) Category of Interest Receivable

Unit: RMB

Item	Closing balance	Opening balance
Deposits on a regular basis	1,726,993.91	2,555,260.82
Bank financial products	4,745,863.01	2,057,145.98
Structural deposits	5,955,594.94	
Total	12,428,451.86	4,612,406.80

(2) Significant Overdue Interest

Naught

8. Dividend Receivable

Naught

9. Other Accounts Receivable

(1) Other Accounts Receivable Disclosed by Category

Unit: RMB

Category	Closing balance	Opening balance
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	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	24,013,060.03	98.79%	2,797,844.88	11.65%	21,215,215.15	13,527,149.04	97.86%	1,549,488.46	11.45%	11,977,660.58
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	295,120.00	1.21%	295,120.00	100.00%		295,120.00	2.14%	295,120.00	100.00%	
Total	24,308,180.03	100.00%	3,092,964.88	12.72%	21,215,215.15	13,822,269.04	100.00%	1,844,608.46	13.35%	11,977,660.58

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

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	17,708,351.13	531,250.52	3.00%
Subtotal within 1 year	17,708,351.13	531,250.52	3.00%
1 to 2 years	1,868,996.28	186,899.63	10.00%
2 to 3 years	1,476,920.39	443,076.12	30.00%
3 to 4 years	2,643,547.23	1,321,773.61	50.00%
4 to 5 years	2,000.00	1,600.00	80.00%
Over 5 years	313,245.00	313,245.00	100.00%
Total	24,013,060.03	2,797,844.88	11.65%

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

Applicable Not applicable

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

Applicable Not applicable

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The amount of bad debt provision was RMB1,249,402.32, the amount of reversed or recovered bad debt provision in the Reporting Period RMB0.00.

(3) Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Other retails accounts	1,045.90
Total	1,045.90

(4) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
VAT export tax refunds	5,712,812.04	
Performance bond	4,377,639.20	1,959,752.60
Staff borrow and deposit	4,343,208.32	5,767,808.81
Water & electricity fees	1,293,281.97	955,738.35
Advance money for street light construction	3,777,672.16	2,523,547.23
Internal business group	295,120.00	295,120.00
Others	4,508,446.34	2,320,302.05
Total	24,308,180.03	13,822,269.04

(5) The Top Five Other Account Receivable Classified by Debtor at Period-end

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
No. 1	Export rebates	5,712,812.04	Within 1 year	23.50%	171,384.36
No. 2	Advance money for street light construction	3,777,672.16	Within 4 years	15.54%	1,299,397.36
No. 3	Margin	2,098,341.00	Within 1 year	8.63%	62,950.23
No. 4	Others	2,080,165.10	Within 1 year	8.56%	62,404.95

No. 5	Social security charges	1,040,002.89	Within 1 year	4.28%	31,200.09
Total	--	14,708,993.19	--	60.51%	1,627,336.99

(6) Accounts Receivable Involved with Government Subsidies

Naught

(7) Other Account Receivable which Terminate the Recognition owing to the Transfer of the Financial Assets

Naught

(8) The Amount of the Assets and Liabilities Formed by the Transfer and the Continues Involvement of Other Accounts Receivable

Naught

10. Inventory

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

No

(1) Category of Inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	104,733,828.43	2,513,798.75	102,220,029.68	116,197,403.06	1,635,294.87	114,562,108.19
Goods in process	39,662,967.77		39,662,967.77	28,522,590.52		28,522,590.52
Inventory goods	466,813,177.48	10,984,333.96	455,828,843.52	443,843,318.14	14,938,179.05	428,905,139.09
Self-manufactured semi-finished product	146,868,534.26	972,725.26	145,895,809.00	179,867,083.78	579,873.99	179,287,209.79
Low-value fugitive items	2,859,239.90		2,859,239.90	2,404,557.60		2,404,557.60
Total	760,937,747.84	14,470,857.97	746,466,889.87	770,834,953.10	17,153,347.91	753,681,605.19

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

No

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,635,294.87	6,465,401.29		5,586,897.41		2,513,798.75
Inventory goods	14,938,179.05	13,990,675.64		17,944,520.73		10,984,333.96
Self-manufactured semi-finished product	579,873.99	1,216,699.19		823,847.92		972,725.26
Total	17,153,347.91	21,672,776.12		24,355,266.06		14,470,857.97

Reason for the withdrawal and reverse of falling price reserves of inventory:

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

Reason for the withdrawal of falling price reserves of inventory: withdrawn for non-circulation of a small number of raw materials; some inventory goods were temporarily idle for product classification.

(3) Notes of the Closing Balance of the Inventory which Includes Capitalized Borrowing Expenses

Naught

(4) Completed Unsettled Assets Formed from the Construction Contract at the Period-end

Naught

11. Held-for-sale Assets

Naught

12. Non-current Assets Due within 1 Year

Naught

13. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible input tax of VAT	25,823,261.05	41,181,826.53
Advance payment of enterprise income tax	238,841.51	23,635.19
Bank financial products (Note)	470,000,000.00	400,000,000.00
Structural deposits (Note)	510,000,000.00	
Total	1,006,062,102.56	441,205,461.72

Other notes:

Note: the bank principal-guaranteed financial products with maturity date more than three months but investment cycle shorter than a year and structural deposit products which cannot be terminated in advance.

Other current assets at the end of the Reporting Period was RMB564,856,640.84, increased 128.03% compared to that of the same period of last year, which mainly caused by the increasing purchase of financial products and structural deposit products.

14. Available-for-sale Financial Assets**(1) List of Available-for-sale Financial Assets**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	1,396,431,536.60	5,850,000.00	1,390,581,536.60	1,738,000,857.01	5,850,000.00	1,732,150,857.01
Measured by fair value	1,086,953,227.20		1,086,953,227.20	1,427,901,096.63		1,427,901,096.63
Measured by cost	309,478,309.40	5,850,000.00	303,628,309.40	310,099,760.38	5,850,000.00	304,249,760.38
Total	1,396,431,536.60	5,850,000.00	1,390,581,536.60	1,738,000,857.01	5,850,000.00	1,732,150,857.01

(2) Available-for-sale Financial Assets Measured by Fair Value at the Period-end

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total
Cost of the equity	243,884,887.46			243,884,887.46

instruments/amortized cost of the debt instruments				
Fair value	1,086,953,227.20			1,086,953,227.20
Changed amount of the fair value that be accumulatively recorded in other comprehensive income	843,068,339.74			843,068,339.74

(3) Available-for-sale Financial Assets Measured by Cost at the Period-end

Unit: RMB

Investee	Book balance				Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-beg in	Increase	Decrease	Period-end	Period-beg in	Increase	Decrease	Period-end		
Shenzhen Zhonghao (Group) Ltd.	5,850,000.00			5,850,000.00	5,850,000.00			5,850,000.00	Less than 5.00%	
Chengdu Hongbo Industrial Co., Ltd.	6,000,000.00			6,000,000.00					6.94%	
Xiamen Bank	292,574,133.00			292,574,133.00					4.62%	21,942,835.20
Guangdong Development Bank Co., Ltd.	500,000.00			500,000.00					Less than 5.00%	
Foshan Focheng Road Development Company Limited	5,175,627.38		621,450.98	4,554,176.40					7.66%	
Total	310,099,763.00		621,450.98	309,478,312.02	5,850,000.00			5,850,000.00	--	21,942,835.20

	0.38			9.40	00			00		.20
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(4) Changes of the Impairment of the Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

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

(5) Relevant Notes of the Fair Value of the Available-for-sale Equity Instruments which Seriously Fell or Temporarily Fell but not Withdrawn the Impairment Provision

Naught

15. Investment Held-to-maturity

Naught

16. Long-term Accounts Receivable

Naught

17. Long-term Equity Investment

Unit: RMB

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Qinghai FSL Lithium	29,836,246.62		31,122,622.62	1,286,376.00							

Energy Exploitation Co., Ltd.										
Shenzhen Primatronix (Nanho) Electronics Ltd.	180,558,686.07		935,809.57			2,080,390.50			179,414,105.14	
Subtotal	210,394,932.69		31,122,622.62	2,222,185.57		2,080,390.50			179,414,105.14	
Total	210,394,932.69		31,122,622.62	2,222,185.57		2,080,390.50			179,414,105.14	

Other notes:

On June 27, 2017, the Company signed an Equity Transfer Agreement with KEDA Clean Energy Co., Ltd., transferring the Company's entire stake in Qinghai Fozhao Lithium Energy Exploitation Co., Ltd. to the latter.

The actual controller of Primatronix (Nanho) Electronics Ltd. is Guangdong Electronics Information Industry Group Ltd.

18. Investment Property

Naught

19. Fixed Assets

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Total
I. Original book value:					
1. Opening balance	643,574,297.79	810,592,982.55	22,120,160.45	23,976,160.84	1,500,263,601.63
2. Increased amount of the period	39,782,387.57	79,116,485.47	2,107,270.13	2,361,712.63	123,367,855.80
(1) Purchase	2,694,969.97	36,852,352.14	2,107,270.13	2,161,712.63	43,816,304.87
(2) Transfer of project under construction	37,087,417.60	42,264,133.33		200,000.00	79,551,550.93
(3) Enterprises					

combination increase					
3. Decreased amount of the period	423,535.79	199,870,294.67	560,049.47	1,420,128.19	202,274,008.12
(1) Disposal or scrap	423,535.79	191,601,823.14	560,049.47	1,420,128.19	194,005,536.59
(2) Equipment transformation		8,268,471.53			8,268,471.53
4. Closing balance	682,933,149.57	689,839,173.35	23,667,381.11	24,917,745.28	1,421,357,449.31
II. Accumulated desperation					
1. Opening balance	385,133,462.44	597,616,093.63	15,094,925.78	16,342,970.63	1,014,187,452.48
2. Increased amount of the period	24,435,092.94	43,404,993.47	1,476,865.41	3,616,837.24	72,933,789.06
(1) Withdrawal	24,435,092.94	43,404,993.47	1,476,865.41	3,616,837.24	72,933,789.06
3. Decreased amount of the period	412,154.52	149,404,882.07	523,224.43	1,237,428.21	151,577,689.23
(1) Disposal or scrap	412,154.52	144,392,614.31	523,224.43	1,237,428.21	146,565,421.47
(2) Equipment transformation		5,012,267.76			5,012,267.76
4. Closing balance	409,156,400.86	491,616,205.03	16,048,566.76	18,722,379.66	935,543,552.31
III. Depreciation reserves					
1. Opening balance		40,068,791.46		428.03	40,069,219.49
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		37,776,189.13			37,776,189.13
(1) Disposal or scrap		37,727,182.08			37,727,182.08
(2) Equipment transformation		49,007.05			49,007.05

4. Closing balance		2,292,602.33		428.03	2,293,030.36
IV. Book value					
1. Closing book value	273,776,748.71	195,930,365.99	7,618,814.35	6,194,937.59	483,520,866.64
2. Opening book value	258,440,835.35	172,908,097.46	7,025,234.67	7,632,762.18	446,006,929.66

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Remark
T5, T8, energy-saving lamp production line	7,987,825.52	5,990,334.69	1,945,921.54	51,569.29	
Total	7,987,825.52	5,990,334.69	1,945,921.54	51,569.29	

(3) Fixed Assets Leased in from Financing Lease

Naught

(4) Fixed Assets Leased out from Operation Lease

Naught

(5) Details of Fixed Assets Failed to Accomplish Certificate of Property

Naught

Other notes

The houses and buildings of the Company like the standard workshop G, first workshop of lamps & lanterns and assembly and standard workshop D had been completed and put into use as well as carried over to fixed assets in this year. As of Dec. 31, 2017, the related certificates of property were in progress. The management believed there were no substantial legal impediments in proceeding with the certificates of property and no significant unfavorable effects to normal operation of the Company.

20. Construction in Progress

(1) List of Construction in Progress

Unit: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Construction in progress	162,814,991.68		162,814,991.68	71,479,325.91		71,479,325.91
Total	162,814,991.68		162,814,991.68	71,479,325.91		71,479,325.91

(2) Changes of Significant Construction in Progress

Unit: RMB

Name of item	Estimated number	Opening balance	Increase d amount	Amount that transferred to fixed assets of the period	Other decrease d amount of the period	Closing balance	Proporti on estimate d of the project accumul ative input	Project progress	Accumul ative amount of capitaliz ed interests	Of which: the amount of the capitaliz ed interests of the period	Capitaliz ation rate of the interests of the period	Capital resources
Fuwan intelligent workshop H	49,000,000.00		25,715,029.09			25,715,029.09	52.48%	70.00%				Other
Fuwan standard workshop E	30,000,000.00	16,567,314.48	7,478,129.60			24,045,444.08	80.15%	90.00%				Other
Fuwan standard workshop K3	26,400,000.00		14,115,345.92			14,115,345.92	53.47%	70.00%				Other
Fuwan standard workshop K2	26,400,000.00		13,281,620.60			13,281,620.60	50.31%	70.00%				Other
Fuwan standard workshop K1	26,400,000.00		12,652,955.32			12,652,955.32	47.93%	70.00%				Other
Fuwan	22,400,000.00		12,491,800.00			12,491,800.00	55.77%	70.00%				Other

standard workshop J3	00.00		25.29			25.29						
Fuwan standard workshop J1	22,400,000.00		11,760,018.73			11,760,018.73	52.50%	70.00%				Other
Fuwan standard workshop J2	22,400,000.00		11,621,457.94			11,621,457.94	51.88%	70.00%				Other
Automatic system of intelligent production workshop (workshop H)	22,000,000.00		8,479,333.21			8,479,333.21	38.54%	25.00%				Other
LEDT8 automatic line transformation (16033) LED third workshop	7,000,000.00	2,907,398.19	4,063,744.56			6,971,142.75	99.59%	95.00%				Other
Project of Gaoming standard workshop D	30,000,000.00	18,949,619.56	7,024,614.25	25,974,233.81			86.58%	100.00%				Other
Total	284,400,000.00	38,424,332.23	128,684,074.51	25,974,233.81		141,134,172.93	--	--				--

(3) List of the Withdrawal of the Impairment Provision of the Construction in Progress

Naught

21. Engineering Material

Naught

22. Liquidation of Fixed Assets

Naught

23. Productive Biological Assets

Naught

24. Oil and Gas Assets Applicable Not applicable**25. Intangible Assets****(1) Information**

Unit: RMB

Item	Land use right	Patent	Non-patents	Software	Total
I. Original book value					
1. Opening balance	211,719,938.60	200,000.00		2,773,651.87	214,693,590.47
2. Increased amount of the period					
(1) Purchase					
(2) Internal R &D					
(3) Increase from enterprise combination					
3. Decrease in the Reporting Period					
(1) Disposal					

4. Closing balance	211,719,938.60	200,000.00		2,773,651.87	214,693,590.47
II. Total accrued amortization					
1. Opening balance	53,104,711.50	200,000.00		1,058,483.84	54,363,195.34
2. Increased amount of the period	4,344,643.08			441,031.69	4,785,674.77
(1) Withdrawal	4,344,643.08			441,031.69	4,785,674.77
3. Decrease in the Reporting Period					
(1) Disposal					
4. Closing balance	57,449,354.58	200,000.00		1,499,515.53	59,148,870.11
III. Depreciation reserves					
1. Opening balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decrease in the Reporting Period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Book value of the period-end	154,270,584.02			1,274,136.34	155,544,720.36
2. Book value of the period-begin	158,615,227.10			1,715,168.03	160,330,395.13

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

(2) Details of Land Use Right Failed to Accomplish Certificate of Title

Naught

26. R&D Expenses

Naught

27. Goodwill

Naught

28. Long-term Unamortized Expenses

Unit: RMB

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing balance
Maintenance and decoration expenses	6,897,119.78	7,461,245.68	5,269,431.90		9,088,933.56
Total	6,897,119.78	7,461,245.68	5,269,431.90		9,088,933.56

29. Deferred Income Tax Assets/Deferred Income Tax Liabilities**(1) Deferred Income Tax Assets Had not Been Off-set**

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	99,556,953.91	15,311,430.81	128,070,435.31	19,448,040.38
Unrealized profits of internal transactions	1,795,625.87	269,343.88	1,356,293.17	203,443.98
Deductible losses	10,594,861.17	2,648,715.29	16,435,405.51	4,108,851.38
Depreciation of fixed assets	67,261,836.57	10,420,465.38	65,682,019.37	10,183,492.79
Payroll payable	60,172,489.55	9,025,873.43	63,987,177.61	9,604,089.91
Total	239,381,767.07	37,675,828.79	275,531,330.97	43,547,918.44

(2) Deferred Income Tax Liabilities Had not Been Off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	843,068,339.74	126,460,250.96	1,308,399,369.22	196,259,905.39
Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method			25,684,598.14	3,852,689.72
Total	843,068,339.74	126,460,250.96	1,334,083,967.36	200,112,595.11

(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Off-set

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Amount of deferred income tax assets or liabilities after off-set at the period-end	Mutual set-off amount of deferred income tax assets and liabilities at the period-begin	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		37,675,828.79		43,547,918.44
Deferred income tax liabilities		126,460,250.96		200,112,595.11

(4) List of Unrecognized Deferred Income Tax Assets

Naught

(5) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Other notes:

Deferred income tax liabilities at the period-end was RMB73,652,344.15, decreased by 36.81 % over the period-begin, which was mainly due to the sale of the stock of Guoxuan High-tech and the transfer of equity of Qinghai FSL Lithium Energy Exploitation Co., Ltd. as well as the fair value decrease in shares held in the Reporting Period.

30. Other Non-current Assets

Unit: RMB

Item	Closing balance	Opening balance
Land purchase and the ownership implicit of relevant items	41,755,700.00	41,755,700.00
Prepayments for business facilities	1,303,334.80	3,369,640.00
Total	43,059,034.80	45,125,340.00

31. Short-term Loans

Naught

32. Financial Liabilities Measured by Fair Value and the Changes Included in the Current Gains and Losses

Naught

33. Derivative Financial Liabilities Applicable Not applicable**34. Notes Payable**

The total unpaid notes payable due at the Period end was RMB0.00.

35. Accounts Payable**(1) List of Accounts Payable**

Unit: RMB

Item	Closing balance	Opening balance
Accounts payable	539,303,554.54	552,255,512.33
Total	539,303,554.54	552,255,512.33

(2) Notes of the Accounts Payable Aging Over One Year

Naught

36. Advance from Customers**(1) List of Advance from Customers**

Unit: RMB

Item	Closing balance	Opening balance
Prepayments	48,706,778.49	41,180,818.13
Total	48,706,778.49	41,180,818.13

(2) Significant Advance from Customers Aging Over One Year

Naught

(3) Particulars of Settled but Unfinished Projects Formed by Construction Contract at Period-end

Naught

37. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	96,021,156.06	627,754,445.09	641,826,970.56	81,948,630.59
II. Welfare after demission - defined contribution plans		45,451,476.14	45,451,476.14	
Total	96,021,156.06	673,205,921.23	687,278,446.70	81,948,630.59

(2) List of Short-term Salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	95,595,393.49	550,825,706.40	564,853,384.42	81,567,715.47
2. Employee welfare		27,164,526.27	27,164,526.27	
3. Social insurance		28,257,715.96	28,257,715.96	
Including: Medical insurance premiums		23,672,805.13	23,672,805.13	
Work-related injury insurance		2,359,190.06	2,359,190.06	
Maternity insurance		2,225,720.77	2,225,720.77	
4. Housing fund		16,255,385.70	16,255,385.70	
5. Labor union budget and employee education	425,762.57	5,251,110.76	5,295,958.21	380,915.12

budget				
Total	96,021,156.06	627,754,445.09	641,826,970.56	81,948,630.59

(3) List of Drawing Scheme

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits		43,810,032.56	43,810,032.56	
2. Unemployment insurance		1,641,443.58	1,641,443.58	
Total		45,451,476.14	45,451,476.14	

The Company participates in the scheme of pension insurance and unemployment insurance established by government agencies as required. According to the scheme, fees are paid to it on a monthly basis and at the rate of stipulated by government agencies. In addition to the above monthly deposit fees, the Company no longer assumes further payment obligations. Corresponding expenses are recorded into the current profits or losses or the cost of related assets when incurred.

38. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	10,282,705.33	9,504,368.23
Corporate income tax	9,181,098.01	121,469,524.92
Personal income tax	1,591,053.45	452,181.32
Urban maintenance and construction tax	830,070.63	947,172.36
Education surcharge	596,707.51	680,460.70
Property tax	893,895.36	4,259,219.31
Land use tax	3,831,261.26	804,737.31
Other taxes	143,878.85	164,980.57
Total	27,350,670.40	138,282,644.72

39. Interest Payable

Naught

40. Dividends Payable

Unit: RMB

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

41. Other Accounts Payable**(1) Other Accounts Payable Listed by Nature of the Account**

Unit: RMB

Item	Closing balance	Opening balance
Compensation for lawsuit	1,762,533.43	1,762,533.43
Performance bond	22,458,290.53	20,564,161.28
Relevant fees of sale	10,528,263.61	15,634,331.32
Hosting housing fund, medical insurance, unemployment insurance, pension insurance		8,076,410.52
Others	5,799,401.46	4,066,902.26
Total	40,548,489.03	50,104,338.81

(2) Other Significant Accounts Payable with Aging Over One Year

Naught

42. Held-for-sale Liabilities

Naught

43. Non-current Liabilities Due within 1 Year

Naught

44. Other Current Liabilities

Naught

45. Long-term Loan

Naught

46. Bonds Payable

Naught

47. Long-term Payable

Naught

48. Long-term Payroll Payable

Naught

49. Special Payable

Naught

50. Accrued Liabilities

Naught

51. Deferred Income

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	10,449,768.49	2,225,000.00	816,438.00	11,858,330.49	Government subsidies related to assets/income
Total	10,449,768.49	2,225,000.00	816,438.00	11,858,330.49	--

Items involved in government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
LED production technical transformation project	9,852,274.95				9,852,274.95	Related to the assets
Production line of 50 million	465,000.15		154,999.92		310,000.23	Related to the

energy-saving fluorescent lamp						assets
FSL Opto-electronics Institute Construction		1,000,000.00			1,000,000.00	Related to the income
Standard optical components testing laboratory capacity construction	102,825.07	320,000.00	150,155.29		272,669.78	Related to the income
Overseas protection of FSL intellectual property rights		500,000.00		250,000.00	250,000.00	Related to the income
Standard research on cool LED light with wide angle		190,000.00	16,614.47		173,385.53	Related to the income
New type of low cost silicon substrate LED light source module technology	29,668.32	215,000.00	244,668.32			Related to the income
Total	10,449,768.49	2,225,000.00	566,438.00	250,000.00	11,858,330.49	--

52. Other Non-current Liabilities

Naught

53. Share Capital

Unit: RMB

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

54. Other Equity Instruments

Naught

55. Capital Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	278,575,487.53			278,575,487.53
Other capital reserves	7,245,971.54			7,245,971.54
Total	285,821,459.07			285,821,459.07

56. Treasury Stock

Naught

57. Other Comprehensive Income

Unit: RMB

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
II. Other comprehensive income reclassify into profits and losses	1,133,971.37 2.25	-180,701.07 3.18	310,315,309.4 3	-73,652,344 .14	-417,364.03 8.47		716,607.3 33.78
Of which: share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method	21,831,908.4 2		25,684,598.14	-3,852,689. 72	-21,831,908 .42		
Profits or losses from the change of fair value of available-for-sale financial assets	1,112,139.46 3.83	-180,700.31 8.18	284,630,711.2 9	-69,799,654 .42	-395,531.37 5.05		716,608.0 88.78
Balance arising from		-755			-755.00		-755.00

translation of foreign currency financial statements							
Total of other comprehensive income	1,133,971.37	-180,701.07	310,315,309.4	-73,652,344	-417,364.03		716,607.3
	2.25	3.18	3	.14	8.47		33.78

Other notes, including the adjustment of initial recognized amount of arbitrated item transferred from the effective part of arbitrage profits and losses of cash flow:

The Company sold a total of 8,770,400 stocks of Guoxuan High-tech Co., Ltd. in the Reporting Period. Correspondingly, the amount originally recorded into other comprehensive income was transferred into investment income in the Reporting Period. In addition, the stock prices of Guoxuan High-tech Co., Ltd. and China Everbright Bank held at period-end had fallen compared to those of period-beginning. All the above caused the dramatic decrease of other comprehensive income in the Reporting Period.

58. Special Reserves

Naught

59. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	597,038,383.45	39,028,050.55		636,066,434.00
Discretionary surplus reserves	136,886,568.36			136,886,568.36
Total	733,924,951.81	39,028,050.55		772,953,002.36

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

Notes to the increase/decrease: in accordance with the articles of association of the Company, no more statutory surplus reserves needed to be withdrawn when its accumulative amount reached over 50% of the Company's registered capital. The statutory surplus reserves for the Current Period was RMB39,028,050.55 and the accumulative amount had reached 50% of the registered capital of the Company.

60. Retained Profits

Unit: RMB

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	1,564,615,925.99	613,661,381.40
Opening balance of retained profits after adjustments	1,564,615,925.99	613,661,381.40
Add: Net profit attributable to owners of the	740,308,725.30	1,072,342,050.13

Company		
Less: Accrued statutory surplus reserve	39,028,050.55	105,485,844.69
Dividend of common stock payable	534,295,804.56	15,901,660.85
Closing retained profits	1,731,600,796.18	1,564,615,925.99

List of adjustment of opening retained profits:

- 1) RMB0.00 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB0.00 opening retained profits was affected by changes on accounting policies.
- 3) RMB0.00 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB0.00 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB0.00 opening retained profits was affected totally by other adjustments.

61. Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	3,772,966,756.87	2,923,576,970.37	3,339,220,526.54	2,499,713,813.01
Other operations	27,221,504.67	16,492,159.34	27,234,442.06	18,450,286.96
Total	3,800,188,261.54	2,940,069,129.71	3,366,454,968.60	2,518,164,099.97

62. Business Tax and Surcharges

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	14,766,125.68	15,047,836.70
Education surcharge	6,337,699.24	6,466,338.90
Property tax	6,267,294.19	4,539,974.31
Land use tax	5,100,498.29	3,386,603.03
Vehicle usage tax	29,458.08	3,185.40
Stamp duty	1,929,366.41	893,633.80
Business tax		233,406.51
Deed tax	81,919.14	
Local education surcharge	4,225,132.71	4,310,892.68
Embankment protection fee	6.09	337.87
Total	38,737,499.83	34,882,209.20

63. Sales Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Payroll	62,624,316.66	47,004,941.08
Transport fees	74,064,096.99	68,158,701.23
Business travel charges	15,564,432.98	10,427,361.98
Business propagandize fee	20,934,592.67	26,237,987.81
Dealer meeting expense	1,931,896.64	4,753,331.93
Sales promotion fee	23,519,202.35	14,998,126.80
Service charges on promotion of energy-saving products		13,569,643.61
Others	15,174,101.45	19,627,871.29
Total	213,812,639.74	204,777,965.73

64. Administration Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	10,438,740.91	9,577,225.25
Payroll	127,282,714.48	117,558,384.06
Land rent and management fee	6,413,922.13	5,109,835.09
Amortization of intangible assets	4,785,674.77	4,693,905.42
Depreciation charge	18,404,874.65	18,880,789.26
Tax expenses		5,216,708.43
Others	46,255,047.60	50,375,414.96
Total	213,580,974.54	211,412,262.47

65. Financial Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses		
Less: Interest income	9,311,141.78	13,318,183.24
Exchange loss	17,501,423.01	-16,356,683.41
Other	2,782,001.29	1,217,412.76
Total	10,972,282.52	-28,457,453.89

Other notes:

The growth of financial expenses in the Current Period was big compared to that of the same period of last year, which was mainly generated from the increase of exchange loss caused by the appreciation of RMB and increase of export.

66. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	13,102,038.01	2,779,405.74
II. Inventory falling price loss	21,672,776.12	22,861,105.34
Total	34,774,814.13	25,640,511.08

Other notes:

The asset impairment loss was RMB9,134,303.05, increased by 35.62% compared to that of the same period of last year. The main reasons was the base increase of accounts receivable caused by the extension of domestic sales payment period and dramatic increase of export business with relatively long sales payment period.

67. Gains and Losses from Changes in Fair Value

Naught

68. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	2,222,185.57	4,327,697.03
Investment income received from disposal of long-term equity investment	184,379,575.52	
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during the current period		373,528.38
Investment income received from holding of available-for-sale financial assets	30,320,839.59	14,474,805.76
Investment income received from disposal of available-for-sale financial assets	270,998,081.52	858,346,116.55
Investment income received from financial products and structural deposits	35,305,395.44	7,694,508.91
Others	-621,450.98	-3,137,134.86

Total	522,604,626.66	882,079,521.77
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Other notes:

The investment income of the Reporting Period was RMB-359,474,895.11, decreased by 40.75% compared to that of the same period of last year, which mainly caused by the dramatic decrease in reducing holding-shares of Guoxuan High-tech Co., Ltd. for the Current Period compared to that for the same period of last year (reducing 8,770,400 shares for the Reporting Period, 29,270,000 shares for last year).

69. Return on Disposal of Assets

Unit: RMB

Resources	Reporting Period	Same period of last year
Return on Disposal of fixed assets	-10,790.68	10,852.26
Total	-10,790.68	10,852.26

70. Other Income

Unit: RMB

Resources	Reporting Period	Same period of last year
Subsidies for stabilizing posts	2,397,812.18	
Support funds for import & export	3,249,240.00	
Others	1,229,334.00	
Total	6,876,386.18	

71. Non-operating Gains

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Government subsidies	1,185,148.00	1,669,377.53	1,185,148.00
Total gains received from the abandonment of non-current assets		9401.71	
Of which: gains received from the abandonment of fixed assets		9401.71	
Others	2,235,718.46	2,051,054.77	2,235,718.46
Total	3,420,866.46	3,729,834.01	3,420,866.46

Government subsidies recorded into current profits and losses:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Production line of 50 million energy-saving fluorescent lamp		Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	No	No	154,999.92	154,999.92	Related to the assets
Standard optical components testing laboratory capacity construction and products quality guarantee engineering		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No	150,155.29	377,174.93	Related to the assets
New type of low cost silicon substrate LED light source module technology		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No	244,668.32	220,331.68	Related to the income

Suzhou Industrial Park science and technology development fund		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No		93,600.00	Related to the income
Standard development of cool LED lamp with wide angle		Subsidy	Subsidy from R&D Technical updating and transformation, etc.	No	No	16,614.47		Related to the income
Other odd government subsidies		Award	Subsidy from R&D Technical updating and transformation, etc.	No	No	618,710.00	823,271.00	Related to the income
Total	--	--	--	--	--	1,185,148.00	1,669,377.53	--

72. Non-operating Expenses

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Donations	32,804.26	50,549.74	32,804.26
Total losses generated from the abandonment of non-current assets	7,733,815.43	5,796,711.34	7,733,815.43
Of which: losses from the abandonment of fixed assets	7,733,815.43	5,796,711.34	7,733,815.43
Inventory loss	244,168.20	4,872,903.24	244,168.20
Fine expenses	7,291.00	1,196,550.68	7,291.00
Overdue fine	90,335.04	6,572.30	90,335.04
Other	220,724.27	699,267.00	220,724.27
Total	8,329,138.20	12,622,554.30	8,329,138.20

73. Income Tax Expense

(1) Lists of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	121,110,462.58	200,786,513.07
Deferred income tax expense	5,872,089.65	-809,879.03
Total	126,982,552.23	199,976,634.04

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Total profits	872,802,871.49
Current income tax expense accounted by tax and relevant regulations	130,920,430.72
Influence of different tax rate suitable to subsidiary	6,528,243.57
Influence of income tax before adjustment	-386,319.09
Effect of non-deductible costs, expenses and losses	941,136.17
Influence of additional deduction tax of R & D expenses	-1,632,503.32
As sales	377,314.27
Investment income and dividends	-9,765,750.09
Income tax expense	126,982,552.23

74. Other Comprehensive Income

For details, please refer to Note 57 under the Note VII in consolidated financial statements.

75. Cash Flow Statement

(1) Other Cash Received Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Deposit interest	8,516,240.36	13,785,568.65
Margin	19,450,230.83	11,861,861.00
Income from wastes	12,641,813.45	3,935,451.25
Income from subsidy	9,306,996.18	1,732,404.67

Property and rental income	3,707,566.34	2,331,426.63
Income from insurance compensation	239,342.12	13,376,161.79
Others	6,612,167.40	5,899,525.70
Total	60,474,356.68	52,922,399.69

(2) Other Cash Paid Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Management fees paid with cash	67,473,691.23	34,441,711.07
Selling expenses paid with cash	136,881,035.89	111,440,656.67
Financial expenses paid with cash	769,269.44	1,198,307.44
Returned margin	22,562,340.00	
Lawsuit compensation		13,700,478.57
Others	242,461.00	34,047.72
Total	227,928,797.56	160,815,201.47

(3) Other Cash Received Relevant to Investment Activities

Naught

(4) Other Cash Paid Relevant to Investment Activity

Unit: RMB

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

(5) Other Cash Received Relevant to Financing Activities

Naught

(6) Other Cash Paid Relevant to Financing Activities

Naught

76. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	745,820,319.26	1,073,256,393.74
Add: Provision for impairment of assets	34,774,814.13	25,640,511.08
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	72,933,789.06	75,456,478.79
Amortization of intangible assets	4,785,674.77	4,693,905.42
Long-term unamortized expenses	5,269,431.90	3,100,100.12
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	10,790.68	5,776,457.37
Loss on retirement of fixed assets (gains: negative)	7,733,815.43	1,765,606.37
Investment loss (gains: negative)	-522,604,626.66	-882,079,521.77
Decrease in deferred income tax assets (gains: negative)	5,872,089.65	-692,850.33
Increase in deferred income tax liabilities ("-" means decrease)		-6,689.25
Decrease in inventory (gains: negative)	-14,458,060.80	-215,842,269.53
Decrease in accounts receivable from operating activities (gains: negative)	-178,458,100.12	-123,344,623.02
Increase in payables from operating activities (decrease: negative)	54,141,255.49	322,255,269.49
Net cash flows generated from operating activities	215,821,192.79	289,978,768.48
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of cash	570,184,208.96	1,479,283,642.54
Less: Opening balance of cash	1,479,283,642.54	933,546,108.37
Net increase in cash and cash equivalents	-909,099,433.58	545,737,534.17

(2) Net Cash Paid of Obtaining the Subsidiary

Naught

(3) Net Cash Receive from Disposal of the Subsidiary

Naught

(4) Cash and Cash Equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	570,184,208.96	1,479,283,642.54
Including: Cash on hand	52,031.79	13,058.91
Bank deposit on demand	565,323,109.99	1,477,005,924.93
Other monetary funds on demand	4,809,067.18	2,264,658.70
III. Closing balance of cash and cash equivalents	570,184,208.96	1,479,283,642.54

Other notes:

The cash received from returned investment and cash received from gaining investment income had been deducted corporate income tax.

77. Notes to Items of Changes in Owner's Equity

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

Not applicable

78. The Assets with the Ownership or Use Right Restricted

Naught

79. Foreign Currency Monetary Items**(1) Foreign Currency Monetary Items**

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance of converting to RMB
Monetary capital	--	--	40,724,175.43
Including: USD	6,192,979.71	6.5342	40,466,168.03
EUR	33,068.12	7.8023	258,007.40

Accounts receivable	--	--	234,991,430.47
Including: USD	35,963,305.45	6.5342	234,991,430.47
Advance payment			229,773.05
Including: USD	35,164.68	6.5342	229,773.05
Advance from customers			20,334,564.68
Including: USD	3,112,020.55	6.5342	20,334,564.68
Other accounts payable			488,040.56
Including: USD	71,705.00	6.5342	468,534.81
EUR	2,500.00	7.8023	19,505.75

(2) Notes to Overseas Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes into Recording Currency, Relevant Reasons Shall Be Disclosed.

Applicable Not applicable

80. Arbitrage

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

Not applicable

81. Others

Not applicable

VIII. Changes of Merger scope

1. Business Merger not under Same Control

(1) Business Merger not under Same Control in Reporting Period

Naught

(2) Combined Cost and Goodwill

Naught

(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

Naught

(4) The Profit or Loss from Equity Held by the Date before Acquisition in Accordance with the Fair Value Measured Again

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

Yes No

(5) Notes to Reasonable Consideration or Identifiable Assets, Fair Value of Liabilities of the Acquiree that Cannot Be Determined on the Acquisition Date or during the Closing Period of the Merge

Naught

(6) Other Notes

Naught

2. Business Combination under the Same Control**(1) Business Combination under the Same Control during the Reporting Period**

Naught

(2) Combination Cost

Naught

(3) The Book Value of the Assets and Liabilities of the Combined Party on Combining Date

Naught

3. Counter Purchase

Naught

4. The Disposal of Subsidiary

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

Yes No

Whether there are several disposals of the investment to the subsidiary and lost controls?

Yes No

5. Other Reasons for the Changes in Combination Scope

Note to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation)

and relevant information:

1、The Company established FSL Europe GmbH through investment in the Reporting Period with EUR25,000 of registered capital ,and got the business license on November 30, 2017.

Name	Net assets at period-end	Net profit of Reporting Period
FSL Europe GmbH	195,057.50	

2、A creditor of subsidiary Suzhou Mont Lighting Co., Ltd. (Suzhou Mont) applied to the court for Suzhou Mont's bankruptcy. On June 2, 2016, the Suzhou Industrial Park court appointed Jiangsu Yingyuan Law Firm to be Suzhou Mont's custodian through the Decision (2016) Suzhou 0591 Civil Bankruptcy No. 03. And the control of the Company over Suzhou Mont has ceased since that day. Pursuant to the accounting standards for business enterprises, the Company has excluded Suzhou Mont from its consolidation scope.

6. Other

Naught

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) The Structure of the Enterprise Group

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

(Gaoming) Co., Ltd.						
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	Foshan	Foshan	Production and sales	70.00%		Newly established
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	Xinxiang	Xinxiang	Production and sales	100.00%		Newly established
Guangdong Fozhao Leasing Co., Ltd.	Foshan	Foshan	Finance lease	100.00%		Newly established
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	Nanjing	Nanjing	Production and sales	100.00%		Purchase
Foshan Lighting Zhida Electric Technology Co., Ltd	Foshan	Foshan	Production and sales	51.00%		Newly established
FSL Europe GmbH	Germany	Germany	Production and sales	100.00%		Newly established

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	30.00%	1,565,417.63		6,592,853.81
Foshan Lighting Zhida Electric Technology Co., Ltd	49.00%	3,946,176.33		13,926,806.59

(3) The Main Financial Information of Significant not Wholly Owned Subsidiary

Unit: RMB

Name	Closing balance	Opening balance
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	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	74,373,986.81	15,493,351.95	89,867,338.76	67,891,159.40		67,891,159.40	66,911,991.61	7,126,979.81	74,038,971.42	57,280,850.82		57,280,850.82
Foshan Lighting Zhida Electric Technology Co., Ltd	89,763,066.89	10,457,849.42	100,220,916.31	56,707,025.32		56,707,025.32	38,927,748.34	13,176,700	38,940,925.04	3,480,455.13		3,480,455.13
Total	164,137,053.70	25,951,201.37	190,088,255.07	124,598,184.72		124,598,184.72	105,839,739.95	7,140,156.51	112,979,896.46	60,761,305.95		60,761,305.95

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	153,043,784.51	5,218,058.76	5,218,058.76	25,367,729.62	131,088,201.96	5,746,438.79	5,746,438.79	4,828,194.91
Foshan Lighting Zhida Electric Technology Co., Ltd	129,462,815.58	8,053,421.08	8,053,421.08	-7,105,760.94	433,043.67	-39,530.09	-39,530.09	1,859,128.47
Total	282,506,600.09	13,271,479.84	13,271,479.84	18,261,968.68	131,521,245.63	5,706,908.70	5,706,908.70	6,687,323.38

(4) Significant Restrictions of Using the Enterprise's Group Assets and Paying off the Enterprise's Group Debt

Naught

(5) Financial Support or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements

Naught

2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

(1) Note to the Owner's Equity Share Changed in Subsidiary

Naught

(2) The Transaction's Influence on the Equity of Minority Shareholders and the Owner's Equity Attributable to the Parent Company

Naught

3. Equity in Joint Venture Arrangement or Associated Enterprise

(1) Significant Joint Venture Arrangement or Associated Enterprise

Naught

(2) Main Financial Information of Significant Joint Venture

Naught

(3) Main Financial Information of Significant Associated Enterprise

Naught

(4) Summary Financial Information of Insignificant Joint Venture or Associated Enterprise

Unit: RMB

	Closing balance/ Reporting Period	Opening balance /last period
Joint venture:	--	--
The total of following items according to the shareholding proportions	--	--
Associated enterprise:	--	--
Total investment book value	179,414,105.14	210,394,932.69
The total of following items according to the shareholding proportions	--	--
-- Net profits	2,222,185.57	4,327,697.03

-- Other comprehensive income		21,831,908.42
-- Total comprehensive income	2,222,185.57	26,159,605.45

(5) Note to the Significant Restrictions in the Ability of Joint Venture or Associated Enterprise to Transfer Funds to the Company

Naught

(6) The Excess Loss of Joint Venture or Associated Enterprise

Naught

(7) The Unrecognized Commitment Related to Joint Venture Investment

Naught

(8) Contingent Liabilities Related to Joint Venture or Associated Enterprise Investment

Naught

4. Significant Common Operation

Naught

5. Equity in the Structured Entity not Included in the Scope of Consolidated Financial Statements

Naught

6. Others

Naught

X. The Risk Related Financial Instruments

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

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

(I) Credit risk

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

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

the management of the Company.

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

(II) Liquidity Risk

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

(III) Market risk

Market risk was referred to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including: exchange rate risk, interest rate risk and other price risk.

1. Exchange rate risk

Exchange rate risk was referred to risk of possible losses due to changes of exchange rate. The exchange rate risk undertaken by the Company was mainly generated from USD and EUR. On December 31, 2017, all assets and liabilities of the Company were balances in RMB except that the balances of assets and liabilities presented in the Note V (XXXXIII) Foreign Currency Monetary Items were in USD and EUR. The exchange rate risk generated from those balance of assets and liabilities in foreign currency might influence the running performance of the Company to some extent.

The Company made efforts to avoid exchange rate risk through forward exchange settlement, improving operation management and promoting the international competitiveness of the Company, etc.

2. Interest rate risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price. There was no bank loan in the Company, thus no RMB benchmark interest rate changes

3. Other price risk

Naught

XI. The Disclosure of the Fair Value

1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Unit: RMB

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(II) Available-for-sale financial assets	1,086,953,227.20			1,086,953,227.20
(2) Equity tool investment	1,086,953,227.20			1,086,953,227.20

Total assets of consistent fair value measurement	1,086,953,227.20			1,086,953,227.20
II. Inconsistent fair value measurement	--	--	--	--

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The recognition judgment of the fair value measurement items at level 1 was the stock price on assets balance sheet date.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

Naught

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

Naught

5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Opening and Closing Book Value of Consistent Fair Value Measurement Items at Level 3

Naught

6. Explain the Reason for Conversion and the Policy Governing when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

Naught

7. Changes in the Valuation Technique in the Current Period and the Reason for Such Change

Naught

8. Fair Value of Financial Assets and Liabilities not Measured at Fair Value

Naught

9. Others

Naught

XII. Related Party and Related Transaction

1. Information Related to the Parent Company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Hong Kong Wah Shing Holding Company Limited	Hong Kong	Investment	HKD0.11 million	13.47%	13.47%
Shenzhen Guangsheng Investment Development Co., Ltd.	Shenzhen	Investment	RMB120 million	5.12%	5.12%
Guangdong Electronics Information Industry Group Ltd.	Guangzhou	Production, sale	RMB462 million	4.74%	4.74%
Guangsheng Investment Development Co., Ltd.	Hong Kong	Investment	HKD1 million	1.82%	1.82%
Guangdong Rising Finance Holdings Limited	Zhuhai	Investment	RMB1,393 million	0.54%	0.54%
Total				25.70%	25.70%

Notes: Information on the parent company:

The first majority shareholder of the Company, Hong Kong Huasheng Holding Co., Ltd. was the wholly owned subsidiary of Electronics Group, and Electronics Group, Shenzhen Guangsheng Investment Development Co., Ltd. (hereinafter referred to as “Shenzhen Guangsheng”), Guangdong Rising Finance Holdings Limited Holdings Limited (hereinafter referred to as “Rising Finance”) and Guangsheng Investment Development Co., Ltd. (hereinafter referred to as “Guangsheng Investment”) were the wholly owned subsidiaries of Guangdong Rising Assets Management Co., Ltd. In line with the relevant stipulation of Corporation Law and Rules on Listed Companies Acquisition, Electronics Group, Shenzhen Guangsheng and Guangsheng Investment were persons acting in concert. As of December 31, 2017, the aforesaid persons acting in concert holding total A, B share of the Company 326,938,494 shares, 25.70% of total share equity of the Company. Guangsheng becomes the actual controller of the Company.

The final controller of the Company is Guangdong Rising Assets Management Co., Ltd. (GRAM).

2. Subsidiaries of the Company

Please refer to Note IX. Equity in Other Entities--1.Equity in Subsidiary for details of the Company's subsidiaries for details.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Please refer to Note IX. Equity in Other Entities--3.Equity in the Joint Venture Arrangement or Associated Enterprise for details of the significant joint ventures or associated enterprises for details.

4. Information on Other Related Parties of the Company

Name	Relationship
PROSPERITY LAMPS & COMPONENTS LTD	Shareholder owning over 5% shares
Foshan NationStar Optoelectronics Co. Ltd.	Under same actual controller
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Under same actual controller
Guangdong Rising Optoelectronics Co., Ltd.	Under same actual controller
Guangdong Rising Data Solid State Disk Co., Ltd.	Under same actual controller
Guangdong Huayuebao New Energy Co., Ltd.	Under same actual controller
Guangdong Rising Finance Limited	Under same actual controller
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Under same actual controller
Hangzhou Times Lighting and Electrical Co., Ltd.	Company controlled by related natural person
Henan Rising Technology Investment Co., Ltd.	Under same actual controller
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Company controlled by related natural person
Prosperity Electrical (China) Co., Ltd.	Company controlled by related natural person
OSRAM (China) Lighting Co., Ltd.	Company controlled by related natural person with significant influence

5. List of Related-party Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service (Unit: Ten Thousand Yuan)

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not Whether exceed trade credit or not	Same period of last year
Foshan NationStar	Purchase of raw	94,588,261.29	200,000,000.00	No	94,159,851.42

Optoelectronics Co., Ltd.	material				
Guangdong Fenghua Advanced Technology Holding Co., Ltd.	Purchase of raw material	6,837,866.01	9,000,000.00	No	8,545,092.81
Prosperity Electrical (China) Co., Ltd.	Purchase of raw material	25,737.57	6,000,000.00	No	6,368,027.48
Prosperity Lamps and Components Ltd.	Purchase of raw material	1,706,039.87	2,000,000.00	No	1,930,525.20
Hangzhou Times Lighting and Electrical Co., Ltd.	Purchase of raw material	1,612,955.60	3,000,000.00	No	1,749,294.75
Guangdong Huayuebao New Energy Co., Ltd.	Purchase of raw material	933,432.24	0.00		1,391,666.63
Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	Purchase of equipment	466,871.80	2,000,000.00	No	366,464.78
Guangdong Rising Data Solid State Disk Co., Ltd.	Purchase of equipment	400,000.00	0.00		
Total		106,571,164.38			114,510,923.07

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
Prosperity Lamps and Components Ltd.	Sale of products	29,179,107.33	26,343,909.02
Prosperity Electrical (China) Co., Ltd.	Sale of products	278,880.67	295,866.44
Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	Sale of products	64,502.57	132,536.76
Foshan NationStar Optoelectronics Co., Ltd.	Sale of products	5,541.88	139,981.43
Guangdong Rising Optoelectronics Co., Ltd.	Sale of products	2,811.97	
OSRAM (China) Lighting Co.,	Sale of products		5,049,289.31

Ltd.			
Total		29,530,844.42	31,961,582.96

Notes of information on acquisition of goods and reception of labor service

The pricing of related-party transactions applied with the principle of marketing that the pricing shall be based on the market price when the transaction happened and the account shall be paid on time based on the actual transaction.

(2) Related Trusteeship/Contract

Naught

(3) Information of Related Lease

The Company was lessor:

Naught

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in this year	The lease fee confirmed in last year
Guangdong Electronics Information Industry Group Ltd.	Vehicles	11,111.12	16,666.67

(4) Related-party Guarantee

Naught

(5) Inter-bank Lending of Capital of Related Parties

Naught

(6) Related Party Asset Transfer and Debt Restructuring

Naught

(7) Rewards for the Key Management Personnel

Unit: RMB

Item	Reporting Period	Same period of last year
Chairman of the Board		
Director & GM	1,731,686.00	1,707,000.00

Chairman of the Supervisor		
Chairman Secretary	1,019,078.00	1,045,600.00
CFO	1,068,386.00	985,900.00
Other	7,477,422.00	7,465,500.00
Total	11,296,572.00	11,204,000.00

(8) Other Related-party Transactions

Naught

6. Receivables and Payables of Related Parties

(1) Receivables

Unit: RMB

Name of item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Interest receivable	Guangdong Rising Finance Limited	1,622,133.34		42,222.22	
Accounts receivable	Prosperity Lamps and Components Ltd.	4,487,199.01	134,615.97	4,121,642.27	123,649.27
Accounts receivable	OSRAM (China) Lighting Co., Ltd.	117,554.16	11,755.42	117,554.16	3,526.62
Accounts receivable	Prosperity (Hangzhou) Lighting and Electrical Co., Ltd.	86,367.27	43,183.64	86,367.27	25,910.18
Accounts receivable	Prosperity Electrical (China) Co., Ltd.			26,156.80	784.70
Other accounts receivable	Henan Guangsheng Technology Investment Co., Ltd.	117,000.00	117,000.00	117,000.00	93,600.00
Other accounts receivable	Guangdong Electronics Information Industry Group Ltd.	5,000.00	500.00	5,000.00	150.00
Prepayment	Prosperity Electrical (China) Co., Ltd.	7,521.37		92,424.45	

Prepayment	Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	141,840.00			
Total		6,584,615.15	307,055.03	4,608,367.17	247,620.77

(2) Payables

Unit: RMB

Name of item	Related party	Closing book balance	Opening book balance
Accounts payable	Foshan NationStar Optoelectronics Co., Ltd.	27,606,272.62	19,840,379.88
Accounts payable	Guangdong Fenghua Advanced Technology Holding Co., Ltd.	1,806,876.22	2,492,269.85
Accounts payable	Prosperity Electrical (China) Co., Ltd.	204,381.06	1,286,052.41
Accounts payable	Guangdong Huayuebao New Energy Co., Ltd.		1,391,666.63
Accounts payable	Prosperity Lamps and Components Ltd.	529,296.77	331,774.70
Accounts payable	Hangzhou Times Lighting and Electrical Co., Ltd.	467,927.45	243,897.33
Other account payable	Prosperity Electrical (China) Co., Ltd.	100,000.00	100,000.00
Other account payable	Guangdong Zhongke Hongwei Semiconductor Equipment Co., Ltd.	102,484.00	47,860.00
Other account payable	Guangdong Electronics Information Industry Group Ltd.	11,111.12	
Other account payable	Prosperity Lamps and Components Ltd.	438,666.14	
Advance from customers	Prosperity Electrical (China) Co., Ltd.	45,694.74	
Total		31,312,710.12	25,733,900.80

7. Related Party Commitment

(1)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Contents: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that the elimination of the horizontal competition between Foshan NationStar Optoelectronics Co., Ltd. and the Company through business integration or other ways or arrangements shall be completed before December 4, 2019.

Date of commitment making: 2017-12-04

Term of commitment: 24 months

Fulfillment: In execution

(2)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About avoidance of horizontal competition

Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made more commitments as follows to avoid horizontal competition with the Company: 1. They shall conduct supervision and restraint on the production and operation activities of themselves and their relevant enterprises so that besides the enterprise above that is in horizontal competition with the Company for now, if the products or business of them or their relevant enterprises become the same with or similar to those of the Company or its subsidiaries in the future, they shall take the following measures: (1) If the Company thinks necessary, they and their relevant enterprises shall reduce and wholly transfer their relevant assets and business; and (2) If the Company thinks necessary, it is given the priority to acquire first, by proper means, the relevant assets and business of them and their relevant enterprises. 2. All the commitments made by them to eliminate or avoid horizontal competition with the Company are also applicable to their directly or indirectly controlled subsidiaries. They are obliged to urge and make sure that other subsidiaries execute what's prescribed in the relevant document and faithfully honor all the relevant commitments. 3. If they or their directly or indirectly controlled subsidiaries break the aforesaid commitments and thus cause a loss for the Company, they shall compensate the Company on a rational basis.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

(3)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About reduction and regulation of related-party transactions

Content: Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made a commitment that during their direct or indirect holding of the Company's shares, they shall 1. Strictly abide by the regulatory documents of the CSRC and the SZSE, the Company's Articles of Association, etc. and not harm the interests of the Company or other shareholders of the Company in their production and operation activities by taking advantage of their position as the controlling shareholder and actual controller; 2. make sure that they or their other controlled subsidiaries, branch offices, jointly-run or associated companies (the "Relevant Enterprises" for short) will try their best to avoid or reduce related-party transactions with the Company or the Company's subsidiaries; 3. strictly follow the market principle of justness, fairness and equal value exchange for necessary and unavoidable related-party transactions between them and their Relevant Enterprises and the Company, and withdraw from voting when a related-party transaction with them or their

Relevant Enterprises is being voted on at a general meeting or a board meeting, and execute the relevant approval procedure and information disclosure duties pursuant to the applicable laws, regulations and regulatory documents. Where the aforesaid commitments are broken and a loss is thus caused for the Company, its subsidiaries or the Company's other shareholders, they shall be obliged to compensate.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

(4)

Commitment: commitments made in acquisition documents or shareholding alteration documents

Commitment maker: Controlling shareholder

Type of commitment: About independence

In order to ensure the independence of the Company in business, personnel, asset, organization and finance, Electronics Group and its acting-in-concert parties Shenzhen Rising Investment and Hong Kong Rising Investment have made the following commitments: 1. They will ensure the independence of the Company in business: (1) They promise that the Company will have the assets, personnel, qualifications and capabilities for it to operate independently as well as the ability of independent, sustainable operation in the market. (2) They promise not to intervene in the Company's business activities other than the execution of their rights as the Company's shareholders. (3) They promise that they and their related parties will not be engaged in business that is substantially in competition with the Company's business. And (4) They promise that they and their related parties will try their best to reduce related-party transactions between them and the Company; for necessary and unavoidable related-party transactions, they promise to operate fairly following the market-oriented principle and at fair prices, and execute the transaction procedure and the duty of information disclosure pursuant to the applicable laws, regulations and regulatory documents. 2. They will ensure the independence of the Company in personnel: (1) They promise that the Company's GM, deputy GMs, CFO, Company Secretary and other senior management personnel will work only for and receive remuneration from the Company, not holding any positions in them or their other controlled subsidiaries other than director and supervisor. (2) They promise the Company's absolute independence from their related parties in labor, human resource and salary management. And (3) They promise to follow the legal procedure in their recommendation of directors, supervisors and senior management personnel to the Company and not to hire or dismiss employees beyond the Company's Board of Directors and General Meeting. 3. They will ensure the independence and completeness of the Company in asset: (1) They promise that the Company will have a production system, an auxiliary production system and supporting facilities for its operation; legally have the ownership or use rights of the land, plants, machines, trademarks, patents and non-patented technology in relation to its production and operation; and have independent systems for the procurement of raw materials and the sale of its products. (2) They promise that the Company will have independent and complete assets all under the Company's control and independently owned and operated by the Company. And (3) They promise that they and their other controlled subsidiaries will not illegally occupy the Company's funds and assets in any way, or use the Company's assets to provide guarantees for the debts of themselves or their other controlled subsidiaries with. 4. They will ensure the independence of the Company in organization: (1) They promise that the Company has a sound corporate governance structure as a joint-stock company with an independent and complete organization structure. (2) They promise that the operational and management organs within the Company will independently execute their functions according to laws, regulations and the Company's Articles of Association. 5. They will ensure the independence of the Company in finance: (1) They promise that the Company will have an independent financial department and financial accounting system with normative, independent financial accounting rules. (2) They promise that the Company will have

independent bank accounts and not share bank accounts with its related parties. (3) They promise that the Company's financial personnel do not hold concurrent positions in its related parties. (4) They promise that the Company will independently pay its tax according to law. And (5) They promise that the Company can make financial decisions independently and that they will not illegally intervene in the Company's use of its funds.

Date of commitment making: 2015-12-04

Term of commitment: Long-standing

Fulfillment: In execution

8. Others

Naught

XIII. Stock Payment

1. The Overall Situation of Stock Payment

Applicable Not applicable

2. The Stock Payment Settled by Equity

Applicable Not applicable

3. The Stock Payment Settled by Cash

Applicable Not applicable

4. Modification and Termination of the Stock Payment

Naught

5. Others

Naught

XIV. Commitments and Contingency

1. Significant Commitments

Significant commitments on the balance sheet date

Significant commitments on the balance sheet date

As of December 31, 2017, the Company had the following commitments:

Commitment: Commitment made to small and medium shareholders of the company

Type of commitment: Commitment about cash dividends

Contents: The annual profits distributed in cash by the Company shall be not less than 30% of the distributable profits of the year.

Date of commitment making: 2009-5-27

Term of commitment: Long-standing

Fulfillment: In execution

2. Contingency

(1) Significant Contingency on Balance Sheet Date

1. According to the Supreme People's Court of the People's Supreme People's Court of the People's Republic of China (2017) Supreme People's Court No. 3437 to No. 3466, No. 3499 and No. 3480 Civil Ruling, the Plaintiff of the Securities False Statement Liability Disputes (Retrial Application 32) The 32 people were not satisfied with the Guangdong Provincial Higher People's Court (2016) Guangdong People's Court Decision No. 407-436 and No. 1841-1852 and applied to the Supreme People's Court for a retrial. The amount involved was RMB1,443,464.35. The Supreme People's Court ruled that it should be tried. The above cases have not been reviewed until the date of the audit report.

2. As Dongguan FSL Lindun Energy-saving Technology Co., Ltd. (hereinafter referred to as "Dongguan Lindun") defaulted on the payment of the Company, the Company filed a lawsuit with Dongguan First People's Court on March 22, 2016 (case No.: (2016) GD1971 MCZ No. 6481), and demanded a verdict that Dongguan Lindun should pay overdue payment RMB9,559,837.55 and liquidated damages RMB955,983.76 (total: RMB10,515,821.31). Dongguan Lindun filed Civil Counterclaim with Dongguan First People's Court on April 28, 2016 against the Company on the grounds of quality problems in the goods provided by the Company, and requested the Court to order the Company to indemnify a loss of RMB11,727,003.10 and pay liquidated damages RMB1,552,159.76 (total: RMB13,279,162.86). As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

3. The lawsuit with Foshan Yixin

The Company entrusted Foshan Yixin Equity Trusteeship Services Limited (hereinafter referred to as "Foshan Yixin") to handle the dividend payout from 1994 to 2008 (the actual payout years were from 1995 to 2009). Since Foshan Yixin didn't provide the distribution details on the dividend payment and the proof of actual receipt by the shareholders, the Company filed a lawsuit with Foshan Chancheng District People's Court and demanded a verdict that Foshan Yixin should provide the company with the distribution details of dividend payment and the proof of actual receipt by the shareholders and return the dividend payment that hadn't been actually distributed to the shareholders. According to the (2015) Focheng FEC No. 911 Civil Ruling issued by Foshan Chancheng District People's Court, the "Internal Share Registration Service Agreement" and "Internal Share Transfer Management Agreement" signed between the Company and Foshan Yixin were terminated, and Foshan Yixin should return the balance of dividends as well as the principal and interest within 10 days from the date of the judgment. Foshan Yixin did not accept the above ruling and appealed to Foshan Intermediate People's Court for a decision to cancel the (2015) Focheng FEC No. 911 Civil Ruling issued by Foshan Chancheng District People's Court. As of the date of the audit report, the above-mentioned appeal case was at the reception stage and hadn't yet been brought to trial.

4. The lawsuit with Beijing Zhengshi

As Beijing Zhongao Zhengshi Lighting Appliance Co., Ltd. and its subordinate dealers (hereinafter referred to as "Beijing Zhengshi") defaulted on the Company's payment of RMB19,167,443.45, the Company filed a lawsuit with the Foshan Chancheng District People's Court in September 2017 (Case No.: (2017) Yue 0604 MC No. 13425), demanding an immediately settlement of the payment and overdue liquidated damages of the loan interest

rate at the same period from July 31, 2017 from No. 1 defendant, Beijing Zhengshi, as well as jointly and severally liability for the above debt from No. 2 defendant Jiang Zhenghao. As of the date of the audit report, the above-mentioned case was at the reception stage and hadn't yet been brought to trial.

5. The lawsuit with Wuhan Xinruiyuan

As Wuhan Xinruiyuan Lighting Appliance Co., Ltd. defaulted on the payment balance of RMB1,997,175.78 of the Company, the Company filed a lawsuit with Foshan Chancheng District People's Court in October 2017 (Case No.: (2017) Yue 0604, MC No. 14691), demanding an immediately payment owed and the interest based on the loan interest rate for the same period from the date of the prosecution to the date of liquidation from No. 1 defendant Wuhan Xinruiyuan Lighting Appliance Co., Ltd., as well as jointly and severally liability for the above debt from No. 2 defendant Chen Ke. As of the date of the audit report, the case was closed, and a settlement agreement was reached.

(2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements.

There was no significant contingency in the Company.

3. Other

Naught

XV. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Naught

2. Profit Distribution

Unit: RMB

Profits or dividends planned to be allocated	418,531,713.57
Reviewed and approved Profits or dividends allocation	418,531,713.57

3. Sales Return

Naught

4. Notes of Other Events after Balance Sheet Date

In accordance with the profit allocation and capitalization of capital reserves for 2017 approved by the Board of Directors on 28 Mar. 2018, based on the total 1,272,132,868 shares as at the end of 2017, the Company intends to distribute a cash dividend of RMB 3.29 (tax included and dividends for B-share holders to be paid in the Hong Kong dollars) for every 10 shares held by A-share and B-share holders., with the total distributed cash dividends reaching RMB 418,531,713.57; And the Company also plans to increase 1 share for every 10 shares held by all

shareholders with the capital reserves. Apart from the aforesaid cash dividend and capital-reserves-converted share dividend, the Company would not offer share dividend converted from retained earnings in this profit distribution.

The proposal is still to be submitted to the 2017 Annual Meeting of Shareholders for review.

Apart from the aforesaid matters, the Company has no other matters after the balance sheet date of which disclosure is required.

XVI . Other significant events

1. The Accounting Errors Correction in Previous Period

Naught

2. Debt Restructuring

Naught

3. Replacement of Assets

Naught

4. Pension Plan

Naught

5. Discontinuing Operation

Naught

6. Segment Information

Naught

7. Other Important Transactions and Events Having an Impact on Investors' Decision-making

Naught

8. Others

(I) About Equity Incentive Fund

On May 16, 2002, the resolution of the Shareholders' General Meeting of the year 2001 of the Company passed the proposal of establishing equity incentive system for middle and senior executives, which stipulated that the assessment target shall be annual return on net assets of 6%. When the annual return on net assets reached 6%, withdraw equity incentive funds by 5% of the net profit, the accruing proportion of incentive funds and the increase

ratio of return on net assets should increase simultaneously. The scheme was implemented from the fiscal year 2001. The accrued equity incentive fund of the Company was RMB 17.65million for the present year.

(II) About Bankruptcy Liquidation of Suzhou Mont Lighting Co., Ltd.

Subsidiary Suzhou Mont failed to pay off the debts due, and was filed for bankruptcy on April 13, 2016 by the creditor Suzhou Lifall Electronics Co., Ltd. with Suzhou Industrial Park People's Court. On April 27, 2016, Suzhou Industrial Park People's Court accepted the bankruptcy liquidation application filed by Suzhou Lifall Electronics Co., Ltd. against Suzhou Mont in (2016) SU0591 MP No. 3 *Civil Order*.

On June 2, 2016, (2016) SU0591 MP No. 03 Decision issued by Suzhou Industrial Park People's Court designated Jiangsu Yingyuan Law Firm as the administrator of Suzhou Mont.

At present, the bankruptcy liquidation of Suzhou Mont is ongoing.

XVII. Notes of Main Items in the Financial Statements of the Parent Company

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	10,061,641.64	1.26%	10,061,641.64	100.00%		10,064,664.92	1.55%	10,064,664.92	100.00%	
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	785,497,260.78	98.74%	38,067,101.17	4.85%	747,430,159.61	640,256,170.33	98.45%	28,400,673.43	4.44%	611,855,496.90
Total	795,558,902.42	100.00%	48,128,742.81	6.05%	747,430,159.61	650,320,835.25	100.00%	38,465,338.35	5.91%	611,855,496.90

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

Applicable Not applicable

Unit: RMB

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Suzhou Mont Lighting Co., Ltd.	10,061,641.64	10,061,641.64	100.00%	The debtor has suffered continual losses due to the size of its business and the market reason, and it is now no longer able to produce again.
Total	10,061,641.64	10,061,641.64	--	--

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

Applicable Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	724,252,628.74	21,727,578.85	3.00%
Subtotal within 1 year	724,252,628.74	21,727,578.85	3.00%
1 to 2 years	12,985,805.96	1,298,580.60	10.00%
2 to 3 years	11,463,982.60	3,439,194.77	30.00%
3 to 4 years	1,612,325.68	806,162.85	50.00%
4 to 5 years	13,262,207.31	10,609,765.85	80.00%
Over 5 years	185,818.25	185,818.25	100.00%
Total	763,762,768.54	38,067,101.17	4.98%

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

Applicable Not applicable

Account receivable groups for which the allowance for doubtful accounts was determined using other methods:

Name of group	Closing balance		
	Account receivable	Allowance for doubtful account	Reason for allowance
Internal transaction group	21,734,492.24	-	No allowance for accounts with subsidiaries
Total	21,734,492.24	-	

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB10,755,417.62; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

(3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
No. 1	339,032.24
No. 2	303,567.17
No. 3	213,202.93
No. 4	99,999.82
No. 5	68,939.50
Other retails accounts	67,271.50
Total	1,092,013.16

(4) Top Five of Account Receivable of Closing Balance Collected by Arrears Party

Unit: RMB

Name of units	Relationship	Book balance	Proportion to the total accounts receivable	Withdrawal bad debt provision
No. 1	Non-related relationship	87,811,524.87	11.04%	2,634,345.75
No. 2	Non-related relationship	20,300,131.72	2.55%	609,003.95
No. 3	Non-related relationship	17,569,710.85	2.21%	527,091.33
No. 4	Non-related relationship	14,826,880.66	1.86%	444,806.42
No. 5	Non-related relationship	14,823,005.21	1.86%	444,690.16
Total		155,331,253.31	19.52%	4,659,937.61

(5) Derecognition of Account Receivable Due to the Transfer of Financial Assets

Naught

(6) The Amount of the Assets and Liabilities Formed by the Transfer and the Continued Involvement of Accounts Receivable

Naught

2. Other Accounts Receivable

(1) Other Account Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	44,939,194.60	99.35%	2,764,316.71	6.15%	42,174,877.89	58,237,702.22	99.50%	1,522,852.38	2.61%	56,714,849.84
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	295,120.00	0.65%	295,120.00	100.00%		295,120.00	0.50%	295,120.00	100.00%	
Total	45,234,314.60	100.00%	3,059,436.71	6.76%	42,174,877.89	58,532,822.22	100.00%	1,817,972.38	3.11%	56,714,849.84

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

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	16,991,911.81	509,757.35	3.00%
Subtotal within 1 year	16,991,911.81	509,757.35	3.00%
1 to 2 years	1,828,596.28	182,859.63	10.00%
2 to 3 years	1,474,420.39	442,326.12	30.00%
3 to 4 years	2,643,547.23	1,321,773.61	50.00%
4 to 5 years	2,000.00	1,600.00	80.00%

Over 5 years	306,000.00	306,000.00	100.00%
Total	23,246,475.71	2,764,316.71	11.89%

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

Applicable Not applicable

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

Applicable Not applicable

Name of group	Closing balance		
	Account receivable	Allowance for doubtful account	Reason for allowance
Internal transaction group	21,692,718.89	-	No allowance for accounts with subsidiaries
Total	21,692,718.89	-	

(2) Accounts Receivable Withdraw, Reversed or Collected during the Reporting Period

The amount of bad debt provision was RMB1,242,510.23, the amount of reversed or recovered bad debt provision in the Reporting Period RMB0.00.

(3) Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Other retails accounts	1,045.90
Total	1,045.90

(4) Other Accounts Receivable Classified by the Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Internal business group	21,987,838.89	45,581,148.85
VAT export tax refunds	5,712,812.04	
Performance bond	4,377,639.20	1,959,752.60
Staff borrow and deposit	4,142,205.92	5,587,226.25
Advance money for street light construction	3,777,672.16	2,523,547.23
Water & electricity fees	1,293,281.97	936,834.08
Others	3,942,864.42	1,944,313.21
Total	45,234,314.60	58,532,822.22

(5) Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
No. 1	Interdepartmental account	12,150,460.74	Within 1 year	26.86%	
No. 2	Interdepartmental account	7,421,190.98	Within 1 year	16.41%	
No. 3	Tax rebates	5,712,812.04	Within 1 year	12.63%	171,384.36
No. 4	Advance money for street light construction	3,777,672.16	Within 4 years	8.35%	1,299,397.36
No. 5	Interdepartmental account	2,105,711.74	Within 1 year	4.66%	
Total	--	31,167,847.66	--	68.91%	1,470,781.72

(6) Account Receivable Involving Government Subsidies

Naught

(7) Other Accounts Receivable Derecognized Due to the Transfer of Financial Assets

Naught

(8) Amount of Assets and Liabilities Due to the Transfer of Other Account Receivable and Continued Involvement

Naught

3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	508,153,102.26	24,360,000.00	483,793,102.26	507,957,289.76	24,360,000.00	483,597,289.76
Investment to joint ventures and associated	179,414,105.14		179,414,105.14	210,394,932.69		210,394,932.69

enterprises						
Total	687,567,207.40	24,360,000.00	663,207,207.40	718,352,222.45	24,360,000.00	693,992,222.45

(1) Investment to the Subsidiary

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Foshan Chansheng Electronic Ballast Co., Ltd.	2,744,500.00			2,744,500.00		
Foshan Chanchang Electric Appliance (Gaoming) Co., Ltd.	82,507,350.00			82,507,350.00		
Foshan Taimei Times Lamps and Lanterns Co., Ltd.	350,000.00			350,000.00		
Nanjing Fozhao Lighting Components Manufacturing Co., Ltd.	72,000,000.00			72,000,000.00		
Guangdong Fozhao New Light Sources Technology Co., Ltd.	50,077,000.00			50,077,000.00		
Foshan Electrical & Lighting (Xinxiang) Co., Ltd.	35,418,439.76			35,418,439.76		
Guangdong Fozhao Leasing Co., Ltd.	200,000,000.00			200,000,000.00		
Foshan Lighting Lamps & Components Co., Ltd.	15,000,000.00			15,000,000.00		

Foshan Lighting Zhida Electric Technology Co., Ltd.	25,500,000.00			25,500,000.00		
Suzhou Mont Lighting Co., Ltd.	24,360,000.00			24,360,000.00		24,360,000.00
FSL Europe GmbH		195,812.50		195,812.50		
Total	507,957,289.76	195,812.50		508,153,102.26		24,360,000.00

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Qinghai FSL Lithium Energy Exploitation Co., Ltd.	29,836,246.62		31,122,622.62	1,286,376.00							
Shenzhen Primatronix (Nanhu) Electronics Ltd.	180,558,686.07			935,809.57			2,080,390.50			179,414,105.14	
Subtotal	210,394,932.69		31,122,622.62	2,222,185.57			2,080,390.50			179,414,105.14	
Total	210,394,932.69		31,122,622.62	2,222,185.57			2,080,390.50			179,414,105.14	

(3) Other Notes

Naught

4. Revenues and Operating Costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	3,618,724,668.08	2,906,238,292.02	3,316,069,235.74	2,561,443,178.44
Other operations	89,782,996.77	63,588,110.96	103,108,787.15	81,804,226.85
Total	3,708,507,664.85	2,969,826,402.98	3,419,178,022.89	2,643,247,405.29

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method		14,671,820.57
Long-term equity investment income accounted by equity method	2,222,185.57	4,327,697.03
Investment income received from disposal of long-term equity investment	184,379,575.52	
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during current period		373,528.38
Investment income received from holding of available-for-sale financial assets	30,320,839.59	14,474,805.76
Investment income received from disposal of available-for-sale financial assets	270,998,081.52	858,346,116.55
Income received from financial products and structural deposits	27,533,546.07	7,490,856.14
Other	-621,450.98	-3,951,100.00
Total	514,832,777.29	895,733,724.43

6. Others

Naught

XVIII. Supplementary Materials

1. Non-recurring Gains and Losses during this Reporting Period

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	176,540,060.61	Mainly due to the sale of the whole shares of Qinghai FSL Lithium Energy Exploitation Co., Ltd. in the Reporting Period.
Government subsidies recorded into the current gains/losses (excluding the government subsidies closely related to business of the Company and enjoyed at a fixed quota or quantity in accordance with the universal national standard)	1,185,148.00	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	269,362,165.95	Sale in Current Period through stock exchange's public centralized quotation system of shares of Guoxuan High-Tech stock held by the Company
Other non-operating income and expenses other than the above	1,640,395.69	
Less: Income tax effects	61,971,050.60	
Minority interests effects	-2,984.26	
Total	386,759,703.91	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable Not applicable

2. Return on Equity (ROE) and Earnings Per Share (EPS)

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	15.14%	0.5819	0.5819

Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	7.23%	0.2779	0.2779
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3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

(1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

Applicable Not applicable

(2) Differences of Net profit and Net assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

Applicable Not applicable

(3) Explain Reasons for the Differences between Accounting Data under Domestic and Overseas Accounting Standards; for any Adjustment Made to the Difference Existing in the Data Audited by the Foreign Auditing Agent, Such Foreign Auditing Agent's Name Shall Be Clearly Stated

Naught

4. Others

Naught

Part XII Documents Available for Reference

Investors and interested parties can get access to the following materials in the Board Secretary's Office in the Company's office building:

1. The financial statements signed and sealed by the Company's legal representative, General Manager and Chief Financial Officer;
2. The original copy of the Independent Auditor's Report signed and sealed by the certified public accountants and stamped by the CPA firm.
3. All the originals of the Company's announcements and documents that were disclosed to the public during the Reporting Period on the media designated by the CSRC for information disclosure.

The Board of Directors

Foshan Electrical and Lighting Co., Ltd.

March 28, 2018