Stock code: 000058, 200058　　Stock abbreviation: SHEN SEG, SHEN SEG B　　Notice No.:2016-073

Summary of 2016 Semi-Annual Report of Shenzhen SEG Co., Ltd.

I. Important Notice

This summary is excerpted from the semi-annual report 2016 of Shenzhen SEG Co., Ltd. For more details, investors shall read carefully the semi-annual report published on the websites specified by China Securities Regulatory Commission (CSRC), such as, the Cninfo Website (http://www.cninfo.com.cn) and the website of Shenzhen Stock Exchange (www.szse.cn).

Company Profile:

Stock abbreviation	Shenzhen SEG, Shenzhen SEG B	Stock code	000058, 200058
Changed stock abbreviation (if any)	None		
Listed on	Shenzhen Stock Exchange		
Contact information	Secretary of the Board of Directors	Securities affairs representative	
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II. Major Financial Data and Shareholder Changes

(1) Major Financial Data

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

□ Yes √ No

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

(2) List of top 10 ordinary shareholders

Unit: Share

Total number of ordinary shareholders at the end of the report period	81,615

Shareholding information of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Quantity of ordinary shares held	Quantity of restricted ordinary shares held	Information on pledged or frozen shares	
					Share status	Quantity
Shenzhen SEG Group Co., Ltd.	State-owned legal person	30.24%	237,359,666	0		
Liu Guocheng	Domestic natural person	0.85%	6,739,002	0		
Liu Guohong	Domestic natural person	0.42%	3,326,858	0		
Gong Qianhua	Overseas natural person	0.37%	2,940,000	0		
Zeng Ying	Domestic natural person	0.35%	2,800,000	0		
Tan Shujian	Domestic natural person	0.31%	2,419,073	0		
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	0.29%	2,271,900	0		
NORGES BANK	Overseas legal person	0.24%	1,890,226	0		
Hu Chunwan	Domestic natural person	0.18%	1,385,200	0		
China Merchants Securities (Hong Kong) Co., Ltd.	State-owned legal person	0.17%	1,324,469	0		
Explanations on the association relationship or concerted action among the above-mentioned shareholders		Shenzhen SEG Group Co., Ltd has no associated relationship with other shareholders, and is not a concerted action unit as specified in the *Management Methods for Disclosure of Information on Changes of Shareholding Status of Shareholders of Listed Companies*. It is unknown whether other shareholders have an associated relationship or are concerted action units or not.				
Information about the shareholders participating in financing business (if any)		None				

(3) List of top 10 preferential shareholders

□ Applicable √ Not applicable

No shareholders hold preferred shares in the report period.

(4) Changes of the Controlling Shareholders or Actual Controllers

Changes of the controlling shareholders in the report period

□ Applicable √ Not applicable

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

Changes of the actual controllers in the report period

□ Applicable √ Not applicable

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

III. Management Discussion and Analysis

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

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

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

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

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

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

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

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

(2) Property leasing service

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

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

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

(3) IT product channel retail terminal business

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

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

(4) Microcredit business

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

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

(5) E-Commerce business

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

3. The Company launched a major assets restructuring program in November 2015. The Company's stocks (SHEN SEG, 000058, SHEN SEG B, 200058) were suspended from the early trading on November 4, 2015. During the stock suspension, the Company and related parties actively pushed forward major assets restructuring, and regularly disclosed progress notices. As of the date of the report, the Company has disclosed the major assets restructuring plan. See *Plan of Shenzhen SEG Co., Ltd. on Issue of Shares, Cash Purchase of Assets, and Supporting Fund Raising & Related Transaction* (Revised Draft) released on the Cninfo Website on February 25, 2016. The Company's stocks resumed from the early trading on February 25, 2016. After trading resumption, the Company and related parties actively pushed forward the relevant works of this major assets restructuring.

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

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

IV. Issues related to financial report

(1) Information on changes in accounting policies, accounting estimates and accounting methods compared with the financial reports of 2015

□ Applicable √ Not applicable

There is no change in the Company's accounting policies, accounting estimates and accounting methods in the report period.

(2) Information on retroactive restatements in corrections of major accounting errors in the report period

□ Applicable √ Not applicable

There is no retrospective restatement due to corrections on significant accounting errors in the report period.

(3) Information on changes in the scope of consolidation compared with the financial report of 2015

√ Applicable □ Not applicable

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

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

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

(4) Explanations of the Board of Directors and Board of Supervisors to the "non-standard audit report" made by the accounting firm in the report period

□ Applicable √ Not applicable