

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the preliminary offering circular (the “**Preliminary Offering Circular**”) attached to this e-mail. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Preliminary Offering Circular. In accessing the Preliminary Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the Preliminary Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES DESCRIBED THEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE PRELIMINARY OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PRELIMINARY OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Tongfang Aqua 2017 Limited (the “**Issuer**”), Tsinghua Tongfang Co., Ltd. (the “**Guarantor**”) and DBS Bank Ltd., Bank of China Limited, Morgan Stanley & Co. International plc, CMB International Capital Limited, and Sun Hung Kai Investment Services Limited (together, the “**Joint Lead Managers**”) that (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission, and (4) to the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Preliminary Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them or we accept any liability or responsibility whatsoever in respect of any such alteration or change to the Preliminary Offering Circular distributed to you in electronic format or any difference between the Preliminary Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Joint Lead Managers or us to subscribe for or purchase any of the securities described therein in any place where offers or solicitations are not permitted by law, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate or a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of us in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have accessed the Preliminary Offering Circular on the basis that you are a person into whose possession the Preliminary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

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You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRELIMINARY OFFERING CIRCULAR DATED 16 NOVEMBER 2017 STRICTLY CONFIDENTIAL
SUBJECT TO COMPLETION

TONGFANG AQUA 2017 LIMITED
(incorporated with limited liability in the British Virgin Islands)

U.S.\$ PER CENT. GUARANTEED BONDS DUE

Unconditionally and Irrevocably Guaranteed by



TSINGHUA TONGFANG CO., LTD.
(incorporated with limited liability in the People's Republic of China)

Issue Price: per cent.

The U.S.\$ per cent. Guaranteed Bonds due (the "Bonds") will be issued by Tongfang Aqua 2017 Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Tsinghua Tongfang Co., Ltd. (the "Guarantor"). The Issuer is a wholly-owned subsidiary of the Guarantor. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves save for such exceptions as may be provided by statute or applicable law. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

The Bonds will bear interest from and including 2017 at the rate of per cent. per annum. Interest will be payable semi-annually in arrear in equal installments on and in each year, commencing on 2018. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC to the extent described in "Terms and Conditions of the Bonds - Taxation" unless such withholding or deduction is required by law. Where such withholding or deduction is required to be made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate up to and including the rate applicable on 2017 (the "Applicable Rate"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If (a) the Issuer is required to make a deduction or withholding by or within the British Virgin Islands, or (b) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or, as the case may be, the Guarantor) shall pay such additional amounts ("Additional Tax Amounts") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be) in the circumstances set out in Condition 8 of the Terms and Conditions of the Bonds.

The Guarantor has made application for the pre-issuance registration (the "Pre-Issuance Registration") of the offering of the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Notice on Promoting the Administrative Reform of the Record-filing and Registration System for Issuance of Foreign Debt by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (發改外資 [2015] 2044號)(the "NDRC Notice") issued by the NDRC which took effect on 14 September 2015. The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 23 October 2017 from the NDRC with respect to the Pre-Issuance Registration, which as at the date of this Offering Circular, remains valid and in full force and effect. Pursuant to the requirements of the NDRC Notice, the Guarantor will be required to complete the filing in respect of the issue of the Bonds within 10 PRC Business Days (as defined in "Terms and Conditions of the Bonds") from the Issue Date (as defined below).

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") on or about 2017 (the "Issue Date"). The Guarantor will be required to file or cause to be filed with the Beijing Branch of the State Administration of Foreign Exchange ("SAFE") the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "Cross-Border Security Registration"). The Guarantor intends to complete the Cross-Border Security Registration with SAFE as soon as practicable and in any event before the Registration Deadline (being 90 calendar days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on . The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued to the date fixed of redemption in the event of certain changes affecting taxes of the British Virgin Islands or the PRC as described under "Terms and Conditions of the Bonds - Redemption and Purchase - Redemption for Taxation Reasons". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in "Terms and Conditions of the Bonds"), the holder of a Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in "Terms and Conditions of the Bonds") at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "Terms and Conditions of the Bonds - Redemption and Purchase - Redemption for Relevant Events".

The Bonds will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds will not be rated.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered, sold or delivered within the United States. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and distribution of this Offering Circular, see "Subscription and Sale".

Application will be made to The Stock Exchange of Hong Kong Limited (the "HKSE") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the HKSE and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only and such permission is expected to become effective on 2017. This document is for distribution to Professional Investors only. Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.

The HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Bonds on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

DBS Bank Ltd.

Bank of China

Morgan Stanley

Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd.

Bank of China

Morgan Stanley

CMB International

Sun Hung Kai Financial

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Guarantor and its subsidiaries taken as a whole (collectively, the “**Group**”). The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisors.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement expressed in this Offering Circular misleading; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee and to verify the accuracy of all such information and statements in this Offering Circular; (vi) the Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statement therein, in light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived from or extracted from sources which each of Issuer and the Guarantor believes to be accurate and reliable in all material respects.

The Issuer and the Guarantor have prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and DBS Bank Ltd., Bank of China Limited, Morgan Stanley & Co. International plc, CMB International Capital Limited, and Sun Hung Kai Investment Services Limited (the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction

where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and the Guarantee and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents (as defined in the “*Terms and Conditions of the Bonds*”) or their respective directors, officers, employees, affiliates, representatives, agents or advisors. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group, and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any director, officer, employee, affiliate, representative, agent or advisor of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers, employees, affiliates, representatives, agents or advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee, affiliate, representative, agent or advisor of any such person.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS ACTING AS STABILISATION COORDINATOR (THE “STABILISATION COORDINATOR”), OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION COORDINATOR, MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF THE STABILISATION COORDINATOR) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF THE STABILISATION COORDINATOR) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Bonds.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the People’s Republic of China, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, officers, employees, affiliates, representatives, agents or advisors make any representation as to the correctness, accuracy or completeness of such information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2014, 2015 and 2016 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements as at and for the years ended 31 December 2015 and 2016 (the "**Group's Audited Financial Statements**"), which were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and audited by ShineWing Certified Public Accountants ("**ShineWing**") in accordance with the Chinese Auditing Standards issued by the Ministry of Finance of the PRC ("**MOF**"). The consolidated financial information of the Group as at 30 June 2017 and for the six months ended 30 June 2016 and 2017 has been extracted from the Group's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2017 (the "**Group's 2017 Interim Financial Statements**", and together with the Group's Audited Financial Statements, the "**Group's Financial Statements**"), which were prepared and presented in accordance with PRC GAAP and reviewed by ShineWing in accordance with China Standards on Auditing, Review, Other Assurance, Related Services and Quality Control issued by MOF. PRC GAAP differs in certain material respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

The Group's Audited Financial Statements and the Group's 2017 Interim Financial Statements (including the reports relating thereto) are issued in simplified Chinese and the English translation of which included elsewhere in this Offering Circular are provided for reference only. Neither the Joint Lead Managers nor their respective affiliates, directors, employees and advisers has independently verified or checked the accuracy of such translation and can give no assurance that the information contained in such translation is accurate, truthful or complete.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**Group**” are to the Guarantor and its subsidiaries, all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan), all references to “**PRC government**” or the “**State**” mean the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them; all references to the “**United States**” and “**U.S.**” are to the United States of America; all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC; and all references to “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States of America.

The Guarantor records and publishes its financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.7793 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will”, “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed in the section titled “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained herein to reflect any change in the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any member of the Group to be materially different include, among others:

- the Group’s strategies, plans, objectives and goals and its ability to implement such strategies, plans and achieve its objectives and goals;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group’s business prospects and capital expenditure plans;
- the ability of the Group’s customers or other third parties to perform their obligations under the relevant contracts;
- the Group’s ability to obtain relevant approvals, permits and certificates necessary to carry on its business;
- the actions and developments of the Group’s competitors;
- the Group’s financial condition and performance;
- the availability and costs of bank loans and other forms of financing;
- various business opportunities that the Group may pursue;
- any change in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- general political, social and economic conditions, including those related to the PRC;

- changes or volatility in interest rates, foreign exchange rates, equity prices, commodity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- the Group's ability to identify factors other than those discussed under the section titled "*Risk Factors*" and elsewhere in this Offering Circular.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled “Risk Factors”, before making an investment decision.

Overview

The Guarantor is a leading comprehensive technology company listed in the PRC with a strong foothold in the information technology industry and energy conservation and environmental protection industry. With its core strengths in technology industry, innovation incubation platform and financial investment platform as its wings, the Group develops and engages in four integrated industry value chains, namely internet services and hardware, smart city, public security and energy conservation and environmental protection. In 2017, the Guarantor ranked #20 in the list of “Top 100 Electronic Information Technology Enterprises in China” published by China Information Technology Industry Federation, compared with its ranking of #21 in 2016. In 2017, the Guarantor ranked #28 in the list of “2017 Top 100 Software and Information Technology Service Enterprises with Core Competencies in China” published by China Information Technology Industry Federation. The Guarantor also ranked #17 in the latest list of “Best 50 Information Technology Enterprises with Innovation Capability in China” jointly published by China Information Technology Industry Federation, China Electronic Chamber of Commerce and China Software Industry Association. In 2014, the Guarantor was accredited as a “National Key Enterprise for Safe and Reliable Computer Information System Integration” by the Ministry of Industry and Information Technology (“**MIIT**”), being one of the eight enterprises among approximately 30,000 industry players in China recognised as a “key enterprise”. In 2016, the Guarantor was further recognised as one of the 32 enterprises in China to be named as “First Class Large-scale Information Systems Integration and Service Enterprises” by China Electronics Information Industry Federation. See “Awards and Recognitions”.

The Guarantor’s predecessor, Tsinghua Tongfang Company Limited, was incorporated and became listed on the Shanghai Stock Exchange with the stock code 600100.SH in 1997. The Guarantor’s controlling shareholder is Tsinghua Holdings Co., Ltd. (“**Tsinghua Holdings**”), the sole state-owned enterprise established by Tsinghua University. Tsinghua Holdings serves as the platform and incubator for commercialisation of technological expertise and developments of Tsinghua University. Tsinghua University is itself established by the Ministry of Education of the PRC and supervised by the Ministry of Finance of the PRC. It is one of the most prestigious and key universities in the PRC and enjoys strong reputation within and outside of China. The Group benefits directly from Tsinghua University’s first-class research facilities, talent pool and strong technological capabilities. The Group also benefits significantly from the strong brand recognition of “Tsinghua” in its operations, including attracting talents, business partners and clients.

The Group’s four integrated industry value chains include a variety of businesses that are managed and operated by either the Guarantor itself or its subsidiaries. To better manage its businesses, the Guarantor manages each of its businesses through its independent business divisions, designated operating units and specialised production base. As at 30 June 2017, the following table sets forth the Group’s main businesses and their respective primary operating entities and primary products and services.

| Integrated industry chain | Business segment | Primary operating entities | Primary products/services |
|--|---|--|--|
| Internet services & hardware | Commercial and consumer electronic device | Computer industry division of the Guarantor Tongfang Computer Co., Ltd. (同方計算機有限公司) Tongfang Hongkong Limited | Personal computer, commercial computer, notebook computer, server products; flat panel display TVs, ultra HD display device, flat-panel PCs and smartphones. |
| | | Shenyang Tongfang Multimedia Technology Co., Ltd. (瀋陽同方多媒體科技有限公司) | |
| | | TongFang Global Limited | |
| | | THTF U.S.A. Inc. | |
| | | Beijing Eren Eben Information Technology Co., Ltd (北京壹人壹本信息科技有限公司) | |
| Knowledge Content and Service | | Tongfang Knowledge Network (Beijing) Technology Co., Ltd. (同方知網(北京)技術有限公司)(“ Tongfang CNKI ”) | Online publishing services, knowledge & information services (KIS), network education, and internet value-added services (IVAS) |
| | | Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. (同方知網數字出版技術股份有限公司) | |
| Smart City | Big data (Internet of Things) | Big data (internet of things) division of the Guarantor | Management of urban operating systems, data resources and analytics, software and IT service |
| | | Beijing Tongfang Software Co., Ltd. (北京同方軟件股份有限公司) | |
| Smart buildings, railway and municipal heating systems | | Digital city division of the Guarantor | Urban building intelligence upgrades and unban railway transportation informatisation, city-wide district heating system monitoring and large-scale information technology solution service, technology service, hardware and software products manufacturing and distribution |

| Integrated industry chain | Business segment | Primary operating entities | Primary products/services |
|---|--------------------------------|--|---|
| Public security | Security and Inspection | Tongfang Nutech Technology Co., Ltd. (同方威視技術股份有限公司) (“ Tongfang Nutech ”) | Container inspection system, railway multi-purpose cargo inspection system, vehicle inspection system, radioactive substances monitor, explosives & narcotics detection, x-ray inspection system, flammable, weapon explosive detectors |
| | Equipment manufacturing | Tongfang Industrial Co., Ltd. (同方工業有限公司) | High-end communication system, navigation satellite, specialised electronic products, special vessels |
| Energy conservation and environmental protection. | Building energy conservation | Technovator International Limited (1206.HK) | Energy conservation products and technology services, energy efficiency reconstruction, investment and operation. |
| | Industrial energy conservation | Tongfang Artificial Environment Co., Ltd. (同方人工環境有限公司) | Renewable energy based on residual heat and energy recuperation; manufacturing and distribution of energy-saving heat pumps based on waste heat utilisation |
| | Semiconductor and lighting | Lighting, Energy and Environmental Protection Business Division of the Guarantor | Manufacturing and distribution of lighting decoration products, general lighting products, accessories |
| | | Neo-Neon Holdings Limited (1868.HK) | lighting products, lighting system engineering |
| Water | | Huaian Tongfang Water Service Co., Ltd. (淮安同方水務有限公司) | wastewater treatment, reclaimed water reuse, water investment and operation |
| | | Huizhou Tongfang Water Service Co., Ltd. (惠州市同方水務有限公司) | |

In addition to the four integrated industry value chains, the Group also develops and operates its science park as well as engages in other operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group’s revenues were RMB25,994.7 million, RMB28,447.3 million, RMB27,174.3 million, RMB10,655.5 million and RMB10,013.6 million, respectively, and the Group’s net profits were RMB1,213.4 million, RMB2,162.8 million, RMB4,700.8 million, RMB5,058.1 million and RMB8.6 million, respectively.

The following table sets forth the Group's revenue in absolute amount and as percentage of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

| | For the year ended 31 December | | | | For the six months ended 30 June | | | |
|---|--------------------------------|---------------------|-------------------|---------------------|----------------------------------|---------------------|-------------------|---------------------|
| | 2014 (RMB'000) | 2015 (per cent.) | 2016 (RMB'000) | 2016 (per cent.) | 2016 (RMB'000) | 2016 (per cent.) | 2017 (RMB'000) | 2017 (per cent.) |
| Internet Services and Hardware ⁽¹⁾ | 13,801,383 | 53.1 | 15,568,907 | 54.7 | 15,003,688 | 55.2 | 6,286,416 | 59.0 |
| Smart City ⁽²⁾ | 3,252,145 | 12.5 | 3,325,792 | 11.7 | 2,764,267 | 10.2 | 1,482,091 | 13.9 |
| Energy Conservation and Environmental Protection ⁽³⁾ | 4,393,832 | 16.9 | 4,655,866 | 16.4 | 4,768,431 | 17.5 | 1,843,994 | 17.3 |
| Public Security ⁽⁴⁾ | 4,532,829 | 17.4 | 4,927,808 | 17.3 | 4,582,168 | 16.9 | 954,859 | 9.0 |
| Science Park ⁽⁵⁾ | 101,569 | 0.4 | 117,485 | 0.4 | 150,330 | 0.6 | 52,782 | 0.5 |
| Financial Investment ⁽⁶⁾ | - | - | - | - | 13,013 | - | - | 3,926 |
| Intercompany Eliminations | (324,845) | (1.2) | (363,848) | (1.3) | (321,654) | (1.2) | (43,608) | (0.4) |
| Others | 236,811 | 0.9 | 215,275 | 0.8 | 227,108 | 0.8 | 78,956 | 0.7 |
| Total | <u>25,993,724</u> | <u>100</u> | <u>28,447,284</u> | <u>100</u> | <u>27,174,337</u> | <u>100</u> | <u>10,655,489</u> | <u>100</u> |
| | | | | | | | | |
| | | | | | | | | |

Notes:

- (1) Includes revenue generated from the Group's chip, commercial and consumer electronic device manufacturing, knowledge content and service businesses. The Guarantor's chip business was originally operated by Unispplendour Guoxin Co., Ltd. (previously known as "Tongfang Guoxin Electronics Co., Ltd.") (紫光國芯股份有限公司) ("Unispplendour Guoxin"). In March 2016, the Guarantor disposed its 36.39 per cent. equity interest in Unispplendour Guoxin. In March 2016, the Guarantor received all the consideration of RMB7.0 billion paid by Tibet Unispplendour Chunhua ("Unispplendour Chunhua"). As its shareholding of Unispplendour Guoxin decreased to 4.99 per cent., results of Unispplendour Guoxin were no longer consolidated into the Group's financial statements since April 2016. The Guarantor ceased its integrated circuit chip business. The Guarantor also disposed all its shareholdings in Shenzhen Tongfang Multimedia Science & Technology Co., Ltd. (深圳市同方多媒體科技有限公司) ("Shenzhen Multimedia") in December 2016. See "Risk Factors – The historical financial information of the Group may not be directly comparable with the Group's current and future financial results".
- (2) Includes revenue generated from businesses including big data (internet of things), smart building, smart railway and municipal heating systems.
- (3) Includes revenue generated from businesses including building energy conservation, industrial energy conservation, lighting products, lighting construction, wastewater management, water investment and operation. The Guarantor disposed all of its equity interest in Longjiang Environmental Protection Group Co., Ltd (龍江環保集團股份有限公司) ("Longjiang Environmental Protection") in December 2016. See "Risk Factors – The historical financial information of the Group may not be directly comparable with the Group's current and future financial results".
- (4) Includes revenue generated from businesses including security and inspection and equipment manufacturing.
- (5) Includes revenue generated from science park services.
- (6) Includes revenue generated from financial investment, insurance business and fund management.

The Group also generates a portion of its revenue from overseas markets (mainly including United States, Europe and Southeast Asia), primarily from its commercial and consumer electronic device, security inspection and lighting businesses. During the years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2016 and 2017, the Group generated RMB9,508 million, RMB10,995 million, RMB10,633 million, RMB4,292 million and RMB4,033 million, respectively, from overseas markets, contributing to 36.9 per cent., 38.9 per cent., 39.5 per cent., 40.6 per cent. and 40.4 per cent. of the Group's total revenue, respectively.

The Guarantor plans to continue to guide its development through the principle of "Technology + Capital", explore the sustainability of industrialisation of technology advancement and firmly continue to adopt the "industry as its foundation, financing as its tools" as its core development direction. It will continue to cultivate high technology companies by making investments in the technology industry and maximise its returns on investments by initial public offerings of the companies or through other available capital platform.

Competitive Strengths

The Group believes that the competitive strengths outlined below are important to the success and future development of the Group:

- Diversified industrial resources from Tsinghua Holdings, technology talent pool and alumni network from Tsinghua University and favourable policies and full support from the government
- Leading comprehensive technology company with diversified operations and substantial synergies through shared branding and network
- One-stop solutions provider with strong integration capabilities and high barriers to entry
- Symbiosis of strong research and development ability and intellectual property protection portfolio to serve as the key incubator for commercialisation of research development of Tsinghua University
- “Technology + Capital” business model and financial capital platform ensures stable cash flow and liquidity
- Healthy and robust financial performance with flexible and versatile financing channels

Business Strategies

The Group aims to adopt the following strategies to consolidate its existing market position and further improve the results of operations and profitability:

- Continue the “Technology + Capital” development strategies
- Optimise business structure to cultivate a leading enterprise
- Improve corporate governance and strengthen strategic management
- Strengthen incentive and restrictive mechanisms to build a first-class team

Recent Developments

The Group’s quarterly financial results for the nine months ended 30 September 2017 indicate that the Group’s revenue has slightly decreased and the Group’s operating profit has declined in the nine months ended 30 September 2017 compared to the same period in 2016. As a company listed on the Shanghai Stock Exchange, the Guarantor publishes the Group’s quarterly financial results on the website of the Shanghai Stock Exchange, which have not been reviewed or audited by ShineWing or any other person and consequently should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For the avoidance of doubt, the Group’s published quarterly financial results, including for the three months ended 30 September 2017, are not incorporated by reference herein and do not constitute part of this Offering Circular.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2014, 2015 and 2016 as set forth below is extracted from the Group's Audited Financial Statements, which have been audited by ShineWing in accordance with Chinese Auditing Standards issued by MOF. The summary consolidated financial information of the Group as at 30 June 2017 and for the six months ended 30 June 2016 and 2017 has been extracted from the Group's 2017 Interim Financial Statements, which have been reviewed by ShineWing in accordance with China Standards on Auditing, Review, Other Assurance, Related Services and Quality Control issued by MOF. The Group's Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited or reviewed consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. The Guarantor's historical consolidated financial information should not be taken as an indication of its future financial performance. See "Risk Factors – Risks Relating to the Group and its Business – The historical financial information of the Group may not be directly comparable with the Group's current and future financial results".

Summary Consolidated Income Statements Data

| | Year ended 31 December | | | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| | 2014 (RMB'000) (audited) | 2015 (RMB'000) (audited) | 2016 (RMB'000) (audited) | 2016 (RMB'000) (unaudited) | 2017 (RMB'000) (unaudited) |
| Revenue | 25,993,724 | 28,447,284 | 27,174,337 | 10,655,489 | 10,013,584 |
| Operating costs and expenditures | 25,869,843 | 28,929,420 | 27,989,531 | 11,547,463 | 10,450,048 |
| Including: Operating costs | 20,829,692 | 22,930,739 | 22,318,748 | 8,932,982 | 8,028,475 |
| Business taxes and surcharges. | 107,847 | 166,127 | 141,794 | 53,735 | 76,424 |
| Selling and distribution expenses | 1,702,955 | 1,964,453 | 2,083,086 | 952,574 | 909,992 |
| General and administrative expenses | 1,819,072 | 2,428,926 | 2,360,905 | 1,179,962 | 972,740 |
| Financial expenses | 1,133,948 | 960,734 | 631,304 | 277,376 | 310,332 |
| Impairment losses on assets | 276,329 | 478,442 | 453,695 | 150,834 | 152,085 |
| Add: Gains or losses from changes in fair value | 128,134 | (229,040) | (371,066) | (352,859) | (80,584) |
| Investment income | 877,403 | 2,641,676 | 6,248,878 | 7,204,486 | 418,484 |
| Operating profit | 1,129,417 | 1,930,501 | 5,062,617 | 5,959,653 | (68,429) |
| Add: non-operating income | 379,201 | 454,991 | 490,156 | 270,844 | 86,635 |
| Less: Non-operating expenses | 85,438 | 12,129 | 6,613 | 13,748 | 10,074 |
| Profit before income tax | 1,423,180 | 2,373,363 | 5,472,310 | 6,216,749 | 8,132 |
| Less: Income tax expenses | 209,769 | 210,556 | 771,525 | 1,158,683 | 16,755 |
| Net profit | 1,213,411 | 2,162,807 | 4,700,785 | 5,058,066 | (8,622) |
| Net profit attributable to shareholders of the parent company | 755,642 | 1,261,593 | 4,302,329 | 4,956,883 | (120,664) |
| Net profit attributable to non-controlling interests | 457,769 | 901,214 | 398,456 | 101,183 | 112,042 |
| Other comprehensive income after tax | 176,505 | (291,105) | 381,265 | 783,385 | (265,037) |
| Total comprehensive income | 1,389,915 | 1,871,702 | 5,082,050 | 5,841,452 | (273,659) |
| Total comprehensive income attributable to shareholders of the parent company | 953,360 | 940,463 | 4,647,068 | 5,719,256 | (368,173) |
| Total comprehensive income attributable to non-controlling interests | 436,556 | 931,239 | 434,982 | 122,195 | 94,514 |

Consolidated Balance Sheet Data

| | As at 31 December | | | As at 30 June |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|
| | 2014 (RMB'000) (audited) | 2015 (RMB'000) (audited) | 2016 (RMB'000) (audited) | 2017 (RMB'000) (unaudited) |
| Assets | | | | |
| Current assets | | | | |
| Cash at bank and on hand | 6,468,362 | 9,859,563 | 10,958,180 | 8,756,579 |
| Financial assets at fair value through profit or loss | 1,491,223 | 1,233,687 | 864,995 | 774,531 |
| Notes receivable | 226,106 | 285,473 | 89,025 | 52,524 |
| Accounts receivable | 6,780,759 | 8,008,047 | 7,115,732 | 7,682,129 |
| Prepayments | 1,189,255 | 1,203,274 | 1,050,558 | 1,222,598 |
| Interests receivable | 211 | 135 | — | — |
| Dividends receivable | 13,462 | 107,977 | 22,041 | 385,409 |
| Other receivables | 835,081 | 953,854 | 1,271,660 | 992,478 |
| Inventories | 8,261,994 | 9,168,375 | 9,256,405 | 9,862,260 |
| Other current assets | — | — | 3,096,887 | 3,182,612 |
| Total current assets | 25,266,453 | 30,820,384 | 33,725,482 | 32,911,119 |
| Non-current assets | | | | |
| Available-for-sale financial assets | 173,342 | 158,215 | 3,020,579 | 3,358,199 |
| Long-term receivable | 3,445,847 | 3,859,957 | 908,286 | 1,045,551 |
| Long-term equity investments | 8,550,040 | 9,489,774 | 12,156,644 | 13,241,922 |
| Investment properties | 15,300 | 14,700 | 14,700 | 14,700 |
| Fixed assets | 5,677,218 | 5,297,776 | 3,292,441 | 3,205,662 |
| Construction in progress | 869,274 | 639,136 | 592,410 | 673,867 |
| Intangible assets | 2,609,766 | 2,845,938 | 1,332,467 | 1,264,321 |
| Development expenditure | 726,269 | 908,729 | 740,112 | 840,128 |
| Goodwill | 2,208,039 | 2,064,050 | 1,060,129 | 1,179,634 |
| Long-term deferred expenses | 83,224 | 86,330 | 45,480 | 43,763 |
| Deferred tax assets | 174,739 | 227,650 | 207,487 | 278,518 |
| Other non-current assets | 105,500 | 448,197 | 516,073 | 613,853 |
| Non-current assets | 24,458,556 | 26,040,452 | 23,886,810 | 25,760,119 |
| Total Assets | 49,725,009 | 56,860,836 | 57,612,291 | 58,671,239 |
| Liabilities and shareholders' equity | | | | |
| Liability | | | | |
| Current liabilities | | | | |
| Short-term loans | 10,432,701 | 7,381,530 | 7,928,914 | 10,436,769 |
| Notes payable | 1,034,852 | 707,564 | 433,091 | 355,641 |
| Accounts payable | 7,598,708 | 8,167,840 | 7,237,905 | 6,111,592 |
| Advances receipts | 2,281,174 | 4,603,960 | 4,815,134 | 4,412,999 |
| Employee benefits payable | 395,519 | 462,416 | 476,706 | 322,949 |
| Taxes payable | (165,441) | 187,129 | 496,246 | 112,902 |
| Interests payable | 92,179 | 75,757 | 114,490 | 105,407 |
| Dividends payable | 65,707 | 73,896 | 13,631 | 754,606 |
| Other payables | 2,708,164 | 2,958,592 | 884,859 | 881,285 |
| Non-current liabilities due within one year | 1,874,982 | 1,154,590 | 1,070,721 | 1,170,012 |
| Other current liabilities | 1,003,164 | 2,019,407 | 5,037,645 | 5,071,985 |
| Total current liabilities | 27,321,709 | 27,792,681 | 28,509,342 | 29,736,146 |
| Non-current liabilities | | | | |
| Long-term loans | 4,084,258 | 3,541,088 | 1,067,010 | 1,139,468 |
| Bonds payable | 1,500,000 | 1,500,000 | 2,800,000 | 3,500,000 |
| Long-term payables | 339,519 | 32,104 | 232 | 232 |
| Special payables | 13,490 | 11,360 | 2,100 | 2,100 |
| Provisions | 3,128 | 2,915 | 6,357 | 3,465 |
| Deferred income | 781,541 | 919,938 | 389,204 | 359,815 |
| Deferred tax liabilities | 109,862 | 114,913 | 281,699 | 287,527 |
| Other non-current liabilities | 207,511 | — | — | — |
| Total non-current liabilities | 7,039,309 | 6,412,318 | 4,546,602 | 5,292,607 |
| Total liabilities | 34,361,017 | 34,204,999 | 33,055,944 | 35,028,753 |

| | As at 31 December | | | As at 30 June |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|
| | 2014 (RMB'000) (audited) | 2015 (RMB'000) (audited) | 2016 (RMB'000) (audited) | 2017 (RMB'000) (unaudited) |
| | | | | |
| Shareholders' equity | | | | |
| Share capital | 2,197,882 | 2,963,899 | 2,963,899 | 2,963,899 |
| Capital surplus | 4,815,464 | 9,454,639 | 9,331,433 | 9,331,073 |
| Other comprehensive income | 259,087 | (62,042) | 282,696 | 35,187 |
| Surplus reserve | 758,119 | 884,278 | 1,314,511 | 1,314,511 |
| Undistributed profits | 3,512,347 | 4,410,669 | 7,897,458 | 7,035,819 |
| Total shareholders' equity attributable to | | | | |
| shareholders of the parent company | 11,542,899 | 17,651,442 | 21,789,997 | 20,680,489 |
| Non-controlling interests | 3,821,092 | 5,004,394 | 2,766,350 | 2,961,996 |
| Total shareholders' equity | 15,363,992 | 22,655,836 | 24,556,347 | 23,642,485 |
| Total equity and liabilities | 49,725,009 | 56,860,836 | 57,612,291 | 58,671,239 |

Summary Consolidated Cash Flow Statement Data

| | Year ended 31 December | | | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| | 2014 (RMB'000) (audited) | 2015 (RMB'000) (audited) | 2016 (RMB'000) (audited) | 2016 (RMB'000) (unaudited) | 2017 (RMB'000) (unaudited) |
| | | | | | |
| Net cash flows from operating activities | 856,103 | 2,500,765 | (2,105,126) | (3,652,741) | (3,331,935) |
| Net cash flows from investing activities | (2,027,170) | 1,555,818 | (259,603) | 185,939 | (1,956,472) |
| Net cash flows from financing activities | 2,063,746 | (664,062) | 3,284,855 | 168,858 | 3,087,957 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents. | (59,937) | 117,908 | 176,570 | 68,739 | (31,439) |
| Net increase in cash and cash equivalents | 832,742 | 3,510,429 | 1,096,695 | (3,229,205) | (2,231,889) |
| Cash and cash equivalent at end of the year | 6,177,306 | 9,687,735 | 10,784,430 | 6,458,530 | 8,552,541 |

Other Financial Data

| | As at 31 December/Year ended 31 December | | | As at 30 June/ Six months ended 30 June | |
|---|--|---------------------|---------------------|--|---------------------|
| | 2014 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2016 (unaudited) | 2017 (unaudited) |
| EBITDA (in RMB millions) ⁽¹⁾ | 3,336 | 4,284 | 7,050 | 7,030 | 652 |
| EBITDA/Total interest ⁽²⁾ | 3.00x | 4.28x | 9.55x | 18.83x | 1.80x |
| Total indebtedness ⁽³⁾ (in RMB millions) | 20,245 | 16,600 | 18,337 | 17,342 | 21,674 |
| Net indebtedness (in RMB millions) | 13,777 | 6,740 | 7,379 | 10,722 | 12,917 |
| Total indebtedness/Total assets (per cent.) | 40.7 | 29.2 | 31.8 | 30.0 | 36.9 |
| Total indebtedness/Total capitalisation (per cent.) ⁽⁴⁾ | 56.9 | 42.3 | 42.8 | 40.2 | 47.8 |

Notes:

- (1) EBITDA equals the sum of profit before income tax, interest expenditure recorded into financial expenses, depreciation and amortisation.
- (2) EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.
- (3) Total interest equals interest expenditure recorded into financial expenses plus capitalised interest expenditure.
- (4) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness. Short-term indebtedness equals the sum of short-term borrowings, notes payable, current portion of long-term borrowings and other current liabilities. Long-term indebtedness equals the sum of long-term borrowings and bonds payables. See "*Capitalisation and Indebtedness*".
- (5) Total capitalisation equals the sum of total indebtedness and total owner's equity.

Breakdown of the Group's Indebtedness by Security

| Security Type | As percentage of total indebtedness (per cent.) as of 30 June 2017 |
|---------------------|---|
| Unsecured | 77.4 |
| Mortgage | 0.2 |
| Guarantee | 21.4 |
| Pledge | 1.0 |

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer Tongfang Aqua 2017 Limited.

Guarantor Tsinghua Tongfang Co., Ltd.

The Bonds U.S.\$ per cent. Guaranteed Bonds due

The Guaratee The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Deed of Guarantee.

Issue Price per cent.

Form and

Denomination The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof.

Interest The Bonds will bear interest on their outstanding principal amount from and including 2017, at the rate of per cent. per annum, payable semi-annually in arrear in equal instalments on and in each year, commencing on 2018.

Issue Date 2017.

Maturity Date

Use of Proceeds The net proceeds of the issue of the Bonds will be used for general corporate purposes. See "Use of Proceeds".

Status of the Bonds The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves save for such obligations as may be preferred by statute or applicable law. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

Status of the Guaratee The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

| | |
|------------------------------------|--|
| Negative Pledge | The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds. |
| Events of Default | Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest. |
| Taxation | All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the rate applicable on 2017 (the “ Applicable Rate ”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If (a) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (b) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts (the “ Additional Tax Amounts ”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond in the circumstances as set out in Condition 8 of the Terms and Conditions of the Bonds. |
| Final Redemption | Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on . |

| | |
|--|---|
| Redemption for Taxation Reasons | The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 of the Terms and Conditions of the Bonds to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in " <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons</i> ". |
| Redemption for Relevant Events | <p>At any time following the occurrence of a Change of Control or a No Registration Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding the relevant Put Settlement Date. See "<i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events</i>".</p> <p>a “Change of Control” occurs when: (ii) Tsinghua University ceases to directly or indirectly Control the Guarantor; or (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.“Control” means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person, or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;</p> |
| Further Issues | The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and first payment of interest on them and such necessary modification to the timings for performance by the Guarantor of its obligations set out in Conditions 4(b) and 4(c) of the Terms and Conditions of the Bonds) and so that such further issue shall be consolidated and form a single series with the Bonds. References in the Terms and Conditions of the Bonds to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and forming a single series with the Bonds. |
| Trustee | The Bank of New York Mellon, London Branch. |
| Principal Paying Agent . . | The Bank of New York Mellon, London Branch. |
| Registrar and Transfer Agent | The Bank of New York Mellon SA/NV, Luxembourg Branch. |

| | |
|---|--|
| Clearing Systems | The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form. |
| Governing Law and Jurisdiction | English law. Exclusive jurisdiction of the Hong Kong courts. |
| Listing | Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. |
| Selling Restrictions | The Bonds and the Guarantee will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See " <i>Subscription and Sale</i> ". |
| ISIN | XS1717600461. |
| Common Code | 171760046. |

RISK FACTORS

An investment in the Bonds involves a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Group or the value of the Bonds. The Guarantor believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer and the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Guarantor on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Offering Circular.

The statements below regarding the risk factors of holding any Bonds are not exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to the Group and its Business

The Group's business depends on the development of the industries in which it has operations.

The Group has a diversified business portfolio in a wide range of industries, including commercial and consumer electronics, knowledge content and services, smart city solutions, security inspection devices and energy conservation and environmental protection. The performance and prospects of the Group's business portfolio highly depend on the overall level of development of the industries in which it operates and the relevant upstream and downstream industries. The future development of those industries in turn is affected by a large number of factors that are out of the Group's control, such as hardware and technology innovation, changes in the competition landscape and regulatory environment, and macroeconomic conditions in China and elsewhere in the world.

During the past decades, the electronics and Internet sectors have experienced fast growth as a result of rapid and remarkable innovation in hardware, software, and technologies. In recent years, particularly, there is increasing awareness and there are substantial investments in the innovation and research of artificial intelligence technologies and associated business. The Group believes that technology innovation not only has created new business opportunities in the industries in which the Group has business operations, but has also increased the competition faced by market participants, including the Group, and has the effect of reshuffling the markets in China and other countries in the world. It is difficult to predict the prospects and future development of the industries in which the Group operates, and there is no assurance that the Group will be able to adapt to the changes occurring in each such industry and compete successfully. In addition, demand for renewable energy and green energy savings projects is dependent upon the cost of conventional energy, including petroleum, coal and natural gas. Recent volatility in the prices of conventional fuels has boosted demand for renewable energy. However, technological progress in the exploitation of conventional energy sources or the discovery of large deposits of oil, gas or coal may result in a decline in the price of conventional fuels, and could increase the competitiveness of energy generated from conventional sources.

The Group and the performance of the industries in which it operates are also heavily affected by the level of economic development of China. While the economy of the PRC experienced rapid growth in the past 30 years, there has been a slowdown in the growth of the PRC's gross domestic product

(“GDP”) since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China’s GDP for 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to the growth rate of 7.3 per cent. for 2014, and it further decreased to 6.7 per cent. for 2016, which was the slowest annual GDP growth rate recorded in 26 years. The economic condition and future development of China may be affected by many factors beyond the Group’s control. There is no assurance that the level of economic development in China will continue at its historical growth rate or at all. Weak economic conditions could harm the Group’s business by contributing to reductions in demand, insolvency of key suppliers, potential customers and counterparty insolvencies, and increased challenges in conducting its operations. Adverse changes in economic conditions could cause an extraction in investments in technology innovation and industry expansion. All of these factors may in turn decrease the demand for the Group’s business and adversely affect the Group’s business, financial condition, results of operations and prospects.

There is no assurance that the Group will be able to compete successfully in the industries in which it operates.

The Group has a diversified business portfolio in a wide range of industries, including commercial and consumer electronics, knowledge content and services, smart city solutions, security inspection devices and energy conservation and environmental protection. Some of these industries are highly fragmented and the market competition has been intense and is expected to intensify in the future. For example, the commercial and consumer electronics industry is experiencing rapid development in hardware, software and service offerings and the Group faces ongoing competition in product and service offerings as well as in pricing in all business areas of the IT industry. The Group competes with both branded and generic international, national and regional manufacturers of commercial and consumer electronics products in China and in the international markets, such as Lenovo, Hisense Electric and Kinsei Communications.

The Group also competes with VIP Database and Wanfang Digital Database relating to its knowledge content and services business, with Taiji Computer Corporation Limited and China National Software & Service Co., Ltd. relating to its smart city solutions business, with Smiths Detection and Rapiscan Systems relating to its security inspection devices business and with Shuangliang Eco-energy Systems Co., Ltd. and Spic Yuanda Environmental Protection Co., Ltd. relating to its energy conservation and environment protection business. The Group competes based on its ability to offer its customers the most current and desired product features at competitive prices as well as its research and technology innovation capabilities, especially in the commercial and consumer electronics industry and Internet-related industries. The Group expects that the competition in such industries will continue to be intense.

In seeking to grow and maintain its revenue, market share and profitability in different geographical areas and product sectors, the Group faces the challenges that its competitors’ products may be less costly, provide better performance or include other features that are more attractive to customers as compared to the Group’s products. In addition, the Group faces competitive challenges due to changing industry and market dynamics, such as the growth of mobility and touchscreen devices and equipment, the transition towards cloud computing and the maturity of the traditional commercial and consumer electronics market. The Group has to develop products and services that appeal to customers in a very competitive marketplace and against the backdrop of decelerating growth in global demand for traditional commercial and consumer electronics. The Group’s competitors may have greater access to capital, technology, management and other resources than the Group does. Mergers and alliance among the Group’s existing and future competitors may intensify the competition the Group faces.

As the Group expands into new geographical markets or introduces new products and services, the Group may face competition and challenges in new markets. Existing or potential competitors of the Group may be able to provide similar products or services with comparable or even better quality at the

same or even lower prices, or be more adaptable to industry trends or market changes. If the Group fails to compete effectively or the competition with respect to the Group's products or services continues to increase, the Group's business, results of operations and prospects may be adversely affected.

If the Group fails to regularly develop and introduce new products and solutions that gain general market acceptance, its business and prospects may be materially and adversely affected.

A key to the Group's success is its ability to develop and introduce new products and solutions that appeal to customers and to enhance the performance and reliability of its products on a regular and consistent basis. Changes in customer requirements and preferences, frequent product introductions and the emergence of new or substitute technologies or evolving industry standards and practices could render the Group's existing products obsolete or less attractive. The performance of new products and solutions introduced by the Group is heavily dependent on the Group's ability to anticipate customer needs and differentiate the Group's products from those of its competitors. The anticipation of customer needs is largely based on market analysis and the judgment of the Group's management based on their experience and perception, which may turn out to be inaccurate or incorrect. In addition, there is no assurance that the Group will be able to attract sufficient research and development talent or to successfully apply or integrate the technologies it develops or acquires. Furthermore, there is no assurance that the Group will be able to develop and release new products and solutions in a timely manner, or at all. Launching a new product requires substantial capital investment and generally high initial production and marketing costs. It may take an extended period of time for a new product to gain market acceptance and to become profitable if at all. If the Group delays launching new products and solutions as compared to its competitors or fails to do so, or if it is unable to develop and manufacture competitive products in response to market demand, its future development and market position may be significantly undermined, and its business, financial condition, results of operations and prospects may be materially and adversely affected.

In recent years, the Group has made significant investments in research and development and has launched a number of new models, such as its flagship cell phone "8848 Titanium M3" targeting high-end customers. The Group believes that it will continue to incur additional development costs in the future. If the Group's new products cannot gain market acceptance as the Group anticipates, the capitalised development costs may result in impairment charges, which could have a significant and adverse impact on its profit. If the market acceptance of any of the Group's new products declines, or requires more time than the Group had anticipated, the Group may not achieve the expected economic return on its investment and its financial condition and results of operations could be materially and adversely affected.

If the Group fails to manage its growth or implement its strategies successfully, its business and prospects may be materially and adversely affected.

The Group has experienced rapid growth in its operating profit on a year-on-year basis in 2015 and in 2016, respectively. The Group's net profit increased by 78.2 per cent. in 2015 compared to 2014, and further increased by 117.4 per cent. in 2016 compared to 2015, which was mainly due to a corporate organisation carried out by the Group. Such historical growth may not necessarily indicate the Group's future performance. See "*The historical financial information of the Group may not be directly comparable with the Group's current and future financial results*". The Group believes that its continued growth will depend upon, among other factors, its ability to:

- roll out new products and solutions appealing to the markets on a regular basis;
- secure stable supply of raw materials for its manufacture at acceptable costs;
- expand its customer base and diversify distribution channels;
- control inventory level;

- effectively integrate the companies and businesses newly acquired;
- obtain sufficient capital resources at acceptable costs in a timely manner;
- expand internationally; and
- retain and recruit experienced management and competent talent.

There is no assurance that the Group will achieve the foregoing as expected in that they may be affected by many extrinsic factors that are beyond the Group's control or foreseeability. The above factors not only have a material impact on the Group's ability to manage its growth, but also on the implementation of the Group's business strategies. The Group's anticipated expansion will place a significant strain on its management, systems and resources. The Group's development and expansion strategies will require substantial managerial efforts and skills and the incurrence of additional expenditure, and may expose the Group to new or increased risks. If any of the foregoing factors does not develop in a direction favourable to the Group, the Group may not be able to effectively and efficiently carry out its growth strategy and may encounter unanticipated market and business risks and suffer financial loss. Accordingly, its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Guarantor has a diversified business portfolio operating in multiple industries and it may not be successful in integrating its business.

As of 30 June 2017, the Guarantor had 200 subsidiaries and invested in 55 investee companies which operate in a wide range of industries, including commercial and consumer electronics, knowledge content and services, smart city solutions, security inspection devices and energy conservation and environmental protection. Therefore, the Group faces additional business, market and regulatory risks that companies operating a single business or in a single market will not face.

Firstly, the Group's experience in one business or industry may not be relevant in helping the Group to address the risks and challenges it faces in operating a different business or in a different industry. It has to devote substantial resources to become familiar with, and monitor changes in, different operating environments. The Group needs to hire competent talent and professionals with relevant expertise and experience to address the need of its diversified business portfolio.

Secondly, The Group may not be able to effectively implement centralised management and supervision of its subsidiaries and its investees or ensure consistent application of the Group's strategies and policies. In a number of portfolio companies, there are other major shareholders holding significant portions of equity interests and have great influence in their management. There is no assurance that the Group's strategies and policies are implemented effectively and consistently within the Group and are followed by its investee companies. In recent years, the Group has diversified its business portfolio and expanded its asset scale partially by conducting strategic investments in other companies, including strategic acquisitions. To achieve the commercial value that the Group expects from its strategic investments and acquisitions, the Group may need to properly manage post-closing issues, which could be complex, time-consuming and expensive. The successful integration of an acquired business may be affected by the size and complexity of the acquired business and the execution of the integration plan by that company's management.

In addition, due to the large number of the Group's portfolio companies, their broad geographic distribution and limitations in the Group's information systems and other factors, the Group may not always be able to effectively detect or prevent on a timely basis operational or management problems at these portfolio companies, and the information available to and received by the Group's management may not be accurate, timely or sufficient for the Group's management to manage risks and plan for and respond to market and other changes in the Group's operating environment.

The Group may face unexpected delays or encounter difficulties that may require the Group to allocate additional resources to deal with such problems. Any such problem may impair the Group's competitiveness, and adversely affect the Group's business, financial condition, results of operations and prospects. See “*– The Group faces risks relating to its acquisitions and investments*”.

The Group faces risks relating to its acquisitions and investments.

The Guarantor has acquired and invested in a significant number of businesses, technologies, services and products in recent years. In some acquisitions, the Guarantor acquired controlling stakes in target companies and in others, only minority interests in target companies were acquired. For example, the Guarantor acquired 51.6 per cent. of the issued shares of Neo-Neon Holdings Limited (1868.HK) in 2014. The Guarantor expects to continue to evaluate and consider a wide array of potential strategic transactions as part of its overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets, as well as strategic investments and alliances. At any given time the Group may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties integrating into the Group's operations the personnel, operations, products, services, technology, internal controls and financial reporting of the companies that it acquires;
- disruptions to the Group's ongoing business and distractions to the Group's management;
- loss of skilled professionals as well as established client relationships of the businesses the Group invests in or acquires;
- for investments over which the Group does not obtain management and operational control, the Group may lack influence over the controlling partner or shareholder, which may prevent the Group from achieving its strategic goals in such investment;
- new regulatory requirements and compliance risks that the Group becomes subject to as a result of acquisitions in new industries or otherwise;
- unforeseen or hidden liabilities or costs that may adversely affect the Group following its acquisition of such targets;
- regulatory hurdles including in relation to the anti-monopoly and competition laws, rules and regulations of China and other countries in connection with any proposed investments and acquisitions;
- failure to complete any of the Group's pending or other future proposed acquisitions; and
- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Where the Group pursues an acquisition of other major businesses, including businesses which could be significant in scale compared to the Group, any such acquisition, if undertaken, may result in a major transformation of the Group's business including the nature and location of its business and assets, the markets and customers it services, the risks it is vulnerable to or the competitive advantages it will have, the composition and drivers of its revenue, costs and profitability and its credit profile and level of debts. This would likely result in a vastly different financial profile for the Group that could also result in the Group assuming significant levels of structurally senior and/or secured debt. Any additional indebtedness that the Group incurs to finance its acquisitions may also adversely affect the Group's ability to pay interest or distributions and service the Bonds and its financial condition and cash flows.

The Group may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.

A significant portion of the Group's growth is expected to be achieved through investments and acquisitions. The Group continues to evaluate and enter into discussions regarding a wide array of investments and acquisitions. The Group may not be able to identify investment projects or acquisition targets that suit the Group's development plans. Even if the Group does identify suitable investment projects or acquisition targets, there can be no assurance that the Group will be able to complete the acquisitions and/or investments within the timeframe or budget as the Group anticipated, or at all. Completion of proposed investments and/or acquisitions is dependent upon the completion of due diligence and the negotiation of definitive agreements, and there can be no assurance that all or any of the proposed transactions will be consummated on commercially acceptable terms, if at all. The successful acquisition of businesses with good prospects requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. In connection with acquisitions, the Group may assume liabilities that were not disclosed to or known by the Group or that exceed the Group's estimates. The Group's assessments of potential acquisitions may not reveal all existing or potential problems, nor make the Group sufficiently familiar with each potential acquiree's business to fully assess its strengths and weaknesses.

In identifying investment projects, acquisition targets or businesses with high-growth opportunities, the Group may decide to acquire only a non-controlling interest in other entities and may not necessarily embark on new business lines. Such growth opportunities involve additional risks because the Group may not have a good understanding of the Group's business partners and/or have any proven track record in operating the new businesses. As a result, the Group may not be able to operate any such acquired businesses profitably.

The Group's business operations are capital intensive and any failure of the Group to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect its business and prospects.

The Group's business operations require substantial capital resources. Maintaining the Group's competitiveness and implementing the Group's growth strategies both require the Group to obtain sufficient capital to finance its research and development activities, purchase quality raw materials, maintain and expand existing production facilities to respond to future growth of product sales, replenish its working capital and pursue strategic investments and acquisitions. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group incurred capital expenditures of RMB2,311.6 million, RMB1,969.8 million, RMB6,828.5 million, RMB3,330.4 million and RMB2,224.5 million, respectively. The Group believes that it will continue to require substantial capital resources to support its business operations and expansion.

The Group historically satisfied its cash requirements with (i) the cash flow generated from its operations and investment, (ii) the proceeds of bank and other borrowings and (iii) the proceeds from the issuance of shares, bonds and commercial paper in the PRC capital markets. The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to carry on its business activities in an efficient manner, due performance of the Group's contractors, changes in general market conditions and the regulatory environment, and the level of competition in certain sectors in which the Group operates. Any adverse change in any of these factors, which may be outside the Group's control, may result in capital shortfall. There is no assurance that the Group's operating activities are able to generate sufficient cash to satisfy its cash needs at all times.

If the Group is not able to secure sufficient capital with its cash reserves, it has to increase its reliance on external financing. As at 30 June 2017, the Group's total indebtedness (comprising short-term borrowings, notes payables, current portion of long-term borrowings, other current liabilities, long-term borrowings and bonds payables) was RMB21,673.9 million. As at 30 June 2017, the Group had credit

facilities in a total amount of RMB37,478 million, of which RMB14,546 million was drawn down and RMB22,931 million remained available. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions;
- changes in monetary policies with respect to bank interest rates and lending policy;
- interest rates and credit availability from banks or other lenders;
- investor confidence in the Group;
- the Group's ability to obtain the PRC regulatory approvals required to access domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the PRC generally.

There is no assurance that additional financing, either on a short-term or a long-term basis, will be available, or that such financing can be obtained on terms favourable to the Group. If the Group is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to implement its strategies as planned. This would restrict the Group's ability to grow and expand and, over time, may reduce the quality and reliability of the services that the Group provides and adversely affect the Group's business, financial condition, results of operations and prospects. Substantial indebtedness will in turn increase the pressure on the Group's liquidity and result in additional operational risks. See "*– Substantial indebtedness may restrict the Group's business activities and may increase the Group's exposure to various operational risks*".

Any failure of the Group to comply with applicable laws and regulations may negatively impact the Group's business, financial condition and results of operations.

The industries in which the Group operates are highly regulated, especially in China. The Group needs to comply with extensive laws and regulations governing its business and industries in the jurisdictions in which the Group operates. These include laws and regulations relating to bribery and corruption, taxation, antitrust, financial markets, environmental protection, licences relating to resources owned by various governments, exploration, labour and occupational health and safety standards. See "*Regulations.*"

The costs and resources associated with compliance with such laws and regulations are substantial. Any changes to the laws and regulations that the Group is subject to or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could cause (i) additional expenditure to be incurred, (ii) restrictions on or suspensions of the Group's operations to be imposed and (iii) the development of the Group's expansion plans to be delayed. These laws, rules and regulations and their application to the Group could take a direction that is adverse to the Group's business at any time. If the Group fails to comply with such laws or regulations, the relevant regulatory authorities may impose fines and penalties, confiscate the Group's income, revoke business licences and order suspension or discontinuation of the Group's business. In addition, in case of non-compliance by the Group, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of the Group's operations, and could lead to the imposition of substantial fines, penalties, other

civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations.

The Group's business depends heavily on the reputation and consumer perception of its brands, and any negative publicity or other harm to its brands or failure to maintain and enhance its brand recognition may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group places great emphasis on managing and maintaining its brand image which represents the quality of its products and services. The Group currently sells computers under the brand name “Tongfang Tsinghua (清华同方)”, sells tablets under the brand name “Eren Eben” and sells flat-panel TVs under the brand names “Element”, “Seiki” and “Westinghouse”.

Maintaining and enhancing the Group's reputation and brand recognition depends primarily on the quality and consistency of the Group's products and services, as well as the success of the Group's marketing and promotional efforts that improve customer perceptions. Brand value may be damaged even by isolated business incidents that degrade customer trust, and it may be harmed by negative publicity about the Group or its industries in China regardless of its veracity. Customer demand for the Group's products and the Group's brand value could be damaged significantly if the Group fails to preserve the quality of its products, or fails to deliver consistently positive customer experiences in its commercial operations, or if the Group is perceived to act in an unethical or socially irresponsible manner. There is no assurance that the Group will continue to devote significant resources to promote its brand awareness, or that its ongoing marketing efforts may be successful. Any deterioration of the Group's brand image could materially and adversely affect its business, financial condition, results of operations and prospects.

There may be counterfeits of the Group's products from time to time, which may negatively affect customers' appreciation of the quality of the Group's products or even cause physical injuries to customers who purchase such counterfeit products, thus harming the Group's reputation and brand image. The Group may also be compelled to take legal action and/or seek assistance from investigation agencies, enforcement agencies and authorities in the eradication, prohibition or deterrence of counterfeiting activities. As a result, the attention of the Group's management may be distracted and the Group's financial performance and profitability may be adversely affected.

In addition, the Group leverages its strong relationship with Tsinghua University and capitalises on Tsinghua University's resources and strong research and development capabilities to improve its own research and development capabilities and gain access to comprehensive technological know-how for commercialisation. The Group is closely affiliated with Tsinghua University and has benefited, and expects to continue to benefit from such affiliation. Any deterioration of Tsinghua University's reputation could materially and adversely affect its business, financial condition, results of operations and prospects.

Neither Tsinghua University nor the Ministry of Education of the PRC is contractually obligated to repay any amount under the Bonds or the Guarantee if the Issuer or the Guarantor fails to meet their respective obligations under these instruments.

The Guarantor is beneficially controlled and owned by the Ministry of Education of the PRC through Tsinghua University. Similar to other companies beneficially controlled by the PRC government, the Guarantor may be generally perceived to have access to liquidity support from its beneficial controlling shareholders in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Group becomes financially distressed. However, neither Tsinghua University nor the Ministry of Education of the PRC is contractually obligated to pay any amount under the Bonds or the Guarantee if the Issuer or the Guarantor fails to meet their respective obligations under these instruments, and, as a result, no financial support from Tsinghua University nor the Ministry of

Education of the PRC nor any other the PRC governmental entity may materialize. Investors should base their investment decision on the financial condition of the Guarantor and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

The historical financial information of the Group may not be directly comparable with the Group's current and future financial results.

In 2016, the Group carried out a corporate reorganisation involving disposal of group members and acquisition of external companies:

- In March 2016, the Guarantor transferred its 36.39 per cent. equity interest in Unisplendour Guoxin which primarily engaged in the manufacture of electronic components, including resonator, oscillator and capacitor. After the transfer, the Guarantor holds 4.99 per cent. non-controlling interest in Unisplendour Guoxin. The revenue generated by Unisplendour Guoxin accounted for approximately 4.2 per cent. and 4.4 per cent., respectively, of the total revenue generated by the Group for the years ended 31 December 2014 and 2015.
- In October 2016, the Guarantor transferred all of its 30.78 per cent. equity interest in Longjiang Environmental Protection which primarily engaged in wastewater treatment, urban water supply, water recycling and renewable resources development. The revenue generated by Longjiang Environmental Protection accounted for approximately 3 per cent. and 3 per cent., respectively, of the total revenue generated by the Group for the years ended 31 December 2014 and 2015.
- In December 2016, the Guarantor transferred all of its equity interest in Shenzhen Multimedia which primarily engaged in the manufacture of consumer electronics. The revenue generated by Shenzhen Multimedia accounted for approximately 7 per cent. and 3 per cent., respectively, of the total revenue generated by the Group for the years ended 31 December 2014 and 2015.
- In December 2016, the Guarantor transferred all of its equity interest in Nantong Tongfang Semiconductor Co., Ltd. (南通同方半導體有限公司) (“**Nantong Semiconductor**”) which primarily engaged in the development, manufacturing and sale of epitaxial wafers and chips used in high-brightness light-emitting diode. The revenue generated by Nantong Semiconductor accounted for approximately 4 per cent. and 2 per cent., respectively, of the total revenue generated by the Group for the years ended 31 December 2014 and 2015.

Given the corporate reorganisation of the Group, it is very likely that changes in the Group's future financial condition and results of operations will not follow the historical trends as shown in its financial statements in the two years ended 31 December 2016. Future financial performance of the Group will also be affected by many external factors such as changes in the economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates. This historical financial information is not intended to represent or predict the results of operations of any future periods. Investors should be cautious when they use the Group's historical financial information to assess the Group's business and performance.

The Group's research and development may not always produce anticipated results and the Group may not be able to keep up with the development of new technologies and launch new generations of products.

To maintain a strong research and development capability is key to the Group and any change of its research and development capability will affect its ability to compete successfully in the future. The Group has made substantial investments in its research and development in recent years. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's research and development expenses were RMB1,289.6 million, RMB1,674.3 million, RMB1,709.6

million, RMB769.8 million and RMB627.7 million, respectively. As at 30 June 2017, the Group has filed 4,144 patent applications, registered 3,212 patents and 460 software in China, and the Group has filed 1,618 patent applications and has registered 621 patents overseas.

There is no assurance that the Group is able to anticipate or adapt to the development of new technologies or its research and development activities will generate the anticipated results. There is no assurance that the Group is able to capture market opportunities or develop new products or product enhancements that achieve a significant or sustainable level of acceptance in new and existing markets. Furthermore, the Group's research and development objectives may not be accomplished within the planned time frame and the costs of such research and development activities may not be fully or partially recovered. If the Group is unable to accurately anticipate or adapt to the trend of the technological developments, respond quickly to changing customer demands, timely market its new products or continue to develop its proprietary technologies and know-how to maintain and further enhance its competitive advantage in technologies, the Group's business, financial condition, results of operations and prospects will be materially and adversely affected.

Measures to protect the Group's intellectual property rights against infringement may not be adequate and the Group may be exposed to infringement claims.

The Group has a large amount of intellectual property rights in the forms of patents, trademarks and copyrights. It also possesses certain trade secrets, proprietary technologies and know-how. Existing laws in the PRC may not be able to effectively protect the Group's intellectual property rights from infringement acts and enforcement procedures may be protracted, costly or ineffective. The Group relies upon a combination of patent, copyright and trademark laws, trade secrets, confidentiality policies, nondisclosure and other contractual arrangements to protect its intellectual property rights; however, the steps the Group takes in this regard may not be adequate to prevent or deter infringement or other misappropriation of its intellectual property rights. The Group's products may be subject to unauthorised copying or other misappropriation. There is no assurance that the Group will be able to detect unauthorised use or take appropriate, timely and effective actions to enforce its intellectual property rights.

While the Group is developing measures to protect its intellectual property rights, the Group's competitors may have independently developed technologies or designs of products that contain similarities to the Group's, and these competitors may have applied for registration of patents or other intellectual property rights in respect of their technologies or designs. The competitors or other third parties may consider the Group's application of certain intellectual properties and infringement of their intellectual property rights. In addition, as the Group procures various parts and components from third-party suppliers, the Group may be involved in infringement claims against the suppliers from whom the Group purchases parts and components that are alleged to infringe certain intellectual property rights in the future. As a result, the Group may be exposed to infringement claims even where there may be a genuine case in the Group's favour. Any involvement in intellectual property rights infringement litigation may result in substantial costs, reputational damage and diversion of resources and management attention. If the Group is barred from using certain material trademarks, technologies, designs or other intellectual property, and fail to develop non-infringing substitutes or replacements or to obtain licenses to such intellectual properties, the Group's business operations may be interrupted and the Group's financial condition and results of operations could be adversely affected.

The Group's business may be affected by the performance of its distributors, contractors and other third-party service providers.

The Group engages independent third-party distributors, contractors and other third-party service providers to sell its products, to construct the real properties for the science park it is developing and for certain other business. The Group engages distributors in the PRC and overseas markets for the sale and marketing of its commercial and consumer electronics products. While the Group negotiates directly

with large enterprise customers, it typically fulfils these contracts through its distribution channels. The Group usually enters into periodic distribution agreements with its distributors, but the Group's sales to distributors are made on the basis of individual purchase orders. In the event that the Group's distributors fail to perform their obligations under the contracts satisfactorily, including failure to reach sales targets and misconduct in the marketing and promotion of the Group's commercial and consumer electronics products, or the Group is unable to maintain a cooperative relationship with some of its distributors, the Group's reputation, business, financial condition and results of operations will be adversely affected. In addition, even though the Group has direct contractual relationship with its distributors and the Group enters into agreements with both its distributor and the sub-distributors engaged by the distributor with the Group's permission, the Group has limited control over the resale of its commercial and consumer electronics to sub-distributors or end users. Furthermore, as some of the Group's distributors do not sell the Group's products on an exclusive basis, the Group's commercial and consumer electronics products also compete with similar products from its competitors sold by its distributors. Such limited control and competition may adversely affect sales of the Group's electronic devices, which may in turn materially and adversely affect its business, financial condition and results of operations.

The Group generally selects third-party contractors through its standardised public tender process. The Group endeavours to employ those companies with good reputations, strong track records, performance reliability and adequate financial resources, and the Group also implements quality control procedures and closely monitors the work and performance of its contractors. However, there is no assurance that these measures will be sufficient to control the quality of these third-party contractors' work or their safety or environmental standards.

The Group is exposed to risks relating to the inventory it maintains.

The Group needs to maintain sufficient inventory, especially finished products, to meet the market demand and its sales. The Group's inventories primarily are raw materials, products and products in-transit. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the balance of the Group's inventories was RMB8,262.0 million, RMB9,168.4 million, RMB9,256.4 million and RMB9,862.2 million, respectively, representing 16.6 per cent., 16.1 per cent., 16.1 per cent. and 16.8 per cent., respectively, of the Group's total assets as at the corresponding dates.

If the Group has an excessive level of inventory, the Group may incur additional inventory carrying cost. Increased inventories without comparable sales may adversely affect the Group's pricing strategies, increase write-downs and write-offs and result in pressure on the Group's cash flow. According to the Group's accounting policies, the Group makes provisions for inventory obsolescence based on the prevailing market conditions and the accounting estimates and judgements of the Group's management. According to the management's estimates, a weaker demand for the Group's products than expected or aging of the Group's inventories require the Group to increase its provision for inventory. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's provisions for inventories were RMB526.6 million, RMB215.3 million, RMB171.0 million and RMB5.4 million, respectively.

The Group endeavours to manage its inventory level by aligning its procurement with its sales based on confirmed purchase orders and projected sales. However, making an accurate estimate is difficult. Inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from the Group's suppliers and when its finished products are sold could expose the Group to inventory risks. Changes in the national industrial policy and changes in consumer brand preferences may lead to a decline in the demand for the Group's products, which in turn may adversely affect the sales of the Group's products and inventory level.

The Group may not be able to obtain sufficient quantities of quality raw materials in a timely manner and at acceptable prices.

The Group relies on various types of raw materials to manufacture its products, which primarily include central processing unit, liquid crystal panel, hard disk and quasi-system for its commercial and consumer electronic device business, and its network equipment and wires for smart city business. The Group's cost of raw materials has been, and may continue to be, affected by various factors, such as market demand, changes in suppliers' manufacturing capacity, availability of substitute materials, interruptions in production by suppliers or supply chain, general economic conditions and natural disasters, all of which are beyond its control. When the Group experiences an increase in cost of raw materials, it may seek to control such impact by increasing its production efficiency and increasing the sale prices of its products. However, there can be no assurance that any of these measures will be effective. In addition, due to differences in timing between the Group's purchases from suppliers and sales by its distributors to its end-user customers, there is often a lead-lag effect that can negatively impact the Group's margins in the short term. If the Group fails to effectively control its cost of raw materials or fails to transfer the increased cost to its suppliers, dealers and end-user customers, its business, financial condition and results of operations could be materially and adversely affected.

Potential technical bugs or vulnerabilities in the Group's system and products, as well as security breaches and attacks targeting the Group's systems and products, could materially and adversely affect its reputation, business, financial condition and results of operations.

Although the Group has dedicated resources to enhance the secure performance of its system and products and develop security measures against breaches and attacks, potential product or firmware bugs or vulnerabilities, especially those related to technologies used in its products, customers' failure to properly follow the Group's product installation procedures or to upgrade the product or system passwords in a timely manner, third-party deliberate attempts to damage the firmware embedded in the Group's products and compromise its systems or products, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering or other attacks and similar disruptions, may jeopardize the security of information stored in and transmitted by the Group's systems or products or impact the proper functioning of the Group's products and systems. It could further result in unauthorised access to and control of the Group's systems or products, misappropriation of information or data, deletion or modification of user information, intrusion of user privacy or other interruption to the Group's business operations.

As techniques used to obtain unauthorised access to or sabotage the systems and the product firmware evolve rapidly and frequently and may not be known until an attack is launched against the Group's products, the Group may be unable to anticipate, or implement adequate measures to protect against such attacks and the consequent failures. If the Group is unable to improve its products by resolving potential technical bugs or vulnerabilities and avert these attacks and security breaches and failures, or fail to warn the users of its products of such potential security risks, in the future, the Group could be subject to legal and financial liability, its reputation could be harmed and it could sustain substantial revenue loss from lost sales due to customer dissatisfaction. Moreover, the Group may not have sufficient resources or technical sophistication to anticipate or prevent rapidly evolving types of attacks. Actual or anticipated attacks and risks may cause the Group to incur significant costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants, which may adversely affect its business, financial condition and results of operations.

The Group relies heavily on information technology systems for its business and any information technology system limitations or failures could adversely affect its business, financial condition and results of operations.

The Group's business depends on the integrity and performance of the business, accounting and other data processing systems at the holding company and at its subsidiaries. If the Group's systems may not be able to effectively address the issues arising from an increased business or may otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitation, on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. Although the Group's systems have not experienced major systems failures and delays in the past, there is no assurance that the Group's systems would not experience future systems failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There is no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

The Group depends on the experience and industry expertise of its senior management members, skilled personnel and other qualified staff.

The Group's continued ability to successfully manage its existing businesses, integrate new operations and identify other market opportunities depends on the experience and expertise of its senior management members of the Guarantor and of the Group's portfolio companies. The Group relies principally on senior management members of the Guarantor in formulating its business strategies and supervising its operations as a whole. For details, see "*Directors, Supervisors and Senior Management*". The Group also relies on the senior management members of its portfolio companies. Furthermore, as the Group's business continues to grow, it will need to recruit additional qualified personnel. In addition, the success of the Group's business depends on its ability to attract and retain skilled personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the various industries in which it operates. These personnel include, among others, research and development personnel, product manufacturing and development personnel, marketing and sales staff, legal professionals, risk management personnel and other operational personnel. The Group has devoted considerable resources to recruiting and retaining these personnel.

However, the market for qualified personnel is highly competitive and the Group faces increasing competition as its competitors from different industries are vying for the same pool of talent. The business and financial condition of the Group could be adversely affected if it is unable to retain qualified personnel and is not able to recruit quality replacements. In the face of this intense competition for talent, the Group may need to offer better compensation and other benefits to recruit and retain skilled personnel and additional costs may be incurred. Some of the Group's skilled personnel are subject to non-competition arrangements. However, there is no assurance that such arrangements can be fully and legally enforced. If any of the Group's skilled personnel join or establish a competing business, the Group may lose some customers, which may have a material adverse effect on the Group's business.

Substantial indebtedness may restrict the Group's business activities and may increase the Group's exposure to various operational risks.

The Group relies on external financing to satisfy a portion of its capital requirements and it has had a significant amount of outstanding indebtedness. As at 30 June 2017, the Group's total indebtedness (comprising short-term borrowings, notes payables, current portion of long-term borrowings, other

current liabilities, long-term borrowings and bonds payables) was RMB21,673.9 million, of which RMB17,034.4 million was short-term indebtedness repayable within one year or on demand. In addition, the Group had outstanding guarantee in a total amount of RMB4.9 billion as at 30 June 2017.

Substantial indebtedness could impact the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. The Group may be forced to sell assets, seek additional capital or seek to restructure or refinance its indebtedness, and there is no assurance that such restructuring or refinancing will be successful or will provide sufficient remedial measures. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays on its legal actions against the Group by its creditors, or bankruptcy.

Restrictions and covenants in the debt agreements of the Issuer, the Guarantor or any other member of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the Group's or, as the case may be, the relevant subsidiary's, business operations or financing activities, that restrict the relevant borrower from incurring additional indebtedness, creating security or granting guarantees or changing their business and corporate structure and declaring or paying dividends unless it is able to satisfy certain requirements, including but not limited to meeting certain financial ratios or obtaining the relevant lender's prior consent. For instance, some of the loan agreements executed by the Group's subsidiaries, such as Tongfang Nutech, with certain commercial banks restrict it from paying dividends to its shareholders. The ability of the Group to meet such requirements may be affected by events beyond its control, and the Group may not be in compliance with such restrictions from time to time. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions in time, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in the Group's business. Any of these factors could materially and adversely affect the ability of the Issuer, the Guarantor and other members of the Group to satisfy its obligations under the Bonds and/or other debt, as the case may be.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or if any of the Guarantor or its subsidiaries, including the Issuer, is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Group or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of the Group's financing agreements contain cross-acceleration or cross-default provisions, which give

creditors under these financing agreements to require the Group to immediately repay their loans or declare a default as a result of the acceleration or default of other financing agreements by any other member of the Group. As a result, the default by the Guarantor or the relevant subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there is no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Group or its subsidiaries would be sufficient to repay in full all of the respective debts as they become due, or that the Group or its subsidiaries would be able to find alternative financing. Even if the Group or its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Group or, as the case may be, its subsidiaries.

The Group mortgages some of its assets, primarily inventory, accounts receivable and to secure its borrowings. Third-party security rights may limit the Group's use of the assets mortgaged or charged and adversely affect its operation efficiency. If the Guarantor and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged and the subsidiary equity interests pledged to secure the Group's bank loans may be foreclosed or sold by the relevant lenders, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group has incurred operating losses and net losses in the past and has experienced negative operating cash flow which may adversely affect its ability to pay taxes and repay interest on outstanding debts.

The Group has experienced operating losses and net losses in the past. For the six months ended 30 June 2017, the Group recorded an operating loss of RMB68.4 million and a net loss of RMB8.6 million, respectively, although it recorded an operating profit of RMB5,062.6 million and a net profit of RMB4,700.8 million for the year ended 31 December 2016, respectively. The Group has also experienced low liquidity and substantial volatility in its operating cash flow. For the years ended 31 December 2015 and 2016, the Group's net operating cash flow decreased from RMB2,500.8 million to a negative net operating cash flow of RMB2,105.1 million. This was primarily due to an increase in the cash payment for raw materials procurement. For the six months ended 30 June 2017, the Group's recorded a negative net operating cash flow of RMB3,331.9 million. This was primarily because the Group usually makes payments to its suppliers and sub-contractors in the first half of the year and receives payments from its customers in the second half of the year. In addition, the Group has also been investing in capital-intensive projects including mergers and acquisitions. While such projects target to expand the scope of business of the Group and may help the Group to achieve profits in the long run, the Group's immediate operating cash flow is affected. As a result, the Group's ability to pay taxes and repay interest on its outstanding debts may be adversely affected.

Furthermore, the Group expects that it will continue to rely on bank and other borrowings as well as debt financing to fund its business operations. The Group's borrowing costs and access to the debt capital markets depends on the Group's credit standing. A history of operating losses, further increase in total current liabilities and significant increase in capital expenditures may result in a deterioration of the Group's credit standing, which could increase the Group's borrowing costs and limit the Group's access to the capital markets, which in turn, could reduce the Group's earnings and adversely affect the Group's liquidity.

The Group is exposed to credit risks due to the significant amounts of its accounts and other receivable.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's accounts receivable was RMB6,780.8 million, RMB8,008.0 million, RMB7,115.7 million and RMB7,682.1 million, respectively, and other receivable was RMB835.1 million, RMB953.9 million, RMB1,271.7 million and RMB992.5 million, respectively. The Group's relatively high level of accounts receivable primarily represented the

amounts due from its customers of the businesses involving engineering and installation of customised equipment, such as security inspection devices and smart buildings. Accounts receivable is non-interest bearing. The Group has little control over its customers and cannot guarantee that its customers will make full payment of their outstanding bills within the timeframe the Group anticipates, or at all. An increase in the amount of the accounts receivable is expected to increase the pressure on the Group's operating cash flow and may affect its daily operations and the implementation of its expansion plans. As the Group generally does not require its customers to provide any security in relation to their receivable, the Group may lose revenue and profits and incur write-off or write-downs if such counterparties default. In this case, the Group's business, financial condition or results of operations may be materially and adversely affected.

The Group's investment income has a significant impact to the Group's operating profit and operating profit margin.

In 2016, the Group's operating profit increased by 162.2 per cent. from to RMB1,930.5 million compared to RMB5,062.6 million in 2015. This increase in the Group's operating profit was largely attributable to a significant increase in its investment income in 2016, which amounted to RMB6,248.9 million compared to RMB2,641.7 million in 2015. The significant increase in the Group's investment income has been primarily attributable to the cash that the Group received from its sale of equity interest in Unisplendour Guoxin, Longjiang Environmental Protection, Shenzhen Multimedia and Nantong Semiconductor. See “*– The historical financial information of the Group may not be directly comparable with the Group's current and future financial results*”. As such investment income is one-time gain which is not expected to be recurring and if the Group is not able to capture other potential investment opportunities, the Group's business, results of operations and financial conditions may be adversely affected.

Certain of the Group's assets are recorded in its consolidated balance sheets at fair value, and as a result, the fluctuation of the market prices of those assets may significantly affect the Group's financial condition and result of operations.

Certain of the Group's assets are recorded in its consolidated balance sheets at fair value. Under PRC GAAP, the Group is required to reassess the fair value of these assets as of each balance sheet date. The reassessment of fair value are made based on their market prices, and gains or losses arising from changes in the fair value of these assets are included in the Group's consolidated statements of income in the periods in which they arise. These assets include the Group's investments in certain listed companies, financial assets available for sale and investment properties. The fair value of these assets may fluctuate from time to time as a result of the fluctuation of the market prices and the Group's profitability and results of operations may be materially affected by the fluctuation of fair value gains or losses. In addition, fair value gains or losses do not give rise to any change in the Group's cash position unless the Group disposes of the relevant assets. Therefore, the Group may experience constraints on its liquidity even though its profitability increases.

Failure to obtain or renew governmental approvals, licenses and permits necessary for the Group to carry out its business activities could materially and adversely affect its business, prospects, financial condition or results of operations.

The Group operates in a wide range of industries, from commercial and consumer electronics, knowledge content and service, smart city solutions, security inspection devices to energy conservation and environmental protection. According to applicable PRC law and regulations, the Group needs to obtain a number of approvals, certificates, licences and permits from different governmental authorities and to comply with extensive procedural requirements before it is qualified to carry on the relevant regulated business activities.

There are inherent risks associated with the implementation, enforcement and interpretation of PRC law. Governmental authorities also have a great discretion in determining the granting of the relevant approvals, licences, permits and certificates. These factors have caused and are expected to continue to result in inconsistent application, enforcement or interpretation of law in the PRC. There are significant uncertainties associated with the procedural requirements under applicable PRC law and regulations for the Group's existing business and the new business, which the Group intends to operate in the future. There is no assurance that the Group will be able to obtain the approvals, licences, permits and certificates necessary in a timely manner, or at all.

In addition, PRC governmental authorities from time to time amend existing laws and regulations and release new policies which may affect the Group's business operations. The Group may be unable to comply with new laws, regulations or policies or fail to respond to any changes in the regulatory environment in a timely manner. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If there is any material non-compliance of the Group or its business, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's security inspection business involving data collection and management could give rise to liabilities in its business as a result of evolving governmental regulation or legal requirements relating to consumer privacy and data protection.

The Group's hardware and software products collect, transmit and store customer information. Given the purpose of utilising the Group's hardware and software products, sensitive information or privacy data may be transmitted wirelessly or electronically through cables via the Internet and stored in the Group's storage devices or through Internet service. The Group adopted necessary measures to prevent customer-related information from being divulged to the public. However, there is no assurance that the Group's efforts will be effective in preventing such kind of sensitive information from being disclosed to the public or accessed by third parties maliciously.

Any actual or perceived failure by the Group to comply with laws and regulations relating to privacy, consumer data, security or consumer protection, or disclosure or unauthorised access by third parties to such information, could lead to proceedings or actions against the Group by governmental entities, private parties or others. Any proceedings or actions against the Group alleging violations of consumer protection laws or asserting privacy-related claims could hurt the Group's reputation, force the Group to spend significant amounts of money in defending these proceedings which distract the Group's management resource and increase the Group's costs of doing business. If such incidents occur, the Group's business operations, financial results, and reputation may be materially and adversely affected.

Future fluctuations in the value of the Renminbi could have an adverse effect on the Group's financial condition and results of operations.

The Group has a large portion of revenue generated by its overseas operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, approximately 36.9 per cent., 39.0 per cent., 39.5 per cent., 40.6 per cent. and 40.4 per cent., respectively of the total revenue of the Group for the corresponding periods was denominated in foreign currency. The Group's sales of products in overseas countries are primarily denominated in U.S. dollar. The Group converts Renminbi into foreign currencies to make investments and acquisitions overseas, and a portion of the Group's procurement and bank borrowings are denominated in U.S. dollars and other foreign currencies. As a result, a significant depreciation in the exchange rates of Renminbi against foreign currencies, especially the U.S. dollar could result in foreign currency exchange losses relating to the Group's

foreign currency-denominated liabilities, and a significant appreciation in the exchange rates of Renminbi against foreign currencies could cause foreign currency exchange losses relating to the Group's foreign currency-denominated assets and affect the revenue and profit from the Group's exports.

China adopts a managed floating exchange rate regime. The exchange rate for Renminbi is adjusted with reference to a basket of currencies. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. There can be no assurance that the Renminbi will not experience significant appreciation against the U.S. dollar in the future.

Though the Group has adopted a few instruments to hedge its foreign exchange risk, such hedging instruments may not be effective and any material appreciation in the Renminbi against U.S. dollars, or other foreign currencies in which the Group's export sales are denominated may adversely affect the results of operations of the Group's exports.

The Group's financial condition and results of operations may be affected by material fluctuations of interest rates.

As at 30 June 2017, the Group's total indebtedness (comprising short-term borrowings, notes payables, current portion of long-term borrowings, other current liabilities, long-term borrowings and bonds payables) was RMB21,673.9 million and approximately 24 per cent. of the Group's outstanding indebtedness bore interest at fixed rates. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's interest expenses were RMB1,089.6 million, RMB984.9 million, RMB724.1 million, RMB365.3 million and RMB361.1 million, respectively. Most of the Group's bank loans bear interest that accrues at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under the Group's bank loans and in turn negatively affect the Group's finance costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. In recent years, a slowdown in the economic growth of the PRC again caused the PRC government to adopt more liberal monetary policies to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015 and onwards. Although the Group's financial condition and results of operations may benefit from a low interest environment, there is no assurance that this environment will continue. As the world's economy, particularly the economy of the United States, gradually recovers from the global financial crisis in 2008, it is generally believed that major economies will start to increase the benchmark interest rates of their respective central banks. In December 2016, March 2017 and June 2017, the Federal Reserve of the United States increased the federal funds rate for three consecutive quarters to 1.25 per cent. with 25 basis points each. There is no assurance that other major economies in the world, including the PRC, will not follow this step and increase their respective benchmark interest rates. Any increase in the benchmark lending rate by PBOC or Federal Reserve of the United States in the future will increase the Group's financing costs and adversely affect the Group's profitability, financial condition and results of operations.

Any loss of or significant reduction in the preferential tax treatment the Group currently enjoys may negatively affect the Group's business, financial condition and results of operations.

The Group has benefited from preferential tax treatment in the PRC. In 2016, the Guarantor and 33 other Group member companies were recognised as high and new-technology enterprises pursuant to the Administrative measures for the determination of high and new technology enterprises (高新技术企業認

定管理辦法)(Guo Ke Fa Huo [2008] No.172, which was abolished and replaced by Guo Ke Fa Huo [2016] No.32) by relevant PRC government authorities, which entitled them to a reduced income tax rate of 15% (compared to the standard income tax rate of 25%).

Qualification as high and new-technology enterprises shall be valid for a period of three years from the date of issuance of the certificate. After the expiration of qualification, relevant enterprises shall apply for recognition pursuant to Guo Ke Fa Huo [2016] No.32, and then apply for the preferential tax treatment in accordance with applicable laws and regulations after obtaining recognition. There is no assurance that the relevant new policies will be published in the near future or even if the new policies are published, that the Group will continue to qualify for such status. Currently, qualification as a high and new-technology enterprise entitles the Group to enjoy a preferential income tax rate of 15%. If the Guarantor or any other qualified Group member fails to maintain or renew the above mentioned qualification for preferential tax treatment, the Group's applicable income tax rate would increase and the Group's preferential treatment may discontinue, which could have a material adverse effect on the Group's financial condition and results of operations.

Expiration or elimination of, or other adverse changes to, any of these tax incentives, could adversely affect the Group's financial condition and results of operations. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's labour expenses may increase if it implements salary increases to retain the requisite services of its staff.

As at 30 June 2017, the Group had approximately 13,200 full-time employees. The Group has observed an overall tightening of the labour market and increased salaries. Failure to obtain stable and dedicated labour support may disrupt the Group's business and adversely affect its operations. Furthermore, salary and wage costs have increased in China in recent years and may continue to increase in the near future. To remain competitive, the Group may need to increase the salaries of its employees to retain them. The Group's salary and wage costs amounted to RMB2,757.6 million, RMB3,242.2 million, RMB3,383.5 million, RMB1,623.5 million and RMB1,692.4 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively, accounting for 10.6 per cent., 11.4 per cent., 12.5 per cent., 15.2 per cent. and 16.9 per cent. of the Group's revenue during the respective periods. Future increases in labour costs will increase the Group's labour expenses and its financial position and results of operations may be adversely affected. See "*Risks Relating to Conducting Business in China – The Group's labour costs may increase for reasons such as the implementation of Chinese employment regulation.*"

The Group may face potential product liability claims and warranty claims or suffer losses due to product defects.

The Group may be subject to claims associated with product liability or breach of contract if any of its products are alleged or found to be defective. If the Group's products are proven to be defective, which results in losses to its customers, the Group's may be subject to product liability claims under the laws of the PRC or other jurisdictions in which its products are sold. Despite its insurance coverage for product liability, the Group may still have to incur significant legal costs and divert its administrative resources regardless of the outcome of the claims, and any such claims could damage its customer relationships and business and result in negative publicity. As at the date of this Offering Circular, the Group has not received any customer claims for any accident, breach of warranty or defects related to its products which have material adverse effects on its business, financial condition and operation results. However, the Group may incur significant costs to defend such claims or pay compensation and penalties in relation to product defects in the future.

Moreover, the Group provides its customers with product warranties. The Group believes its warranty periods are consistent with relevant industry practice. Specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally include technical support, repair parts and labour associated with warranty repair and service actions. The Group makes provisions for each type of product. The Group re-evaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjust the amounts as necessary. However, estimates of the Group's warranty expenses are subject to assumptions and inherent uncertainties. If the Group is required to settle warranty claims after it has delivered its products and recognised revenue and the amount of its warranty provision is not sufficient, its financial condition and results of operations would be adversely affected.

Failure to maintain an effective quality control system could have an adverse effect on the business and operations of the Group.

The quality of the Group's services and products is essential to the success of its business. While the Group endeavours to maintain an effective quality control system, the effectiveness of such system depends on a number of factors, including the design of the system, the related training programs and its employees' compliance with the quality control policies and guidelines. The Group's products may contain undetected defects, especially when new products using the latest technologies are first introduced to the market. These defects could cause the Group to incur significant re-engineering costs, divert the attention of engineering personnel from product development efforts or lead to returns of the Group's products, which could adversely affect its customer relations and business reputation.

Defects and other quality issues may result from, among other things, failure in the Group's own product and service creation and delivery, as well as manufacturing processes; failure of its suppliers to comply with its supplier requirements or failure in products and services created jointly with collaboration partners or other third parties where the development and manufacturing process is not fully in its control. In case of issues affecting a product's safety, regulatory compliance including but not limited to, privacy or security, the Group may be subject to damages due to product liability, and defective products, components or service offerings may need to be replaced or recalled. With respect to the Group's services, quality issues may relate to the challenges in having the services fully operational at the time they are made available to its customers and consumers and maintaining them on an ongoing basis. The Group may be subject to product liability claims if the products it manufactures are proven to be defective or if their use causes, results in or is alleged to have caused or resulted in personal injuries, project delays or damage or other adverse effects.

The insurance coverage of the Group may not adequately protect it against all operational risks.

The Group faces various operational risks in connection with its business, including but not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- economic loss due to product reclaim;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;

- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with applicable law and industry and business practice in the PRC. As at the date of this Offering Circular, the Group maintains property insurance policies covering its (i) plants; (ii) office buildings, (iii) major manufacturing facilities and equipment and (iv) vehicles for manufacturing and administration. The Group also maintains business insurance policies covering its (i) engineering projects, (ii) valuable/fragile products in transit and (iii) accounts receivable from sales on credit. The level of coverage and types of insurance obtained by the management of each business differs depending on the characteristics of each business and the regulations of the jurisdictions in which it operates. There is no assurance that claims under those insurance policies will be honoured fully or on time, or that the insurance coverage maintained by the Group will be sufficient to cover all the costs and liabilities incurred by the Group. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

In addition, renegotiation with insurance companies upon the expiration of insurance policies the Group maintains exposes it to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect the Group's business, financial condition and results of operations.

The Group may be involved in legal and other proceedings arising in the ordinary course of its business.

The Group may from time to time be involved in disputes with various parties, including partners, contractors, suppliers, employees, customers and other third parties during the course of the Group's daily operations. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to its developments and interruptions of its operations. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may divert the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance. The actual amounts that need to be paid by the Group could differ from the provisions made by the Group. Any material charges associated with claims brought against the Group and material write-downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow. As at the date of this Offering Circular, the results of searches against the Guarantor and its subsidiaries on the online database of judgment debtors maintained by the Supreme People's Court of the PRC did not reveal any of the aforesaid entities as a judgment debtor except that the Guarantor was subject to enforcement in one case with a total amount of RMB460,349.

The Group is exposed to the risks of doing business internationally. If the Group fails to meet the challenges presented by its increasingly globalised operations, its business, financial condition and results of operations may be materially and adversely affected.

The Group currently has approximately 50 overseas subsidiaries and has sold its products to customers in over 150 countries and regions, and the Group intends to further expand its presence globally. Revenue from the Group's operations outside the PRC accounted for 36.9 per cent., 38.9 per cent., 39.5 per cent., 40.6 per cent. and 40.4 per cent. of its total revenue for the years ended 31 December 2014,

2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The Group expects this portion to continue to increase in the future. The Group's international operations are subject to significant risks, including, among others:

- restrictions and/or changes in taxation on repatriation of earnings;
- economic, social or political instability in certain countries, regions and markets;
- changes in foreign laws and regulatory requirements, such as those on qualifications and permits for commercial and consumer electronics and security and inspection products, foreign ownership of assets or business models;
- uncertainty or potential ineffectiveness or lack of enforcement in relation to the Group's customer agreements or other contractual rights;
- difficulties in recruiting and the management of overseas employees after localisation;
- cultural differences in the conduct of business;
- the possibility of being exposed to legal proceedings in a foreign jurisdiction given the numerous, and sometimes conflicting, legal regimes on matters as diverse as anti-corruption, import/export controls, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations and intellectual property rights;
- securities regulation, anti-competition, employment and labour relations; and
- natural disasters, acts of terrorism, widespread illness and war.

If the Group fails to meet those challenges presented by its increasingly globalised operations, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group has conducted business activities in certain countries that are the subject of United States, European Union or other sanction programmes, which could result in negative media and investor attention and materially and adversely affect investment in the Bonds.

The Group has sold PC and security inspection products to certain countries (the “**Sanctioned Countries**”) that are or used to be the subject of various economic sanctions programmes implemented by United States, United Nations Security Council and other jurisdictions (“**Sanctions**”) and/or whose populace includes persons designated as sanctions targets. Operating revenue generated from operations in the Sanctioned Countries has represented an immaterial portion of the Group’s total operating revenue, and the Guarantor expects that the revenue and net profit generated from the Sanctioned Countries will continue to be immaterial in the future. It is possible that, however, as a result of activities by the Group or its affiliates in the Sanctioned Countries, the Guarantor or other members of the Group may be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors’ perception of the Group. Furthermore, some of the sanction programmes have an extensive scope which aims to prohibit any activities that may facilitate the entry into, or performance of transactions in or with, the Sanctioned Countries. There is no assurance that relevant regulatory authorities will not interpret the rules in a way that may be adverse to the Group’s interest. Any adverse finding or position taken with respect to the Group’s business activities in or with any of the sanctioned countries may result in an order to suspend trading, seizure of properties in the relevant countries and other sanctions or penalties implemented under the relevant programmes, which may have a material adverse impact on the Group’s business, financial condition and results of operations.

The Group may not be able to detect fraud, money laundering, other misconduct or other illegal or improper activities by its employees, representatives, agents or other third parties in its business operations in a timely manner.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting bribes;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group is required to comply with applicable anti-money laundering laws and other regulations in the PRC and any other jurisdiction in which it operates or intends to operate. Any fraud, sales misrepresentation, money laundering and other misconduct committed by the Group's employees and agents and other external parties could result in violations of laws and regulations by the Group and subject it to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on the Group's part, they could cause serious reputational or financial harm to the Group.

Since 2006, the State Council and various PRC regulatory authorities have intensified their efforts to combat commercial bribery in the PRC. While the Group is implementing policies and procedures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering and other misconduct, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to detect or prevent fraud, sales misrepresentation, money laundering or other misconduct in a timely manner, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

Stricter environmental and safety protection in the PRC may increase the Group's operating costs.

The Group is required to comply with extensive and increasingly stringent environmental protection and safety law and regulations relating to its business. Before the Group is allowed to conduct these business activities or construct the operating facilities, it is required to pass stringent environmental protection and safety examinations by the relevant governmental authorities and to obtain necessary environmental and safety permits and approvals, which must be renewed by the Group. Among other things, these laws and regulations impose fees for the discharge of waste substances exceeding the discharge standards promulgated by relevant government authorities; require the establishment of reserves for reclamation and rehabilitation; impose fines for serious environmental offences; and allow the PRC government, at its discretion, to close any facilities failing to comply with orders to correct or stop operations that have caused environmental damage.

The PRC government is currently moving toward more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, the Group's budget for environmental regulatory compliance may be insufficient and the Group may need to allocate additional funds. Moreover, there is no assurance that the Group will comply with all environmental and safety law and regulations that are adopted or amended in the future. If the Group fails to comply with current or future environmental laws and regulations, it may be ordered to suspend the operation of the relevant business, pay penalties or fines or take corrective action, any or all of which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to joint venture risks.

Certain of the Group's operations are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group's joint venture partners on the Group's existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Furthermore, the Group may not be able to control the decision-making process of the joint ventures as, in some cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by the Group, typically have the ability to influence certain material decisions. Although the Group has not as at the date of this Offering Circular experienced any significant problems with its partners, there is no assurance that disputes among the Group's partners will not arise in the future that could adversely affect such projects.

More members of the Group may become listed and therefore they may be subject to regulatory restrictions and listing requirements and the Guarantor's shareholding or voting interests in such members may be diluted.

The Group has several listed members, including the Guarantor and some of the Guarantor's subsidiaries, such as Technovator International Limited (1206.HK) and Neo-Neon Holdings Limited (1868.HK). As a result of this, the entry into of certain transactions by any such member may be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Members with funding needs may therefore not be able to obtain financial support from the Group in a timely manner, or at all. In addition, in the event that the shares of one or more subsidiaries of the Guarantor become listed on a stock exchange, the Guarantor's shareholding or voting interests in such subsidiaries may be diluted. There can be no assurance that any such dilution in shareholding or voting interests will not have a material adverse effect on the Group's business, financial condition and results of operations.

Accidents in the Group's business operations may expose the Group to liability and harm its corporate image.

Some of the Group's operations are exposed to inherent occupational hazards involving handling of heavy machinery and hazardous chemicals, such as manufacture of security inspection devices and construction of intelligent buildings. Mishandling of heavy machinery and hazardous and industrial accidents could result in damage to the Group's production facilities, interruption of operations, personal injury or fatality, environmental damage, monetary losses and legal liability. Any of these accidents may have a material adverse impact on the Group's business and results of operations. Also, it could significantly damage the Group's corporate image.

Although the Group has established and implemented internal protocols and systems relating to occupational safety, there is no assurance that those protocols and systems will be able to address all the potential risks effectively or that they will be strictly followed. As at the date of this Offering Circular, there has been no industrial accident in the course of the Group's business, which caused material monetary losses to the Group or caused severe personal injuries or fatality. However, there can be no assurance that no industrial accident will happen in the course of the Group's business operations in the future.

The Group's business may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. Earthquakes, sandstorms, snowstorms, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)) or the recent cases of H7N9 have a material adverse impact on the economic and social conditions in affected regions. For instance, two serious earthquakes hit Sichuan Province in May 2008 and April 2013 and resulted in significant loss of lives and destruction of buildings and infrastructure in Sichuan Province. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, will have a material adverse effect on the Group's business, financial condition and results of operations.

The Guarantor's accounts were audited in accordance with PRC GAAP which may be different from IFRS. The Guarantor's auditors have limited international capital markets experience.

The Guarantor's consolidated financial statements as at and for the years ended 31 December 2015 and 2016 and as at and for the six months ended 2017 were prepared in accordance with PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "Summary of Certain Differences Between PRC GAAP and IFRS". There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisors for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

The Guarantor's current independent auditor, ShineWing Certified Public Accountants, is a registered member of the Chinese Institute of Certified Public Accountants and although it has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

Risks Relating to Conducting Business in China

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

A substantial part of the Group's assets is located in the PRC and a substantial part of the Group's revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

Any market and economic downturn, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. In the event of an economic downturn, the Group's business, financial conditions and results of operations could be adversely affected.

The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the Group's financial conditions and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group. The Group's operating results and financial conditions may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to political structure, level of government involvement, level of development, growth rate, foreign exchange controls and allocation of resources. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. In addition, global economic uncertainty and the slowdown in the PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. The Group cannot predict whether or when such actions may occur, nor can the Group predict what ultimate impact, if any, such actions or any other governmental actions could have on its business, results of operations and financial conditions. There can be no assurance that the PRC government's economic reforms will not have an adverse effect on the Group's business and results of operations.

Uncertainty with respect to the PRC legal system could affect the Group and limit the legal protection available to investors.

As a substantial part of the Group's businesses are conducted in the PRC, and a substantial part of the Group's assets are located in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law.

However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive

effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

It may be difficult to effect service of process upon, or to enforce against, the Group or its Directors or members of its senior management who reside in the PRC in connection with judgements obtained in non-PRC courts.

Substantially all the Group's assets and its subsidiaries are located in the PRC. In addition, all of the Group's Directors and senior management reside within the PRC, and the assets of the Group's Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's Directors and senior management, including for matters arising under applicable securities law. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in the PRC or Hong Kong of judgements from various jurisdictions is uncertain.

Additional procedures may be required to be taken to bring English law-governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law-governed matters or disputes.

The Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

The PRC government's pilot plan to replace business tax with value-added tax ("VAT") may subject the Group to more taxes, which could adversely affect the Group's business, results of operations and prospects.

Pursuant to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例), taxpayers providing taxable services falling under the category of service industry in the PRC are required to pay a business tax at a normal tax rate of 5 per cent. of their revenues. In November 2011, the MOF and the State Administration of Taxation (the "SAT") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (營業稅改徵增值稅試點方案). Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business

tax in the transport and post industry, telecom industry and some of the modern service industries in the PRC. Under the pilot plan, a VAT rate of 6 per cent. applies to certain modern service industries. On 23 March 2016, the Ministry of Finance and SAT promulgated the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”). Pursuant to Circular 36, starting from 1 May 2016, the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis. Although the VAT pilot programme is mainly intended to reduce double taxation under the business tax system, the Group may be subject to more taxes under the VAT pilot programme in connection with the Group’s operations and activities in the PRC, which could adversely affect the Group’s business, results of operations and prospects.

The Group’s labour costs may increase for reasons such as the implementation of Chinese employment regulation.

The Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》)(the “**Chinese Labour Contract Law**”) became effective on 1 January 2008 in China and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the Chinese Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is calculated on the basis of the monthly wage and the number of years that the employee has worked for the employer which specifically stipulated in the Chinese Labour Contract Law and its implementing rules. A minimum wage requirement has also been incorporated into the Chinese Labour Contract Law. In addition, unless otherwise prohibited by the Chinese Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees’ work time. Employees who consent to waive such vacation at the request of employers due to demand of work shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result, the Group’s labour costs may increase. Further, under the Chinese Labour Contract Law, when an employer terminates its China-based employees’ employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the Chinese Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the Chinese Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which may result in an adverse impact on the Group’s businesses, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group’s business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in China has increased in recent years. Inflation in China increases the costs of raw materials required by the Group for conducting its businesses and the costs of labour as well. Rising labour costs may increase the Group’s operating costs and partially erode the cost advantage of the Group’s operations and therefore negatively impact the Group’s profitability.

Government control of currency conversion may adversely affect the value of investors' investments.

Significant portion of the Group's revenue is denominated in Renminbi. The Group also conducts business in overseas markets, including its commercial and consumer electronic devices, security inspection and lighting businesses. A portion of the Group's cash may also be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payment to suppliers and its suppliers and cash payments on declared dividends, if any, on the Notes.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange laws and regulations which would affect exchange rates and the Group's foreign exchange transactions. Although transactions conducted through the Group's current account are not subject to prior approval by the State Administration of Foreign Exchange of China (the "SAFE") under the current foreign control system in China, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to settle payments owed to overseas suppliers or pay dividends to the holders of the Notes in foreign currencies. On the other hand, foreign exchange transactions under capital account in China continue to be not freely convertible and require the SAFE's prior approval. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

There is no assurance that the China's policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. These foreign exchange policies may restrict the Group's ability to obtain sufficient foreign exchange, which could have an effect on the Group's foreign exchange transactions and the fulfilment of the Group's other foreign exchange requirements. If the Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange where such needs arise, its business, financial condition and results.

Risks Relating to the Bonds and the Guarantee

An active trading market for the Bonds may not develop and there may be limited liquidity for the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the HKSE, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities

Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

If the Guarantor fails to complete registration with SAFE in connection with the Guarantee, there may be logistical hurdles for cross-border payments under the Guarantee.

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定) (“**Foreign Exchange of Cross-Border Guarantee Measures**”). Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, the Guarantor may not be able to go through the procedures for the purchase of foreign exchange and remittance to perform its obligations under the Guarantee of the Bonds and SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor has undertaken to use its best endeavours to register the Guarantee as soon as practicable and in any event before the Registration Deadline (being 90 calendar days after the Issue Date). The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline. If the registration of the Guarantee is not completed within the Registration Deadline, the holder of a Bond shall have the option to require the Issuer to redeem such Bond pursuant to Condition 6(c) of the Terms and Conditions of the Bonds. In addition, if the Guarantor fails to complete such registration of the Guarantee, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the registration of the Guarantee with SAFE in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Foreign Exchange of Cross-Border Guarantee Measures is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Guarantee of the Bonds in the PRC. In addition, the administration of the Foreign Exchange of Cross-Border Guarantee Measures may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee with SAFE can be completed by the Guarantor or that such registration will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee of the Bonds in the PRC.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The payment obligations under the Bonds and the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer’s or the Guarantor’s future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer’s or the Guarantor’s indebtedness.

If any of these events were to occur, the Issuer’s or the Guarantor’s assets may not be sufficient to pay amounts due on the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

Following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There can also be no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by the Issuer or the Guarantor could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

The Issuer has limited assets and will need to rely on cash flow from the Guarantor and other subsidiaries of the Guarantor (particularly onshore operating subsidiaries of the Guarantor) to service their respective obligations under the Bonds and the Guarantee.

The Issuer is a wholly-owned subsidiary of the Guarantor and has limited operations of its own and will be dependent upon payments from the Guarantor and its subsidiaries to meet its obligations under the Bonds and the Guarantee.

The Issuer has no business operations other than issuing the Bonds and engaging in related transactions. The proceeds from the issuance of the Bonds will be used by the Issuer for general corporate purposes. See "*Use of proceeds*". Bondholders' recourse to the Issuer is limited as the Issuer has only limited assets. The Issuer's ability to make payments on the Bonds is dependent directly on payments (in the form of capital injections, intercompany loans or otherwise) to the Issuer by the Guarantor and certain of the Guarantor's subsidiaries, which will depend on a number of factors, some of which may be beyond the control of the Guarantor and/or the Issuer. If the Guarantor or any of the Guarantor's subsidiaries is unable to make timely payments to the Issuer, the Issuer will not have any other source of funds to meet its payment obligations under the Bonds.

If the Guarantor does not, or is unable for any reason, to make capital injections, intercompany loans or otherwise to the Issuer, the Issuer may be unable to comply with its payment obligations under the Bonds.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in the international financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and

2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Investment in the Bonds is subject to interest rate risks.

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberation may increase interest rate volatility. The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with the fluctuations in the Renminbi interest rates. If Bondholders try to sell their Bonds before their maturity, they may receive an offer that is less than they have invested.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Certain facts and statistics are derived from publications not independently verified by the Group, the Joint Lead Managers or their respective advisors.

Facts and statistics in this Offering Circular relating to global economy and the relevant industries are derived from publicly available sources. While the Issuer and the Guarantor have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers, employees, affiliates, representatives, agents or

advisors and, therefore, none of these parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Bondholders may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. A Bondholder who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which none of the Issuer or the Guarantor has any control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Bondholders are familiar.

As the Issuer was incorporated under the laws of the British Virgin Islands and the Guarantor was incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or, as the case may be, the Guarantor would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee by the Trustee or less than all of the Bondholders.

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree to any modification of the Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Conditions, the Trust Deed or the Deed of Guarantee which is in its opinion of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Bondholders may not have a right to accelerate the Bonds prior to maturity in certain circumstances even where a Principal Subsidiary (as defined in the Terms and Conditions) of the Issuer or the Guarantor is or may be deemed by law or a court to be insolvent in its jurisdiction of incorporation.

The definition of “Insolvent” in relation to Principal Subsidiaries of the Issuer or the Guarantor (as set out in Condition 9(f)(ii) of the Terms and Conditions of the Bonds) is not based on the laws of the jurisdiction of incorporation of the relevant entities. Such definition of “Insolvent”, in relation to a Principal Subsidiary, only means being unable to pay debts as they mature or as obligations become due and payable, which may be narrower than the definition of insolvency under the laws of the relevant jurisdiction of incorporation. As a result, it is possible that in certain circumstances even where a Principal Subsidiary is or may be deemed by law or a court to be insolvent in its jurisdiction of incorporation, the Trustee or the Bondholders may not have a right to accelerate the Bonds and request immediate repayment of the Bonds prior to maturity. The market price of the Bonds may also be adversely affected.

The Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Bondholders to take such actions directly.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation of the Bondholders create and issue further Bonds (see “*Terms and Conditions of the Bonds – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes and value-added tax may be applicable.

Under the New Enterprise Income Tax (“EIT”) Law and its implementation rules, any gains realised on the transfer of the Bonds by Bondholders who are deemed under the new EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as incomes derived from sources within the PRC. Under the new EIT law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted

from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. VAT is applicable where the entities or individuals provide services within the PRC. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the Bondholders providing loans to the Issuer, which thus could be regarded as the provision of financial services that could be subject to VAT. Nevertheless, given that both the Issuer and the Bondholders under the Bonds are located outside of the PRC, it may be argued that the holders of the Bonds shall not be subject to VAT when receiving the interest payments under the Bonds. However, there can be no assurance that relevant PRC tax authorities will not regard the provision of loans to the Issuer under the Bonds as the provision of financial services within the PRC, which thus could be subject to VAT. If relevant PRC tax authorities deem the holders of the Bonds as providing financial services within the PRC, interest paid on the Bonds might be subject to PRC value-added tax and relevant local levies (currently at a rate of 6.36 – 6.72 per cent.), and the Issuer will be obliged to withhold the VAT.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, Luxembourg, a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, Luxembourg, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Issuer was established by the Guarantor specifically for the purpose of issuing the Bonds and will on-lend the entire proceeds from the issue of the Bonds to other members of the Group. The Issuer does not and will not have any assets other than such loan(s) and its ability to make payments under the Bonds will depend on its receipt of timely payments from the borrower(s) under such loan arrangement(s).

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefore, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor are creditors of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.\$ per cent. Guaranteed Bonds due (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the sole director of Tongfang Aqua 2017 Limited (the “**Issuer**”) passed on 15 November 2017 and the Guarantee of the Bonds (as defined below) was authorised by resolutions of the board of directors and shareholders of Tsinghua Tongfang Co., Ltd. (the “**Guarantor**”) passed on 16 April 2017 and 10 May 2017, respectively. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on or about 2017 between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended or supplemented from time to time, the “**Deed of Guarantee**”) dated on or about 2017 executed by the Guarantor and the Trustee relating to the Bonds. An agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated on or about 2017 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (in that capacity, the “**Principal Paying Agent**”, which expression shall include any successor thereof), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (in that capacity, the “**Registrar**”, which expression shall include any successor thereof) and as transfer agent (in that capacity, the “**Transfer Agent**”, which expression shall include any successor or additional transfer agent appointed from time to time) and any other agents named in it. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by Bondholders (as defined below) upon prior written request and satisfactory proof of holding at all reasonable times during usual business hours (being between 9:00 a.m. to 3:00 p.m.) at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent. “**Paying Agents**” means the Principal Paying Agent and any additional paying agent appointed from time to time in connection with the Bonds and “**Agents**” means the Principal Paying Agent, any other Paying Agent, the Registrar, the Transfer Agent and any other agent as may from time to time be appointed as an agent with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof.

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all

purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and “**holder**” mean the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). These Conditions are modified by certain provisions contained in the Global Certificate. See “Summary of Provisions Relating to the Bonds in Global Form”.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds and Delivery of New Certificates

- (a) **Transfer:** A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but (i) upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(e).
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).
- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and satisfactory proof of holding.

3 Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (b) **Status:** The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves save for such obligations as may be preferred by statute or applicable law. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Negative Pledge; Undertakings relating to the Guarantee

- (a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of its Subsidiaries (other than any Listed Subsidiary and a Subsidiary of such Listed Subsidiary) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (b) **Undertakings relating to the Guarantee:** The Guarantor undertakes to file or cause to be filed with the Beijing Branch of the State Administration of Foreign Exchange of the PRC (“SAFE”) the Deed of Guarantee of the Bonds within 15 PRC Business Days after execution

of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Deed of Guarantee (including without limitation, not to incur any further indebtedness in excess of U.S.\$1,000,000,000 pursuant to or in connection with the Enterprise Foreign Debt Pre-Issuance Registration Certificate (企業借用外債備案登記證明) from the National Development and Reform Commission of the PRC (the “**NDRC**”) dated 23 October 2017).

The Guarantor shall on or before the Registration Deadline and within 10 PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration and (ii) a copy of the SAFE registration certificate (or any other document evidencing the registration issued by SAFE) setting out the particulars of registration, certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the documents referred to in (i) and (ii) together, the “**Registration Documents**”). The Trustee may rely conclusively without liability to any Bondholder or any other person on any such certificate. In addition, the Guarantor shall procure that within 10 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration. The Trustee shall have no obligation or duty to monitor or ensure the registration of the Guarantee of the Bonds with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any of the Registration Documents or any other documents in relation to or in connection with the Cross-Border Security Registration or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

- (c) **Undertakings relating to NDRC:** The Guarantor undertakes to file or cause to be filed with the NDRC the requisite post-issuance filing within 10 PRC Business Days after the Issue Date and in accordance with the Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the “**Post-Issuance Filing**”).

The Guarantor shall within 10 PRC Business Days after completion of the Post-Issuance Filing, provide the Trustee with (i) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Post-Issuance Filing and (ii) a copy of the Post-Issuance Filing setting out the particulars of filing, certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the documents referred to in (i) and (ii) together, the “**Filing Documents**”). The Trustee may rely conclusively without liability to any Bondholder or any other person on any such translation or certificate. In addition, the Guarantor shall procure that within 10 PRC Business Days after the documents comprising the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing. The Trustee shall have

no obligation or duty to monitor or ensure the submission of the Post-Issuance Filing with the NDRC or to verify the accuracy, validity and/or genuineness of any of the Filing Documents or any other documents in relation to or in connection with the Post-Issuance Filing or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

- (d) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds and any other activities reasonably incidental thereto. Activities in connection with the issue of the Bonds and any other activities reasonably incidental thereto shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds to any other Subsidiaries of the Guarantor).
- (e) **Financial Statements:** So long as any Bond remains outstanding, the Guarantor shall furnish the Trustee with (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Guarantor Audited Financial Reports (audited by a nationally recognised firm of independent accountants) within 150 calendar days of the end of each Relevant Period and if such statements shall be in the Chinese language, together in each such case with an English translation of the same translated by (A) a nationally recognised firm of accountants or (B) a professional translation service provider and checked by a nationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; (ii) a copy of the Guarantor Unaudited Semi-Annual Financial Reports within 90 calendar days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together in each such case with an English translation of the same and translated by (A) a nationally recognised firm of accountants or (B) a professional translation service provider and checked and confirmed by a nationally recognised firm of accountants together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange (other than the Shanghai Stock Exchange or the Shenzhen Stock Exchange), the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than 30 calendar days after any financial or other reports of the Guarantor are filed with the exchange on which the Guarantor's capital stock is at such time listed for trading, copies, certified in English as true and complete copies of the originals by an Authorised Signatory of the Guarantor, of any financial or other report filed with such exchange and if such financial or other reports shall be in the Chinese language, together in each such case with an English translation of the same translated by (I) a nationally recognised firm of accountants or (II) a professional translation service provider and checked by a nationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate, in lieu of the reports identified in (i) and (ii) above of this Condition 4(e).

(f) **Definitions:** In these Conditions:

“Compliance Certificate” means a certificate of the Issuer or, as the case may be, the Guarantor signed by any Authorised Signatory of the Issuer or, as the case may be, the Guarantor that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or, as the case may be, the Guarantor as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

- (a) no Event of Default (as defined in Condition 9) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) each of the Issuer and the Guarantor has complied with all its covenants and obligations under the Trust Deed, the Bonds and the Deed of Guarantee.

“Guarantor Audited Financial Reports” means, for a Relevant Period, the annual audited consolidated income statement, balance sheet and cash flow statement of the Guarantor and its consolidated Subsidiaries together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them, prepared in accordance with PRC GAAP;

“Guarantor Unaudited Semi-Annual Financial Reports” means, for a Relevant Period, the unaudited consolidated income statement, balance sheet and cash flow statement of the Guarantor and its consolidated Subsidiaries together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them (if any), prepared in accordance with PRC GAAP;

“Issue Date” means 2017;

a **“Listed Subsidiary”** of any person means any Subsidiary of such person whose ordinary shares are listed or dealt in or traded on any internationally recognised stock exchange;

“PRC” means the People’s Republic of China, and for the purpose of these Conditions only, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“PRC Business Day” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing and Shanghai;

“PRC GAAP” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time;

“Registration Deadline” means the day falling 90 calendar days after the Issue Date;

“Relevant Indebtedness” means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock certificates or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market (which for the avoidance of doubt does not include bilateral loans, syndicated loans, club loans or any other form of bank borrowings or loans);

“Relevant Period” means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor’s financial year (being 31 December of that financial year) and, in relation to the Guarantor Unaudited Semi-Annual Financial Reports, each period of six months ending on the last day of the first half of the Guarantor’s financial year (being 30 June of that financial year); and

a “**Subsidiary**” of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including 2017 at the rate of per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$ per Calculation Amount (as defined below) on and in each year (each an “**Interest Payment Date**”) commencing on 2018.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 2017 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on . The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to the date fixed for redemption, if (i) the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 2017, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication by the Issuer of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate of the Issuer signed by an Authorised Signatory of the Issuer (or a certificate of the Guarantor signed by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments, and the Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

- (c) **Redemption for Relevant Events:** At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

In this Condition 6:

a “**Change of Control**” occurs when:

- (i) Tsinghua University ceases to directly or indirectly Control the Guarantor; or
- (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;

“**Control**” means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person, or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a “**No Registration Event**” occurs when the Registration Condition has not been satisfied in full;

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not being a separate legal entity);

“**Registration Condition**” means the receipt by the Trustee of the Registration Documents on or before the Registration Deadline; and

a “**Relevant Event**” means a Change of Control or a No Registration Event. The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible or liable to Bondholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

- (d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer or the Guarantor pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.
- (e) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of, among others, Conditions 9, 12(a) and 13.

- (f) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date or at the option of the relevant Agent, such payment of interest may be made by transfer to an account in U.S. dollars maintained by the payee with a bank.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases (i) to any applicable fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and where payment is to be made by cheque, the cheque will be mailed, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment

Business Day), or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in New York City (if surrender of the relevant Certificate is required) and the place in which the specified office of the Principal Paying Agent is located and the relevant place of presentation.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the rate applicable on 2017 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If (a) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (b) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or the

Guarantor, as the case may be) shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

- (i) **Other Connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or
- (ii) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by Bondholders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that in any such case the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

- (a) **Non-Payment:** the Issuer and the Guarantor each fail to pay the principal of or any premium (if any) or interest on any of the Bonds when due and the default continues for a period of seven days in the case of interest; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than where it gives rise to a right to redeem pursuant to Condition 6(c)), which default is in the opinion of the Trustee incapable of remedy or, if such default is in the opinion of the Trustee capable of remedy, such default is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

- (c) **Cross-acceleration:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$35,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or
- (f) **Insolvency:** (i) the Issuer or the Guarantor is (or is deemed by law or a court to be) insolvent or bankrupt, or (ii) any of their respective Principal Subsidiaries is (or is deemed by law or a court to be) Insolvent or bankrupt, or (iii) the Issuer or the Guarantor or any of their respective Principal Subsidiaries is (or is deemed by law or a court to be) unable to pay its debts as such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries;

For the purpose of this Condition 9(f)(ii), “**Insolvent**”, in relation to a Principal Subsidiary, shall mean being unable to pay debts as they mature or as obligations become due and payable. For the avoidance of doubt, a Principal Subsidiary is not considered insolvent due to negative net worth as shown on its financial statements.

See the risk factor “Risk Factors – Risks Relating to the Bonds and the Guarantee – Bondholders may not have a right to accelerate the Bonds prior to maturity in certain circumstances even where a Principal Subsidiary (as defined in the Terms and Conditions) of the Issuer or the Guarantor is or may be deemed by law or a court to be insolvent in its jurisdiction of incorporation.” on page 47 of this Offering Circular; or

- (g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of their respective Principal Subsidiaries, or the Issuer or the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except, in the case of any Principal Subsidiary, for the purpose of and followed by a solvent winding-up, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee acting on an Extraordinary Resolution of the Bondholders, or (ii) whereby the undertaking and assets of such Principal Subsidiary are

transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries, whether due to a disposal of such Principal Subsidiary on an arm's length basis or otherwise; or

- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (k) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the Conditions 9(a) to 9(k) (inclusive).

In this Condition 9:

“**gross profit**” means (i) total operating revenue less operating costs under PRC GAAP or, as the case may be, (ii) revenue less cost of sales under International Financial Reporting Standards issued by the International Accounting Standards Board or the accounting principles generally accepted in other jurisdictions;

“**Principal Subsidiary**” means, at any time, any Subsidiary of the Guarantor:

- (A) whose total revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated income statement, is at least five per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or
- (B) whose gross profit (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated income statement, is at least five per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Guarantor and its consolidated Subsidiaries; or
- (C) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Guarantor, as shown by its latest audited consolidated balance sheet, is at least five per cent. of the consolidated total assets as shown by the latest published audited consolidated balance sheet of the Guarantor and its consolidated Subsidiaries; or

- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition,

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

- (I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (II) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, the total revenue, gross profit or total assets of the Guarantor and/or any such Subsidiary (consolidated, if appropriate) shall be determined on the basis of *pro forma* financial statements (consolidated, if appropriate) prepared for this purpose; and
- (III) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (I) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do

so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing at least 66 per cent., or at any adjourned meeting at least 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take and/or institute such steps, actions and/or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee (as the case may be), but it need not take any such steps, actions and/or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds

then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation or certificate or information from or any advice or opinion of any legal counsel, accountants, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

Whenever the Trustee is required or entitled by these terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions. Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and first payment of interest on them and such necessary modification to the timings for performance by the Guarantor of its obligations set out in Conditions 4(b) and 4(c)) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

16 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the exclusive jurisdiction of such courts.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Neo-Neon Enterprises Limited at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong as its authorised agent in Hong Kong to accept service of process in any Proceedings based on any of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Trustee of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds set out in this Offering Circular have the meaning in the paragraphs below. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee for, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer and the Guarantor, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds and in accordance therewith.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear and Clearstream or any other clearing system (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear and Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Bondholder’s Redemption

The Bondholder’s redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer’s Redemption

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by those Conditions.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

The Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, after deducting commissions to be charged by and the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately U.S.\$ million. The net proceeds will be used for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 30 June 2017 on an actual basis and as adjusted to give effect to the issue of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Group's 2017 Interim Financial Statements and the notes to those statements included elsewhere in this Offering Circular.

| | As at 30 June 2017 | | | |
|---|--------------------------|-------------------------|--------------------------|-------------------------|
| | Actual | | As adjusted | |
| | (RMB'000) | (US\$'000) | (RMB'000) | (US\$'000) |
| Short-term indebtedness | | | | |
| Short-term borrowings | 10,436,769 | 1,539,505 | 10,436,768 | 1,539,505 |
| Notes payable | 355,641 | 52,460 | 355,641 | 52,460 |
| Current portion of long-term borrowings..... | 1,170,012 | 172,586 | 1,170,012 | 172,586 |
| Other current liabilities ⁽¹⁾ | <u>5,071,985</u> | <u>748,158</u> | <u>5,071,985</u> | <u>748,158</u> |
| Total short-term indebtedness | <u>17,034,407</u> | <u>2,512,709</u> | <u>17,034,407</u> | <u>2,512,709</u> |
| Long-term indebtedness | | | | |
| Long-term borrowings | 1,139,468 | 168,080 | 1,139,468 | 168,080 |
| Bonds payables..... | 3,500,000 | 516,277 | 3,500,000 | 516,277 |
| Bonds to be issued ⁽²⁾ | - | - | - | - |
| Total long-term indebtedness | <u>4,639,468</u> | <u>684,358</u> | <u>—</u> | <u>—</u> |
| Total indebtedness⁽³⁾ | <u>21,673,875</u> | <u>3,197,067</u> | <u>—</u> | <u>—</u> |
| Total owners' equity | <u>23,642,485</u> | <u>3,487,452</u> | <u>23,642,485</u> | <u>3,487,452</u> |
| Total capitalisation⁽⁴⁾ | <u>45,316,360</u> | <u>6,684,519</u> | <u>—</u> | <u>—</u> |

Notes:

- (1) Include super-short-term commercial paper.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Bonds
- (3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.
- (4) Total capitalisation equals the sum of total indebtedness and total owners' equity.

There has been no material adverse change in the consolidated indebtedness and capitalisation of the Guarantor since 30 June 2017.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated as a limited liability company under the laws of the British Virgin Islands on 15 May 2017. As at the date of this Offering Circular, it is authorised to issue a maximum of 50,000 shares of a single class each with par value of U.S.\$1.00 and has 50,000 shares in issue. The Issuer is not required under the laws of the British Virgin Islands to file, and does not propose to file, any of its interim or annual accounts.

The Issuer is a wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than the proposed issue of the Bonds and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

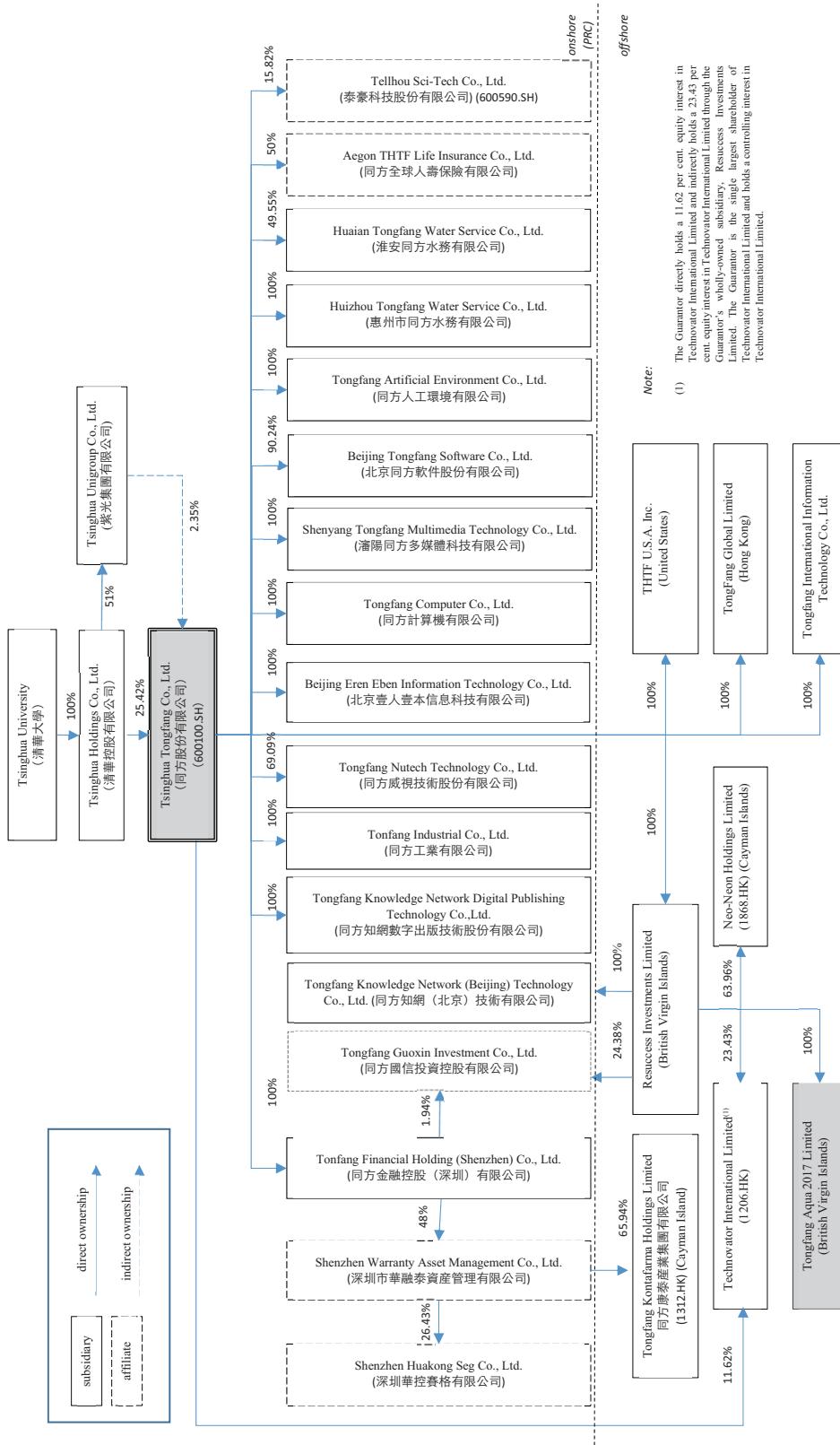
The sole director of the Issuer as at the date of this Offering Circular is Mr. Huang Yu.

The registered office of the Issuer is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Island.

As at the date of this Offering Circular, the Issuer has no subsidiaries or employees.

CORPORATE STRUCTURE

The following is a simplified structure chart showing the shareholder and principal subsidiaries and investee companies of the Guarantor as at 30 June 2017:



DESCRIPTION OF THE GROUP

Overview

The Guarantor is a leading comprehensive technology company listed in the PRC with a strong foothold in the information technology industry and energy conservation and environmental protection industry. With its core strengths in technology industry, innovation incubation platform and financial investment platform as its wings, the Group develops and engages in four integrated industry value chains, namely internet services and hardware, smart city, public security and energy conservation and environmental protection. In 2017, the Guarantor ranked #20 in the list of “Top 100 Electronic Information Technology Enterprises in China” published by China Information Technology Industry Federation, compared with its ranking of #21 in 2016. In 2017, the Guarantor ranked #28 in the list of “2017 Top 100 Software and Information Technology Service Enterprises with Core Competencies in China” published by China Information Technology Industry Federation. The Guarantor also ranked #17 in the latest list of “Best 50 Information Technology Enterprises with Innovation Capability in China” jointly published by China Information Technology Industry Federation, China Electronic Chamber of Commerce and China Software Industry Association. In 2014, the Guarantor was accredited as a “National Key Enterprise for Safe and Reliable Computer Information System Integration” by MIIT, being one of the eight enterprises among approximately 30,000 industry players in China recognised as a “key enterprise”. In 2016, the Guarantor was further recognised as one of the 32 enterprises in China to be named as “First Class Large-scale Information Systems Integration and Service Enterprises” by China Electronics Information Industry Federation. See “*Awards and Recognitions*”.

The Guarantor’s predecessor, Tsinghua Tongfang Company Limited, was incorporated and became listed on the Shanghai Stock Exchange with the stock code 600100.SH in 1997. The Guarantor’s controlling shareholder is Tsinghua Holdings, the sole state-owned enterprise established by Tsinghua University. Tsinghua Holdings serves as the platform and incubator for commercialisation of technological expertise and developments of Tsinghua University. Tsinghua University is itself established by the Ministry of Education of the PRC and supervised by the Ministry of Finance of the PRC. It is one of the most prestigious and key universities in the PRC and enjoys strong reputation within and outside of China. The Group benefits directly from Tsinghua University’s first-class research facilities, talent pool and strong technological capabilities. The Group also benefits significantly from the strong brand recognition of “Tsinghua” in its operations, including attracting talents, business partners and clients.

The Group's four integrated industry value chains include a variety of businesses that are managed and operated by either the Guarantor itself or its subsidiaries. To better manage its businesses, the Guarantor manages each of its businesses through its independent business divisions, designated operating units and specialised production base. As at 30 June 2017, the following table sets forth the Group's main businesses and their respective primary operating entities and primary products and services.

| <u>Integrated industry chain</u> | <u>Business segment</u> | <u>Primary operating entities</u> | <u>Primary products/services</u> |
|--|---|--|--|
| Internet services & hardware | Commercial and consumer electronic device | Computer industry division of the Guarantor Tongfang Computer Co., Ltd. (同方計算機有限公司) Tongfang Hongkong Limited | Personal computer, commercial computer, notebook computer, server products; flat panel display TVs, ultra HD display device, flat-panel PCs and smartphones. |
| | | Shenyang Tongfang Multimedia Technology Co., Ltd. (瀋陽同方多媒體科技有限公司) | |
| | | TongFang Global Limited | |
| | | THTF U.S.A. Inc. | |
| | | Beijing Eren Eben Information Technology Co., Ltd (北京壹人壹本信息科技有限公司) | |
| | Knowledge Content and Service | Tongfang Knowledge Network (Beijing) Technology Co., Ltd. (同方知網(北京)技術有限公司) | Online publishing services, knowledge & information services (KIS), network education, and internet value-added services (IVAS) |
| | | Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. (同方知網數字出版技術股份有限公司) | |
| Smart City | Big data (Internet of Things) | Big data (internet of things) division of the Guarantor | Management of urban operating systems, data resources and analytics, software and IT service |
| | | Beijing Tongfang Software Co., Ltd. (北京同方軟件股份有限公司) | |

| Integrated industry chain | Business segment | Primary operating entities | Primary products/services |
|--|---|---|--|
| | Smart buildings, railway and municipal heating systems | Digital city division of the Guarantor | Urban building intelligence upgrades and urban railway transportation informatisation, city-wide district heating system monitoring and large- scale information technology solution service, technology service, hardware and software products manufacturing and distribution |
| Public security | Security and Inspection | Tongfang Nutech Technology Co., Ltd. (同方威視技術股份 有限公司) | Container inspection system, railway multi-purpose cargo inspection system, vehicle inspection system, radioactive substances monitor, explosives & narcotics detection, x-ray inspection system, flammable, weapon explosive detectors |
| | Equipment manufacturing | Tongfang Industrial Co., Ltd. (同方工業有限公司) | High-end communication system, navigation satellite, specialised electronic products, special vessels |
| Energy conservation and environmental protection | Building energy conservation | Technovator International Limited (1206.HK) | Energy conservation products and technology services, energy efficiency reconstruction, investment and operation |
| | Industrial energy conservation | Tongfang Artificial Environment Co., Ltd. (同方人工環境有限 公司) | Renewable energy based on residual heat and energy recuperation; manufacturing and distribution of energy- saving heat pumps based on waste heat utilisation |
| | Semiconductor and lighting | Lighting, Energy and Environmental Protection Business Division of the Guarantor | Manufacturing and distribution of lighting decoration products, general lighting products, accessories |
| | | Neo-Neon Holdings Limited (1868.HK) | Lighting products, lighting system engineering |
| Water | | Huaian Tongfang Water Service Co., Ltd. (淮安同方水務 有限公司) | Wastewater treatment, reclaimed water reuse, water investment and operation |
| | | Huizhou Tongfang Water Service Co., Ltd. (惠州市同方水務 有限公司) | |

In addition to the four integrated industry value chains, the Group also develops and operates its science park as well as engages in other operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016, the Group's revenues were RMB25,993.7 million, RMB28,447.3 million, RMB27,174.3 million and RMB10,655.5 million, respectively, and the Group's net profits were RMB1,213.4 million, RMB2,162.8 million, RMB4,700.8 million and RMB5,058.1 million, respectively. For the six months ended 30 June 2017, the Group's revenue was RMB10,013.6 million, and the Group recorded net loss of RMB8.6 million.

The following table sets forth the Group's revenue in absolute amount and as percentage of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

| | For the year ended 31 December | | | | | For the six months ended 30 June | | | | |
|---|--------------------------------|-------------|-------------------|-------------|-------------------|----------------------------------|-------------------|-------------|-------------------|-------------|
| | 2014 | | 2015 | | 2016 | | 2016 | | 2017 | |
| | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) |
| Internet Services and Hardware ⁽¹⁾ | 13,801,383 | 53.1 | 15,568,907 | 54.7 | 15,003,688 | 55.2 | 6,286,416 | 59.0 | 5,188,918 | 51.8 |
| Smart City ⁽²⁾ | 3,252,145 | 12.5 | 3,325,792 | 11.7 | 2,764,267 | 10.2 | 1,482,091 | 13.9 | 728,585 | 7.3 |
| Energy Conservation and Environmental Protection ⁽³⁾ | 4,393,832 | 16.9 | 4,655,866 | 16.4 | 4,768,431 | 17.5 | 1,843,994 | 17.3 | 1,639,548 | 16.4 |
| Public Security ⁽⁴⁾ | 4,532,829 | 17.4 | 4,927,808 | 17.3 | 4,582,168 | 16.9 | 954,859 | 9.0 | 1,958,108 | 19.6 |
| Science Park ⁽⁵⁾ | 101,569 | 0.4 | 117,485 | 0.4 | 150,330 | 0.6 | 52,782 | 0.5 | 584,895 | 5.8 |
| Financial Investment ⁽⁶⁾ | - | - | - | - | 13,013 | - | - | - | 3,926 | - |
| Intercompany Eliminations | (324,845) | (1.2) | (363,848) | (1.3) | (321,654) | (1.2) | (43,608) | (0.4) | (110,265) | (1.1) |
| Others | 236,811 | 0.9 | 215,275 | 0.8 | 227,108 | 0.8 | 78,956 | 0.7 | 19,868 | 0.2 |
| Total | 25,993,724 | 100 | 28,447,284 | 100 | 27,174,337 | 100 | 10,655,489 | 100 | 10,013,584 | 100 |

Notes:

- (1) Includes revenue generated from the Group's chip, commercial and consumer electronic device manufacturing, knowledge content and service businesses. The Guarantor's chip business was originally operated by Unisplendour Guoxin. In March 2016, the Guarantor disposed its 36.39 per cent. equity interest in Unisplendour Guoxin. In March 2016, the Guarantor received all the consideration of RMB7.0 billion paid by Unisplendour Chunhua. As its shareholding of Unisplendour Guoxin decreased to 4.99 per cent., results of Unisplendour Guoxin were no longer consolidated into the Group's financial statements since April 2016. The Guarantor ceased its integrated circuit chip business. The Guarantor also disposed all its shareholdings in Shenzhen Multimedia in December 2016. See "*Risk Factors – The historical financial information of the Group may not be directly comparable with the Group's current and future financial results*".
- (2) Includes revenue generated from businesses including big data (internet of things), smart building, smart railway and municipal heating systems.
- (3) Includes revenue generated from businesses including building energy conservation, industrial energy conservation, lighting products, lighting construction, wastewater management, water investment and operation. The Guarantor disposed all of its equity interest in Longjiang Environmental Protection in December 2016. See "*Risk Factors – The historical financial information of the Group may not be directly comparable with the Group's current and future financial results*".
- (4) Includes revenue generated from businesses including security and inspection and equipment manufacturing.
- (5) Includes revenue generated from science park services.
- (6) Includes revenue generated from financial investment, insurance business and fund management.

The Group also generates a portion of its revenue from overseas markets (mainly including United States, Europe and Southeast Asia), primarily from its commercial and consumer electronic device, security inspection and lighting businesses. During the years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2016 and 2017, the Group generated RMB9,508 million, RMB10,995 million, RMB10,633 million, RMB4,292 million and RMB4,033 million, respectively, from overseas markets, contributing to 36.9 per cent., 38.9 per cent., 39.5 per cent., 40.6 per cent. and 40.4 per cent. of the Group's total revenue, respectively.

The Guarantor plans to continue to guide its development through the principle of “Technology + Capital”, explore the sustainability of industrialisation of technology advancement and firmly continue to adopt the “industry as its foundation, financing as its tools” as its core development direction. It will continue to cultivate high technology companies by making investments in the technology industry and maximise its returns on investments by initial public offerings of the companies or through other available capital platform.

Corporate Milestones

The following are the milestone events in the corporate development history of the Group:

- | | |
|----------------|---|
| 1997 | The predecessor of the Guarantor, Tsinghua Tongfang Company Limited (清華同方股份有限公司), was established and was listed on Shanghai Stock Exchange with the stock code 600100.SH. |
| 1999 | The Group developed China's first automated container inspection system. |
| 2001 | The Group pioneered the development of China's second generation of citizenship card chips. |
| 2004 | The Group launched the world's largest knowledge network, China National Knowledge Infrastructure (“CNKI”). |
| 2006 | Tsinghua Tongfang Company Limited (清華同方股份有限公司) was renamed as Tsinghua Tongfang Co., Ltd. (同方股份有限公司). |
| 2007 | The Group released national industrial information security solutions. |
| 2008 | The Group participated in the construction of 73 project for the Beijing Olympic Games, which involves clean energy, smart building, E-ticket, landscape lighting, smart transportation, security check and environmental governance. |
| 2009 | The Group established China's first macro database – Beijing Basic Database on Macro-economy and Social Development. |
| 2011 | Technovator International Limited, a subsidiary of the Guarantor, was listed on HKSE (1206.HK), which marked the Group's significant advance in the industry of energy saving services. |
| | The Guarantor acquired 38.4 per cent. of the equity interest in Chongqing Guoxin Investment Co., Ltd. |
| 2012 | The Group accomplished the power management, smart building and smart transportation of China's first mega integrated transport hub, Shenzhen North Railway Station. |
| 2013 | The Group acquired all the equity interest in Beijing Eren Eben Information Technology Co. Ltd. |

2014 The Group acquired 51.6 per cent. of the issued shares of Neo-Neon Holdings Limited (真明麗控股有限公司)(1868.HK) through the Guarantor's wholly-owned subsidiary, and renamed it as Neo-Neon Holdings Co., Ltd. (1868.HK) (同方友友控股有限公司).

The Group acquired 50 per cent. of the equity interest in AEGON-CNOOC Life Insurance Co., Ltd (海康人壽), and renamed it as Aegon THTF Life Insurance Co., Ltd. (同方全球人壽保險有限公司), which is jointly operated by the Group and the Aegon N.V. (荷蘭全球人壽).

2016 The Group entered into cooperation with the School of Environment of Tsinghua University, committing to the technology development and industrialisation promotion of 'Sponge City' in China. The Group also gained support from the Institute of China Sustainable Urbanisation (jointly set up by the NDRC and Tsinghua University), committing to the technology innovation and industrial implementation of the sustainable urbanisation in China, and the development of the Group's healthcare business by integrating operations of pharmacy, health technology, senior care and insurance under the Group.

The Group acquired 48 per cent. of the issued shares of Waranty Asset Management Co., Ltd.(深圳市華融泰資產管理有限公司) at a consideration of approximately RMB1.3 billion. Waranty Asset Management has invested and controlled several companies in the fields of biopharmaceutical and environmental protection, which will boost the development of the Group's healthcare business.

2017 The Group acquired 27.62 per cent. of the issued share capital of China Medical & HealthCare Group Ltd. (383.HK) to further explore opportunities in healthcare business.

Awards and Recognitions

The Group has received numerous awards and recognitions for its achievements in several industries, including the following recent awards and recognitions:

- In 2017, the Guarantor ranked #20 in the list of "Top 100 Electronic Information Technology Enterprises in China"(中國電子信息百強) published by China Information Technology Industry Federation.
- In 2017, Guarantor ranked #28 in the list of "2017 Top 100 Software and Information Technology Service Enterprises with Core Competencies in China" (2017中國電子信息軟件和綜合競爭力百強企業) published by China Information Technology Industry Federation.
- In 2017, the Guarantor ranked #17 in the list of "2017 Top 50 Information Technology Enterprises with Innovation Capability in China" (2017中國電子信息行業創新能力五十強企業) jointly published by China Information Technology Industry Federation, China Electronic Chamber of Commerce and China Software Industry Association.
- In 2016, the Guarantor ranked #21 in the list of "Top 100 Electronic Information Technology Enterprises in China"(中國電子信息百強) published by China Information Technology Industry Federation.
- In 2016, the Group's DT Era Urban Brain Intellectual Decision Supporting System Project (DT時代城市大腦智慧決策支持系統項目) was awarded the "2016 Beijing New Technology and New Product Award" (2016年北京市新技術新產品獎) by Beijing New Technology and New Products

(Services) Accreditation Panel (“**Panel**”). The Panel is jointly established by Beijing Municipal Science and Technology Commission, Beijing Municipal Development and Reform Commission, Beijing Municipal Economic and Information Technology Commission, Beijing Urban and Rural Construction and Housing Committee, Beijing Municipal Quality Supervision Bureau and Zhongguancun Science and Technology Parks Administrative Committee.

- In 2016, the Group’s Beidou Positioning Service Open Platform Project (北斗位置服務開放平台項目) for developers was awarded the first prize of the “2016 Satellite Navigation and Positioning Technology Progress Award” (2016年衛星導航定位科技進步獎一等獎) by China Satellite Navigation Association.
- In 2016, the Guarantor was recognised as one of the “Top 100 Chinese Information Technology Enterprises” by MIIT.
- In 2016, the Guarantor was recognised as one of the “Top 100 Comprehensively Competitive Enterprises in Software and Information Technology in China”(中國軟件和信息技術服務綜合競爭力百强企業) by China Information Technology Industry Federation and China Software Industry Association.
- In 2016, Technovator International Limited was awarded “Top 10 Brands on Building Facilities Control & Management System” for the fifth time, at the Fifth Forum on Smart Buildings and Energy Saving Technology & Awarding Ceremony of Smart Buildings Electronical Industry.
- In 2016, the Guarantor was awarded “Outstanding Enterprise for Smart City Construction”(傑出智慧城市建設企業獎), and its Big Data Analytics and Smart System was awarded “the Best New Products Awards of China’s Big Data Industry”(中國大數據最佳創新產品獎) at the China’s second Smart City Expo.
- In 2016, Tongfang CNKI was added to 2015-2016 Directory of Key Enterprises for National Cultural Exports (2015-2016年度國家文化出口重點企業名錄) jointly published by the Ministry of Commerce, the Publicity Department of the CPC Central Committee, the Ministry of Finance, the Ministry of Culture and the State Administration of Press, Publication, Radio, Film and Television.
- In 2016, Neo-Neon Holdings was named in the list of Top 10 Chinese Competitive LED Enterprises in North American market, which was recognised by International Cooperation Promotion Coalition (LICA).
- In 2016, the Guarantor was recognised as one of the 32 enterprises in China to be named as “First Class Large-scale Information Systems Integration and Service Enterprises” by China Electronics Information Industry Federation.
- In 2016, the innovative product of American Lighting Inc., a wholly owned subsidiary of Neo-Neon Holdings Co., Ltd., was awarded “Grand Prize of 2016 Lighting for Tomorrow” in America.
- In 2016, Technovator International Limited was awarded “Top 10 China Smart Building Brand”(十大樓宇自控品牌獎) at China Smart Building Brand Awards Presentation Ceremony.
- In 2015, the Guarantor was awarded “Benchmarking Enterprise of China Software and Information Service for Smart City” (2015年中國軟件和信息服務智慧城市領域標杆企業) at China Conference on Software Engineering held by China Center for Information Industry Development.
- In 2014, the Guarantor was accredited as a “National Key Enterprise for Safe and Reliable Computer Information System Integration” by MIIT, being one of the eight enterprises among approximately 30,000 industry players in China recognised as a “key enterprise”.

- In 2003 and 2009, Tongfang Nutech was awarded “China Patent Gold Medal Award”(中國專利金獎) by the State Intellectual Property Office of the PRC and the World Intellectual Property Organisation.

Competitive Strengths

The Group believes that the competitive strengths outlined below are important to the success and future development of the Group:

Diversified industrial resources from Tsinghua Holdings, technology talent pool and alumni network from Tsinghua University and favourable policies and full support from the government

The Group benefits from diversified industrial resources from Tsinghua Holdings, technology talent pool and alumni network from Tsinghua University and favourable policies and full support from the PRC government. The Guarantor's controlling shareholder, Tsinghua Holdings, is the sole state-owned enterprise established by Tsinghua University. Tsinghua University is itself established by the Ministry of Education of the PRC and supervised by the Ministry of Finance of the PRC. This affiliation with Tsinghua University allows the Group to benefit from Tsinghua University's strong reputation and resources.

Tsinghua University is one of the most prestigious and key universities in the PRC. It enjoys high reputation within and outside of China. Tsinghua University has been in long-term collaborations with various PRC government authorities in developing technological research and development capabilities, including Ministry of Science and Technology of the PRC (中華人民共和國科技部), MIIT, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), and other departments and affiliates of the State Council of the PRC (中華人民共和國國務院). When developing its own research and development projects, the Guarantor benefits directly from Tsinghua University's first-class research facilities, talent pool and strong technological capabilities. The Group also benefits significantly from the strong brand recognition of “Tsinghua” in its operations, including attracting talents, business partners and clients. This is a result of Tsinghua Holdings's relationship with Tsinghua University, the former being the only state-owned subsidiary under authorised operation by the Tsinghua University. As Tsinghua University's only state-owned enterprise company and authorised operating unit of state assets, Tsinghua Holdings is the sole manager and decision maker of the investments and research and development incubator projects of Tsinghua University. Tsinghua Holdings serves as the platform and incubator for commercialisation of technological expertise and developments of Tsinghua University, which in turn provides the Group with a dynamic ecosystem consisting of businesses in information technology, energy saving and environmental protection, life sciences, technology services and education and others.

The Group has benefited, and expects to continue to benefit, from its *de facto* controller Tsinghua University's affiliation with the PRC government. The Group has been actively promoting commercialisation and advancement of different technologies and scientific research projects through its close relationships with faculties of Tsinghua University, including Department of Computer Science and Technology, Department of Electronic Engineering, Department of Engineering Physics, Department of Thermal Engineering, Department of Building Science, School of Architecture, Beijing Tsinghua Changgung Hospital, School of Materials Science and Engineering, Department of Automation and Institute of Microelectronics. The Group has integrated Tsinghua University's research advantages with its business operations through several joint research centres and close cooperation with faculties of Tsinghua University, such as Tsinghua University-Tsinghua Tongfang Joint Research Centre for Computer Architecture (“JCCA”), Building Energy Conservation Research Centre of Tsinghua University and National Engineering Laboratory for Digital TV.

As at the date of this Offering Circular, the Group has received government subsidies including technology research and development special support funds, integrated circuit industry-related subsidies, energy-saving appliances subsidies and software products and sewage treatment service VAT refund and other special subsidies. During the years ended 31 December 2014, 2015 and 2016 and the six months

ended 30 June 2016 and 2017, government subsidies received by the Guarantor amounted to approximately RMB288 million, RMB417 million, RMB471 million, RMB264 million and RMB99 million, respectively. 33 of the member companies within the Group are accredited “High and New-Technology Enterprise” and enjoy the lower corporate tax rate of 15%. The Group also enjoys favourable tax treatment for its research and development related businesses including pre-tax expense deduction and income tax reduction and exemption. The Group also receives turnover tax reductions and rebates in its business segments including energy conservation and environmental protection, security inspection, international trade, technology development, technology transfer, technology consulting, and others.

Strong governmental and policy support continue to provide excellent environment and growth potential for the Guarantor’s rapid development. For instance, the PRC government in its “13th Five-Year Plan”, has specified the schedule and goal for the replacement of coal firing with clean energy and the new Standard for Buildings Energy Consumption (《建築能耗標準》) further defines the policy guidance, incentive and subsidy mechanism. The Group believes that these policies will be conducive to the growth of its energy conservation and environment protection business, while governmental strategic development initiatives such as the “Belt and Road Initiative”, “Internet +”, “Mass Entrepreneurship and Innovation”, “Deep Integration of Manufacturing and Internet” and “Small Hardware” will bring new growth opportunities to the information industry where the Guarantor operates

Leading comprehensive technology company with diversified operations and substantial synergies through shared branding and network

The Group is a leading comprehensive technology company listed in the PRC with a strong foothold in the information technology industry and energy conservation and environmental protection industry. Its dynamic business layout covers commercial and consumer electronics, knowledge content and service, smart city solutions, security inspection devices and energy conservation and environmental protection. It enjoys leading positions in all business sectors it engages in. In 2017, the Guarantor ranked #20 in the list of “Top 100 Electronic Information Technology Enterprises in China” published by China Information Technology Industry Federation, compared with its ranking of #21 in 2016. In 2017, the Guarantor ranked #28 in the list of “2017 Top 100 Software and Information Technology Service Enterprises with Core Competencies in China” published by China Information Technology Industry Federation. The Guarantor also ranked #17 in the latest list of “Best 50 Information Technology Enterprises with Innovation Capability in China” jointly published by China Information Technology Industry Federation, China Electronic Chamber of Commerce and China Software Industry Association. In 2014, the Guarantor was accredited as a “National Key Enterprise for Safe and Reliable Computer Information System Integration” by MIIT, being one of the eight enterprises among approximately 30,000 industry players in China to be recognised as a “key enterprise”. In 2016, the Guarantor was further recognised as one of the 32 enterprises in China to be named as “First Class Large-scale Information Systems Integration and Service Enterprises” by China Electronics Information Industry Federation. See “Awards and Recognitions”.

The Group has developed a number of subsidiary companies that have since become major players in their respective industries, including Tongfang CNKI, Tongfang Nutech, Technovator International Limited, Tongfang Industrial Co., Ltd. and Tongfang Artificial Environment Co., Ltd. For instance, Technovator International Limited received a number of industry recognition awards including “Top 10 Brands on Building Facilities Control & Management System” in 2016 at the “Fifth Building, Energy and Gas and Intelligent Energy Conservation Technology Development Forum and Award Ceremony of 2016 Best Brands Influencing Intelligent Building’s Electrical Facility Industry In China” and “Top 10 Self-monitoring Building” at the “China Smart building Brands Award Ceremony”. According the “2016 International EWC Detection Equipment Market Research Report”(《2016年全球EWC探測設備市場研究報告》) published by IHS, Tongfang Nutech commanded a market share of 13.6 per cent. of the world’s detection equipment market in 2016, ranking third globally. In the cargo and car inspection sub-sector, Tongfang Nutech achieved a market share of 40.7 per cent. globally, ranking first for five consecutive years.

The Group's well-diversified business portfolio ensures stability, consistency and reliability in the Group's business performance that helps to maintain a diversified revenue and earnings mix. This mitigates business concentration risk and volatility in the Group's overall earnings and financial position as well as makes the Group less vulnerable to business cycles. In addition, the Group has achieved synergies among all of its business segments, allowing it to reduce its selling costs and increase bargaining power through inter-segment cross-selling and enlarge its overall customer base by sharing clientele among the business segments. For example, the Group's sales of commercial electronic devices and lightening applications are promoted by the Group's big data (internet of things) and smart building and railway businesses. The Group's smart building, railway and municipal heating systems business could leverage the Group's expertise in heat pump technology. At the same time, the Group's engagement in multiple diverse business segments provides it with the experience to capitalise on opportunities in new areas in which to grow and develop the Group's business portfolio.

One-stop solutions provider with strong integration capabilities and high barriers to entry

The Group is a one-stop solutions provider with distinctive strengths in the software and hardware sectors and benefits from high barriers to competition. In 2014, the Guarantor was accredited as a "National Key Enterprise for Safe and Reliable Computer Information System Integration" as one of the eight enterprises among close to 30,000 industry players in China to be recognised as a "key enterprise". "Key enterprise" is a recognition granted by MIIT to promote the development of Chinese enterprises with the strongest solution capabilities, best contribution and most potential to become world-class system integration enterprises. Three stringent requirements have to be met to be considered as key enterprises in the system integration sector. Firstly, "key enterprises" must have the capabilities to develop safe and reliable systems including capability to build a secure and reliable platform and capability to develop its own platform applications and software. Secondly, "key enterprises" must also have the abilities to undertake major projects in multiple aspects including scale, technology, geography, staffing and service. Thirdly, "key enterprises" must have an established reputation.

In 2016, the Guarantor was further recognised as one of the 32 enterprises in China to be named as "First Class Large-scale Information Systems Integration and Service Enterprises" by China Information System Integration and Service Industry Federation. According to the Notice of Publication of List of Accredited First Class Large-scale Information Systems Integration and Service Enterprises (China Electronic Information Qualification (2016) No. 9), First Class Large-scale enterprises are enterprises among all qualified tier-1 information system integration and service providers that possess higher technology capabilities, bigger business scale, market leaders in their main businesses and more capable to undertake national major industry information system projects.

Certifications as a "key enterprise" and "First Class Large-scale Information Systems Integration and Service Enterprise" have greatly helped promote the development of the Group's businesses in the system integration industry. The Guarantor believes that these certifications represent recognition of the Group's system integration abilities. The Guarantor's system integration business has better competitive strengths, integration capabilities and project implementations, which in turn creates value for its clients in respect of innovation. The Group will continue to leverage from its competitive strengths and develop relevant businesses to maintain its dominant position in the market.

Symbiosis of strong research and development ability and intellectual property portfolio to serve as the key incubator for commercialisation of research development of Tsinghua University

Since its inception, the Guarantor has been deeply rooted in the culture of innovation and entrepreneurship. The Guarantor has continued to promote technology advancement and acquisition of technology know-how in order to develop growth potential for its businesses. During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the research and development expenses of the Group amounted to RMB1,289.6 million, RMB1,674.3 million, RMB1709.6 million, RMB769.8 million and RMB627.7 million, respectively. As at 30 June 2017, the Group had a total of approximately 1,187 employees in its research and development department,

representing approximately 9 per cent. of the Group's total employees. In addition, more than 70 per cent. of the Group's employees hold a college degree or higher diploma. The Group operates three overseas research and development institutions, four state-level engineering research centres. The Group has currently undertaken approximately 130 research projects, 39 of which have been listed as state and provincial level scientific projects. The Group has in recent years received a number of awards in recognitions of its research and development capability. For example, the DT Era Urban Brain Intellectual Decision Supporting System Project (DT時代城市大腦智慧決策支持系統項目) was awarded the “2016 Beijing New Technology and New Product Award” (2016年北京市新技術新產品獎), the Beidou Positioning Service Open Platform Project (北斗位置服務開放平台項目) for developers was awarded the first prize of the “2016 Satellite Navigation and Positioning Technology Progress Award” (2016年衛星導航定位科技進步獎一等獎). See “– Awards”. As at 30 June 2017, the Group has filed 4,144 patent applications, registered 3,212 patents and 460 software in China, and the Group has filed 1,618 patent applications and registered 621 patents overseas.

“Technology + Capital” business model and financial capital platform ensures stable cash flow and liquidity

Relying on its strong research and development capability, the Group's growth is driven by its unique “Technology + Capital” business model. Building upon the research and development success of Tsinghua University, the Group continues to cultivate high technology companies through continuous internal and external investments in the technology industry and maximizing its returns on investments by initial public offerings or sale of the companies through the capital platform.

In 2016, the Group adopted the “industry as its foundation, financing as its tools” as its core development direction. It focused on the establishments of the technology industry platform, innovation incubator platform and financial capital platform to allow for the continuous convergence of industry, innovation and financing. In 2016, the Group set up the Tongfang Innovation Research Institute and increased the level of investments in research and development. It further strengthened the collaboration between the Tongfang Innovation Research Institute and Tsinghua University to better manage the commercialisation of Tsinghua University's technology advancement. The Group also reorganised its structure to better integrate different companies of the Group from sectors including financial services, industry operations and innovation. At the same time, the Group had directed engagements of new and emerging businesses including healthcare, medical and pharmaceutical through internal integration of member companies of the Group, in order to build a mutually beneficial, mutual innovation and win-win “Technology, Innovation and Financing” ecosystem.

As at 30 June 2017, the Guarantor's listed subsidiaries include Technovator International Limited(1206.HK), Neo-Neon Holdings Ltd. (1868.HK) and Tongfang Health Technology (Beijing) Co., Ltd. (833151.NEEQ). The Guarantor also held equity interests in domestic and foreign listed companies or National Equities Exchange and Quotations listed companies such as Tellhow Sci-tech Co., Ltd. (600590.SH), Tongfang Kontafarma Holdings Ltd. (1312.HK), Shenzhen Huakong Seg Co., Ltd. (000068.SH), Beijing Global Safety Technology Co., Ltd. (300523.SH) and Advanced Systems Development Co., Ltd. (870840.SH). The Guarantor also holds controlling interests in financing and investment companies such as Tongfang Financial Holding (Shenzhen) Co., Ltd., Chongqing Guoxin Investment Holding, AEGON THTF Life Insurance Co., Ltd. and Shenzhen Warranty Asset Management Co., Ltd.

Healthy and robust financial performance with flexible and versatile financing channels

The Group maintains a strong liquidity position through its cash management system and a balanced debt maturity profile. As at 30 June 2017, the Group had RMB8,552.5 million in cash and cash equivalents and RMB3,175.0 million of net current assets. To ensure sufficient liquidity, the Group seeks to maintain a balance between its short-term and long-term debt obligations.

The Group has developed long-term close working relationships with major financial institutions, both onshore and offshore, and has been able to obtain funding at competitive interest rates, ensuring sufficient capital for all of its businesses. Furthermore, as a state-owned enterprise, the Group is able to obtain financing from policy banks and benefit from favourable government concessions and policy determinations. As at 30 June 2017, the Group obtained in aggregate RMB37,478 million in credit facilities from 28 banks, of which RMB14,546 million was drawn down and RMB22,931 million remained available. The Group also has access to capital markets and is able to raise financings through equity and debt financing instruments when seeking for low-cost capital. On one hand, the Group has raised funds through initial public offering, rights issue and private placements. In addition, the Group currently holds a number of listed subsidiaries including Technovator International Limited (1206.HK), Neo-Neon Holdings Ltd. (1868.HK) and Tongfang Health Technology (Beijing) Co., Ltd. (833151.NEEQ). On the other hand, the Group has raised funds through medium-term notes, and super-short-term commercial paper and short-term commercial paper issued in the inter-bank market. As at 30 June 2017, the Group's balances of bank loans, super-short-term commercial paper and short-term commercial paper issued in the inter-bank market and medium-term notes were RMB12,046.2 million, RMB5,072.0 million and RMB4,200.0 million, respectively, representing 34.4 per cent., 14.5 per cent. and 12.0 per cent., respectively, of the Group's liabilities.

Experienced management with advanced organisational structure and internal control system

The Group has an experienced management team with international perspectives and strong capabilities in adaptability and innovation. The Group's management members possess in-depth technology, market and management practical experience, many of which graduated from Tsinghua University or had worked in Tsinghua University. See "*Directors, Supervisors and Management*". Drawing from the Group's management members' in-depth industry experiences, the Group is better able to predict market trends which in turn is instrumental in asset management and risk management. The Group's management and employees are motivated to perform as a result of the Group's excellent corporate culture and performance-based review. in addition, the Guarantor's subsidiaries also benefit from strong managerial support from the Group, as many members of their respective senior management also hold management positions in various principal entities within the Group. The leadership structure allows the Group's senior management to work closely with various subsidiaries across different levels. At the same time, the Group operates under a stable and prudent financial and capital management and internal control systems, which cover accounting policy, subsidiary management, related party transactions and external guarantees, major investment management, budget management, capital management and operation funding rules. This has been an important contribution in developing the Group's businesses as well as creating and maintaining the leading positions in the industries in which it operates.

Business Strategies

The Group aims to adopt the following strategies to consolidate its existing market position and further improve the results of operations and profitability:

Continue the "Technology + Capital" development strategies

The Guarantor plans to continue its development directed by the principle of "Technology + Capital", explore the sustainability of industrialisation of technology advancement and firmly continue to adopt the "industry as its foundation, financing as its tools" as its core development direction. It will continue to cultivate high technology companies by seeking investors in the technology industry and maximise its returns on investments by initial public offerings of the companies or through other available capital platform.

Optimise business structure to cultivate a leading enterprise

The Group will further develop new emerging businesses, stabilise pillar industries, optimise functional industries and dispose underperforming or non-core businesses and to enhance competitiveness through incubation and innovation for organic growth and to expand into new emerging businesses through

capital market operations and merger and acquisitions activities. Further, the Group will continue to optimise its capital structure and mitigate investment risks through diversification of financial tools and investment fund portfolio application.

Improve corporate governance and strengthen strategic management

The Group will continue to systematically improve its corporate governance, strengthen strategic control and further enhance the core competencies in strategic development, capital operation, financial management, risk control and incentives assessment. Furthermore, to strengthen the Group's overall competitiveness, the Group aims to establish a unified resource-sharing platform in order to maximize the efficiency of allocating the Guarantor's financial, industrial, marketing and infrastructure resources.

Strengthen incentive mechanisms to build a first-class team

The Group will continue to strengthen its employee incentive programs through implementing equity incentives and ESOP in subsidiaries. It plans to set up dynamic and comprehensive KPI system focusing on performance and competitiveness, optimize supervision system with risk control, compliance and audit. It aims to cultivate a leading management team through establishing a comprehensive incentive mechanism with market-oriented compensation incentive, equity incentives and promotion.

Description of the Group's Business

Overview

The Group is a leading comprehensive technology company listed in the PRC with a strong foothold in the information technology industry and energy conservation and environmental protection industry. With its core strengths in technology industry, innovation incubation platform and financial investment platform as its wings to development, it strives to achieve symbiosis of financial resources, industrial operations and innovation incubation.

The Group's diversified business portfolio, including commercial and consumer electronic device manufacturing, knowledge content and service, smart city, science park and financial investment, is primarily categorised into six business segments, namely internet service and hardware, public security, smart city, energy conservation and environmental protection, science park and financial investment. The following table sets forth a breakdown of the Group's total revenue by business segment in absolute amount and as a percentage of the Group's total revenue for the periods indicated.

| | For the year ended 31 December | | | | | | For the six months ended 30 June | | | |
|---|--------------------------------|-------------|-------------------|-------------|-------------------|-------------|----------------------------------|-------------|-------------------|-------------|
| | 2014 | | 2015 | | 2016 | | 2016 | | 2017 | |
| | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) | (RMB'000) | (per cent.) |
| Internet Services and Hardware ⁽¹⁾ | 13,801,383 | 53.1 | 15,568,907 | 54.7 | 15,003,688 | 55.2 | 6,286,416 | 59.0 | 5,188,918 | 51.8 |
| Smart City ⁽²⁾ | 3,252,145 | 12.5 | 3,325,792 | 11.7 | 2,764,267 | 10.2 | 1,482,091 | 13.9 | 728,585 | 7.3 |
| Energy Conservation and Environmental Protection ⁽³⁾ | 4,393,832 | 16.9 | 4,655,866 | 16.4 | 4,768,431 | 17.5 | 1,843,994 | 17.3 | 1,639,548 | 16.4 |
| Public Security ⁽⁴⁾ | 4,532,829 | 17.4 | 4,927,808 | 17.3 | 4,582,168 | 16.9 | 954,859 | 9.0 | 1,958,108 | 19.6 |
| Science Park ⁽⁵⁾ | 101,569 | 0.4 | 117,485 | 0.4 | 150,330 | 0.6 | 52,782 | 0.5 | 584,895 | 5.8 |
| Financial Investment ⁽⁶⁾ | 0 | 0 | 0 | 0 | 13,013 | 0 | 0 | 0 | 3,926 | 0 |
| Intercompany eliminations | (324,845) | (1.2) | (363,848) | (1.3) | (321,654) | (1.2) | (43,608) | (0.4) | (110,265) | (1.1) |
| Others | 236,811 | 0.9 | 215,275 | 0.8 | 227,108 | 0.8 | 78,956 | 0.7 | 19,868 | 0.2 |
| Total | 25,993,724 | 100 | 28,447,284 | 100 | 27,174,337 | 100 | 10,655,489 | 100 | 10,013,584 | 100 |

Notes:

- (1) Includes revenue generated from the Group's chip, commercial and consumer electronic device manufacturing, knowledge content and service businesses. The Guarantor's chip business was originally operated by Unisplendour Guoxin. In March 2016, the Guarantor disposed its 36.39 per cent. equity of Unisplendour Guoxin. In March 2016, the Guarantor received all the consideration of RMB7.0 billion paid by Unisplendour Chunhua. As its shareholding of Unisplendour Guoxin decreased to 4.99 per cent., results of Unisplendour Guoxin were no longer consolidated into the Group's financial statements since

April 2016. The Guarantor ceased its integrated circuit chip business. The Guarantor also disposed all its shareholdings in Shenzhen Multimedia in December 2016. See “*Risk Factors – The historical financial information of the Group may not be directly comparable with the Group’s current and future financial results*”.

- (2) Includes revenue generated from businesses including big data (internet of things), smart building, smart railway and municipal heating systems.
- (3) Includes revenue generated from businesses including building energy conservation, industrial energy conservation, lighting products, lighting construction, wastewater management, water investment and operation. The Guarantor disposed all of its equity interest in Longjiang Environmental Protection in December 2016. See “*Risk Factors – The historical financial information of the Group may not be directly comparable with the Group’s current and future financial results*”.
- (4) Includes revenue generated from businesses including security and inspection and equipment manufacturing.
- (5) Includes revenue generated from science park services.
- (6) Includes revenue generated from financial investment, insurance business and fund management.

The Group generates a portion of its revenue from overseas markets (mainly include United States, Europe and Southeast Asia), primarily from its commercial and consumer electronic device, security inspection and lighting products businesses. During the years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2016 and 2017, the Group generated RMB9,508 million, RMB10,995 million, RMB10,633 million, RMB4,292 million and RMB4,033 million, respectively from overseas markets, contributing to 36.9 per cent., 38.9 per cent., 39.5 per cent., 40.6 per cent. and 40.4 per cent. of the Group’s total revenue, respectively.

Internet Services and Hardware

The Guarantor is a leading comprehensive technology company in China. In 2017, the Guarantor ranked #20 in the list of “Top 100 Electronic Information Technology Enterprises in China” published by China Information Technology Industry Federation. The Guarantor also ranked #17 in the latest list of “Best 50 Information Technology Enterprises with Innovation Capability in China” jointly published by China Information Technology Industry Federation, China Electronic Chamber of Commerce and China Software Industry Association. Internet services and hardware business is the core business of the Group, which contributed the major portion of the Group’s total revenue and gross profit in the past three years. This business segment mainly covers commercial and consumer electronic device manufacturing, and knowledge content and service.

Revenue from the internet services and hardware business is mainly generated from the sale and distribution of commercial and consumer electronic devices and knowledge service subscription. During the years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2016 and 2017, the Group generated RMB13,801 million, RMB15,569 million, RMB15,004 million, RMB6,286 million and RMB5,189 million in revenue from the Internet services and hardware business, respectively, contributing to 53.1 per cent., 54.7 per cent., 55.2 per cent., 59.0 per cent. and 51.8 per cent. of the Group’s total revenues, respectively.

The Guarantor’s chip business was originally operated by Unisplendour Guoxin. In November 2015, the Guarantor agreed to sell its 36.39 per cent. equity of Unisplendour Guoxin to Unisplendour Chunhua. In March 2016, the Guarantor received all the payment for equity transfer of RMB7.0 billion paid by Unisplendour Chunhua. As the Guarantor’s shareholding of Unisplendour Guoxin decreased to 4.99 per cent., results of Unisplendour Guoxin were no longer consolidated into the Group’s financial statements. The Guarantor fully exited from the integrated circuit chip business. See “*Risk Factors – The historical financial information of the Group may not be directly comparable with the Group’s current and future financial results*”. For the years ended 31 December 2014 and 2015, revenue generated by the chip business contributed 4.2 per cent. and 4.4 per cent. to the Group’s total revenue, respectively.

Commercial and consumer electronic device manufacturing

Products of the Group's commercial and consumer electronic device manufacturing mainly include computers, flat-panel TVs and Eren Eben branded products.

Computers

Products and production

The Group offers different types of computers including commercial computers, personal computers, server products, and notebook computers. The Group is one of the two largest personal computer manufacturers in the PRC. It has research and development and production bases located in Beijing, Shenzhen, Wuxi, Kunshan and Taipei. This sub-segment is managed and operated by the computer business division of the Guarantor. Computer products are primarily marketed under two product lines, namely, "Tsinghua Tongfang" and "MECHREVO".

The Group handles all steps of the manufacturing and assembly of its computer products. It has established a modern computers production base in Wuxi that allows for mass-production in accordance with the orders from its customers and trade customs. The following table sets forth the details of the production capacity of the Group's computer products for the periods indicated:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|------|------|--------------------------|------|
| | 2014 | 2015 | 2016 | 2016 | 2017 |
| Capacity (10,000 units) | 400 | 500 | 500 | 200 | 200 |
| Output (10,000 units) | 198 | 263 | 251 | 102 | 98 |
| Capacity utilisation (per cent.) | 49.5 | 52.6 | 50.2 | 51.0 | 49.0 |

Sales network and customers

To establish an effective sales network, the Guarantor's computer business division has divided into seven sectors for marketing, namely education, governments, finance, large enterprises, e-commerce, special industries and overseas market. The Group's sales network consist of five distribution centres, seven sales regions, 21 sales districts, 29 offices, approximately 900 service stations, more than 1,700 service stalls and 4,000 professional service engineers, together covering over 90 per cent. of cities of China.

The Group has implemented an integrated distribution strategy for its computer products, which is primarily through three channels, namely bidding and tendering, agent distribution and e-commerce and retail chains. During the year of 2016, the Group sold 16.3 per cent., 47.2 per cent., and 36.5 per cent of its computer products through these channels, respectively. Users of the Group's computer products spread across the PRC. In particular, the Group has achieved a large market share in Hebei Province, Ningxia Hui Autonomous Region, Inner Mongolia Autonomous Region, Guizhou Province, Jilin Province, Liaoning Province, Hainan Province, Xinjiang Autonomous Region, Jiangxi Province and Shanxi Province. For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the sales volume of the Group's computer products was approximately 2.00 million units, 2.63 million units, 2.51million units, 1.02 million units and 0.98 million units, respectively.

The customers of the Group's computer products includes industrial end users and distributors. Industrial customers include governments, enterprise and public institutions, schools, banks and insurance companies. In general, industrial customers pay 30 per cent. down payment of the purchase price and the remaining balance upon delivery of the goods.

Procurement

The raw materials and components that the Group procures for the production of computer products primarily include CPU, GPU, monitor and mainboard. The suppliers of the Group's computer products business are mostly well-known computer components manufacturers, for instance, Intel Corporation for CPUs, NVIDIA for GPUs, and EliteGroup, Pegatron Corporation and Wanmao International for mainboards.

The Group generally purchase raw materials and components upon the actual orders or forecasts. The credit periods granted by domestic suppliers generally range from 30 to 60 days. For domestic suppliers, payments are usually settled through cash, telegraphic transfer, and cheques. For the overseas suppliers, payments are usually settled through letter of credits and telegraphic transfer.

Research

The Group has integrated Tsinghua University's research advantages with its business operation through the establishment of JCCA in 2016. Together with Tsinghua University, the Group developed a highly reliable storage system, TStor, which became the world's first large-scale data storage system that uses erasure coding. TStor is based on a proprietary technology developed by the Group and Tsinghua University and improved the storage capacity by four times as compared to traditional storage systems. TStor is currently deployed in national operating units including National Meteorological Centre, China Electric Power Research Institute and Institute of Physics, Chinese Academy of Sciences.

Competition

The competitors of the Group's computer business include Lenovo, Hisense Electric and Kinsei Communications. Due to the continuing impacts from the rise of mobile devices market, both international and domestic personal computer market headed downward. With the recession of consumer computer market, the computer industry shows the trend of commercial computer market becoming the focus of computer companies. According to the 13th Five-year Plan, the PRC government strongly encouraged and promoted the development of national information security industry, which covers the development of commercial computer industry. Hence, the Group will continue its strategy of focusing on the commercial computer market and further explore its business with the governments and public service sectors.

Flat-panel TVs

Products and production

The Group handles all steps of the manufacturing and assembly of its flat-panel TV products (FPTVs). Through independent research and development, the Group owns the core technology and is able to manufacture FPTV products independently and distribute to customers.

The Group's FPTV business is operated by the multi-media business division of the Guarantor. The multi-media business division has solid foundation of software development of Internet TV and IPTV, and it also has strong support on hardware technology from other divisions of the Group. As at the date of this Offering Circular, the Group has possessed all relevant technologies for FPTV production. In 2016, at the Las Vegas International Consumer Electronics Show ("CES"), the Group's latest FPTV products, such as the curved TV, big screen HDTV, Internet TV with built-in apps, 4K LCD, and OLED mirror screens were shown in the Exhibition, which draw extensive attention from media and attendants.

For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the production volume of FPTV was approximately 2.49 million units, 2.05 million units, 1.45 million units, 0.64 million units and 0.73 million units, respectively. As a result of the Group's disposal of its equity interest in one of the operating entities for multi-media business, namely Shenzhen Multimedia, the production volume in 2016 was decreased.

Sales network and customers

The Group's FPTV products are primarily marketed under three product lines, namely, "Tsinghua Tongfang" (domestic market), ELEMENT and WESTINGHOUSE (overseas market). The principal partners of the Group's FPTV business include LG, SHARP, Pioneer and SANYO. For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the sales volume of FPTV of the Group was approximately 5.33 million units, 5.12 million units, 3.97 million units, 1.55 million units and 1.36 million units, respectively.

The Group's FPTV products are primarily distributed to overseas market, which accounts for approximately 90 per cent. of the total sales volumes. The domestic sales network the Group's FPTV business covers most of big and medium sized cities in China. The Group primarily relies on its distributors in offline marketing and relies on JingDong and Taobao in online marketing. For overseas market, the Group generally relies on its distributors, which mainly cover the US, the UK, Canada, Korea, India and Australia. In general, the Group grants the distributors credit terms ranging from 30 to 60 days after delivery.

Regarding to the FPTV business, the Group, on the one hand, will further expand its overseas market, especially the market in North America; on the other hand, it will strengthen its cooperation with well-known distributors, such as Walmart and Bestbuy to explore the market in Europe, Australia and Asia. Furthermore, the Group intends to further its advantages on technology, operation and brands, based on its platform of research & development and management. The Group will continue to reduce the costs, boost the efficiency of the FPTV production, and deeply delve the possibility of industrial coordination, with its aim to fully integrate the manufacturing business of electronic devices.

Procurement

The raw materials of the Group's FPTV productions primarily include module, LCD screen, plastic casing, power panel, wire, remote controller, loudspeaker, package, etc. The suppliers of these materials are primarily TV components manufacturers and packaging materials companies, including BOE Technology Group Co., Ltd, Chi Mei Optoelectronics Corporation and Samsung Electronics Co., Ltd. The Group procures raw materials based on orders from customers and outsources certain components and parts to external processing. The settlement terms between the Group and its supplies primarily are payment upon delivery while some suppliers grant credit terms ranging from 30 to 60 days.

Tablet PC and Smartphones

Products

The Group's tablet PC and smartphone products are mainly marketed under three series:

| Series | Types | Product Images | |
|--------------------|-----------------|--|--|
| K Series | Business tablet |  |  |
| T Series | Business tablet |  |  |
| M Series | 8848 smartphone |  |  |

The Group's tablet PC products and smartphones are fully self-developed while the production relies on electronics manufacturing services provider which helps to design, manufacture, test, distribute and provide logistic services. The Group's 8848 smartphone is fully self-developed and designed.

Sales network and customers

For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, sales volume of tablet PC products was approximately 169,000 units, 98,000 units, 57,000 units, 27,000 units and 18,000 units, respectively. For the year ended 31 December 2016 and the six months ended 30 June 2017, the sales volume of 8848 smartphones was approximately 105,000 units and 54,000 units, respectively. The Group's tablet PC products are primarily marketed under the "ERenEBen" trademark while its smartphones are marketed under the "8848" trademark. The Group has adopted multiple sales channels through online, offline, B2B channels, and operators. As at 30 June 2017, online sales volume, offline sales volume through traditional IT stores and high-end supermarket, B2B, mobile network operators accounted for 20 per cent., 40 per cent., 30 per cent., and 10 per cent. of the Group's tablet PC and smartphone products sales volume, respectively. As at the date of this Offering Circular, the Group has established ten offices in major cities to manage the sale of its tablet PC and smartphone products.

Procurement

The raw materials of the Group's tablet PC productions smartphones primarily include module, LCD screen, plastic casing, PCB panel, antenna, wire, loudspeaker, package, etc. The suppliers of the Group's tablet PC products and smartphones are primarily the top manufacturers in their respective industries, including Qualcomm Incorporated (world's leader in MCU), Micron Technology, Inc. (one of the three LPPDER supplier in the world), Wacom Co., Ltd. (Top class of EMMC supplier), BYD (World well-known plastic casing supplier), and SHARP (Top class of LCD screen supplier).

The Group procures raw materials upon the forecast made by the sales department. The sales department makes the forecast by referring to the historical sales numbers and the market expectation of the coming year. As to the settlement terms, the suppliers usually grant the Group credit periods around 30 days. Some suppliers require down payment or the bank's acceptance bill.

Research and development

In respect of tablet PC products, the Group developed MindMark, MindWork, MindSense, Mindcloud and Security Enhanced Architecture (“SEA”). The SEA is designed for the governments and public service sectors with high-level requirements of security and it is China’s only tablet PCs security solution with complete independent intellectual property owned by a Chinese company. With application of the SEA solution, the T series and K series products have obtained the recognition of Level 5 Safety by MIIT and the Seller’s Licence of the Special Computer Information Security Products by Ministry of Public Security of the PRC (“MPS”), which demonstrates that ERenEben is able to provide mobile information service for the governments and public service sectors with high-level requirements of security. Regarding the smartphone business, 8848 smartphone created the dual systems of TIOD that can comprehensively protect the users’ communication security and data security, satisfying high-end business users’ requirements.

Knowledge content and service

The Group is the largest Chinese academic journals digital publishing and knowledge service supplier in the world, focusing on the development of the China National Knowledge Infrastructure (“CNKI”) project. As at the date of this Offering Circular, the CNKI is being used by more than 27,500 institution users around the world, with over 40 million regular readers in 45 countries and regions across five continents and an annual website traffic of over five billion times and full-text downloads reaching 2.1 billion times.

Products and services

In its knowledge content and service business segment, the Group mainly offers digital content publishing, knowledge service and knowledge management services. Digital content publishing includes online publication of academic journals, newspaper, yearbook, books and other material. CNKI website is the key platform for the Group’s digital content publishing, with its access to approximately 130 million literature documents and approximately 65,400 Chinese and foreign academic thesis by establishing partnerships with globally renowned publishing corporations and academic publishers. The Group has further developed a mobile CNKI application and website browser on most often used devices including iPad, iPhone, Android and MAC. The Group has been exploring new business practices in the mobile network age through WeChat, Weibo and other new type of media channels. The Group aims to achieve breakthroughs in this emerging market and will continue to use digital publication as first channel of publication by further enhancing the quality, quantity and spreading speed of the content, and through developing and promoting new products.

The Group realises integration of editing and publication and international distribution to develop overseas markets through bilingual languages, data exchange and global contributions. The CNKI Journal Translation Project (CNKI – JTP) has been selected to “The Press and Publications Reform and Development Programme Database” in 2015 by State Administration of Radio, Film, and Television (SARFT). In 2016, the Group has initiated the CNKI Journal Translation Platform. The platform provides bilingual publishing services, including the latest research on science and technology, medicine and health, social sciences, world issues, aerospace, electronic information and traditional Chinese culture.

Knowledge collection

In respect of knowledge collection, the Group collects knowledge resources through the way of acquisition of exclusive copyrights and gainsharing to cover journal, newspaper, critical academic articles, books, yearbooks, tool books and private articles. According to the State Administration of

Press, Publication, Radio, Film and Television and the Ministry of Education of the PRC, currently there are approximately 6,450 academic journals, 900 graduate students training centres, 580 presses in China, among which the Group has entered into cooperation agreements with more than 6,000 academic journals, more than 700 graduate students training centres and more than 100 presses. In addition, the Group has maintained good cooperation relationships with more than 4,500 academic organisations.

The Group has also been strengthening the cooperation with various oversea publishers. According to the Metadata Integration Agreement entered between the International Publishing Group and the Group in 2006, the Group has integrated the academic journals and books database of Elsevier Group and Springer Group, the academic journals database of Taylor & Francis Group and Earthscan Group. The abundant publishing resources lay solid foundations to the Group's business development in the knowledge content and service business segment.

Customers

The Group is the largest Chinese academic journals digital publishing and knowledge service supplier in the world. As of the date of this Offering Circular, the CNKI is being used by more than 27,500 institution users around the world, with over 40 million regular readers in 45 countries and regions across five continents. As at June 30 2017, CNKI has an annual website traffic of over five billion times and full-text downloads reaching 2.1 billion times.

The Group generates revenue mainly from annual subscription fees, library charges and pre-paid cards paid by universities, colleges, and research institutes. The primary source of revenue from the CKNI website comes from the remote access of paid customers.

Competition

Currently the academic literature databases widely used by universities in China include CKNI, CQVIP, Wanfang Data, Superstar Library Databases and Apabi digital resource platforms. The type and quantity of documents in CKNI are at the forefront comparing to its peers. In particular, the academic paper database in CKNI enjoys strong reputation among the universities, colleges, research institutions, industry research institutions, and research and development departments in China.

Smart City

The Group leverages the proprietary technology platforms such as the integrated big data platforms, automated control products, ezOne-based software and industry application software to provide comprehensive integrated solutions including complete smart city construction process, top-level design planning, big data application, urban construction and city operation and management. The Group enjoys a strong presence in sub-markets including internet of things, smart buildings, smart rail transportation, smart municipal heating systems and other applications fields. In 2015, the Guarantor was awarded “Benchmarking Enterprise of China Software and Information Service for Smart City” (2015年中國軟件和信息服務智慧城市領域標杆企業) at the China Conference on Software Engineering held by the China Centre for Information Industry Development. In 2016, at the China’s Second Smart City Expo held by NDRC City and Small Town Reform and Development Centre and Smart City Development Alliance, the Guarantor was awarded “Outstanding Enterprise for Smart City Construction” (傑出智慧城市建設企業獎). In 2014, the Guarantor was accredited as a “National Key Enterprise for Safe and Reliable Computer Information System Integration” by MIIT as one of the eight enterprises among close to 30,000 industry players in China to be recognised as a “key enterprise”. In 2016, the Guarantor was further recognised as one of the 32 enterprises in China to be named as “First Class Large-scale Information Systems Integration and Service Enterprises”.

The Group operates its smart city business primarily through the digital city department directly under the Guarantor's big data (internet of things) division and Technvator International Limited. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue from its smart city business contributed to RMB3,252.1 million, RMB3,325.8 million,

RMB2,764.3 million, RMB1,482.1 million and RMB728.6 million, respectively, representing 12.5 per cent., 11.7 per cent., 10.2 per cent., 13.9 per cent. and 7.3 per cent., respectively, of the Group's total revenue.

Digital City

The Group offers services including urban building intelligence upgrades and urban railway transportation informatisation, city-wide district heating system monitoring to provide large-scale information technology solution service to its customers. The Group also provides hardware and software products in relation its services.

Products, services and solutions

Smart building.

The Group utilizes its overall strength in the fields of automation, artificial environment and energy management, and integrates its products, technology, project management with intelligent applications to achieve comprehensive and professional solutions. The Group has the top level of qualification in engineering design, information integration and project implementation of smart building and it has participated in enacting nearly 20 items of national standards and norms on smart building. In terms of the total amount of projects in China's smart building industry, the Group has won the first place several times.

Smart transportation.

Based on the Group's proprietary technology in hardware and software of integrated supervision and control system (ezISCS), railway building automation system (BAS), rail transit energy-saving system and access control system, the Group is able to provide complete solutions and comprehensive services ranging from product design, complete sets of equipment, installation, to distribution and after-sales support services that meet its customers' requirements. As at the date of this Offering Circular, the Group's smart transportation business covers approximately 20 cities in China and overseas, with more than 40 metro lines with a total length of approximately 1,300 kilometres.

City-wide district heating system monitoring.

The Group enjoys synergy from energy generation, transmission and consumption businesses to develop an integrated resources management solution that incorporates sources of energy, energy grids and users network. As at the date of this Offering Circular, the customers of the Group's city-wide district heating system monitoring spread across 12 provinces, cities and autonomous regions in Northern China.

Customers

Due to China's ever-accelerating urbanisation in recent years, the Group has been concentrating on the domestic market. Its principal customers of digital city business are from China from different sectors. For instance, customers of smart buildings are large-scale enterprises with high demands of building's information system; customers of smart transportation are city railway transportation administration companies from big cities; and the customers of city-wide district heating system are thermal enterprises from different regions.

Procurement

The upstream enterprises of the Group's digital city business are primarily electronic products suppliers, including well-known enterprises, such as Johnson Controls, Inc., and Honeywell International, Inc.. The Group generally pays 20 per cent. to 30 per cent. of total purchase price as down payment and settles the bill based on the project progress.

Big Data (Internet of Things)

The Group focuses on big data and utilisation of telecommunication technologies. Taking advantage of its big data technology and proprietary technology, the Group undertook and completed a number of major projects including the first phase of the South-to-North Diversion Project, the second phase of the National Flood Control and Drought Command System, and the informatisation development of Educational Service and Inspection System. In 2015, the Group has entered into “smart city” framework agreements with local governments in 36 cities. The Group collects, analyses and integrates information of core city operation systems to accelerate the implementation of the “100 City Plan”. In 2015, the Group has launched projects in 63 cities. In 2016, the Group further entered into framework agreements with local governments including Dingyuan county (Anhui province), Jianyang city (Sichuan province) and Wanning City (Hainan province) etc. In October 2016, the Group and the Institute for China Sustainable Urbanisation of Tsinghua University entered into “Protocol on Strategic Cooperation to Jointly Promote China Sustainable Urbanisation” and jointly established Z-Park Sustainable Urbanisation Big Data Technology Service Alliance.

Energy Conservation and Environmental Protection

Overview

By leveraging its expertise in the building energy conservation industry, industrial energy-saving industry and lighting industry, the Group provides professional and tailor-made energy conservation strategies, operation and management solutions, and comprehensive services to its customers. For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the Group’s revenue generated from this business segment was RMB4,393.8 million, RMB4,655.9 million, RMB4,768.4 million, RMB1,844.0 million and RMB1,639.5 million, respectively, representing 16.9 per cent., 16.4 per cent., 17.5 per cent., 17.3 per cent. and 16.4 per cent. of the Group’s total revenue, respectively.

The Group primarily engages in the energy conservation and environmental protection business through Technovator International Limited with its primary business in industrial energy conservation, Neo-Neon Holdings Limited with its primary business in semiconductor and lighting products, Huai'an Tongfang Water Service Co., Ltd. and Huizhou Tongfang Water Service Co., Ltd. with their primary business in water operation. Technovator International Limited has engaged in the formulation of the “design and construction of ground source heat pump heat source room” as national standard editorial institution, and several industry standards such as the “Acceptance norms of intellectual building quality” and the “Technical specifications of integrated monitoring system of rail transit”. Technovator International Limited received a number of industry recognition awards including “Top 10 Brands on Building Facilities Control & Management System” in 2016 at the “Fifth Building, Energy and Gas and Intelligent Energy Conservation Technology Development Forum and Award Ceremony of 2016 Best Brands Influencing Intelligent Building’s Electrical Facility Industry In China” and “Top 10 Self-monitoring Building” at the “China Smart building Brands Award Ceremony”.

Building Energy Conservation

Through the technology and products of integrated air conditioning projects, intelligent control and artificial environment engineering, utilizing the advantage of energy conservation technology and the aggregated experience in optimum design of the systems, the Group provides innovated energy conservation products, as well as solutions for energy-saving transformation and air condition control to various building environment. In 2016, at the Fifth Forum on Smart Buildings and Energy Conservation Technology & Award Ceremony of Smart Buildings Electronical Industry, Technovator International Limited was awarded “Top 10 Brands on Building Facilities Control & Management System” (設備監控及能效管理十大品牌獎) for the fifth year.

As at 31 December 2016, the Group has provided energy monitoring and energy conservation transformation services to buildings in 41 cities, covering Chongqing, Wuhan, Changsha, Suzhou, Guangzhou, Jinan and Ningbo, which formed a nationwide network for the Group’s energy-saving

monitoring platform. As at the date of this Offering Circular, the Group's energy-saving business has covered industrial parks, hospitals, shopping malls, cultural and sports centres, governments, education institutes and chain stores.

The upstream enterprises of the Group's energy conservation business are primarily equipment suppliers. The Group's customers are primarily distributors and director customers. The direct customers include various enterprises that have energy-saving demands, such as governments, education institutes, hospital and industrial and mining enterprises. As at the date of this Offering Circular, the percentage of the revenue generated from distributors and direct customers are 90 per cent. and 10 per cent., respectively.

Industrial Energy Conservation

Through transformation from charcoal heating to electric heating, clean energy, and other energy-saving technology using heat pump, the Group promotes its district heating and distributed cooling system as joint solution. As at 31 December 2016, the Group's air source heat pump heating solution has won almost all the public biddings for transformation projects from charcoal heating to electric heating in Beijing, including the projects in Tongzhou District, Chaoyang District, Huairou District, Daxing District, Shunyi District and Haidian District. In 2015, at the Tsinghua University's Building Energy Conservation Academic Week, the Group's "Beijing Miyun Simatai Winter Heating Project" was awarded the "Best Practical Case for energy conservation and emission reduction of Buildings in Northern China". In addition, the project was awarded the "Outstanding Project" in the Clean Energy Building Application Technology Alliance and Award Ceremony of "Blue Sky Cup", and it was selected into "2015 Annual Report on China's Building Energy Conservation Development".

Lighting Industry

The Group operates its lighting industry business through its operating subsidiary, Neo-Neon, a company listed on The Stock Exchange of Hong Kong Limited with stock code 1868.HK. The Group provides lighting solutions, including providing landscape lighting products and installation services. The Group is one of the enactors of the National Standards of China's LED lighting products, It has several research & development and manufacturing centres for LED decoration and lighting products located in Guangdong Heshan, Jiangsu Yangzhou, Ninh Binh Province of Vietnam. The Group has more than 10,000 categories of lighting products and its sales network covers more than 100 countries and regions all over Europe and America. The Group owns international level of optical product testing centre, which has been recognised by NEMKO, SGS, CTS and CTI.

The Group will continue its expansion in the America's market, with a steady progress in the overseas market. In 2016, recognised by International Cooperation Promotion Coalition (LICA), Neo-Neon Holdings ranked the first place in the Top 10 Chinese Competitive LED Enterprises in North American market. The innovative product of American Lighting Inc., Trulex LED, was awarded the Grand Prize of 2016 Lighting for Tomorrow in America.

The representative projects of the Group's lighting industry include:

- Providing LED solutions for Beijing National Stadium;
- Providing floodlighting solutions for Jiangsu Grand Theatre;
- At the 2015 Beijing IAAF World Championships, providing LED outdoor energy-saving lighting products and solutions;
- Providing floodlighting, nightscape lighting, landscape lighting to many cities' landmark buildings, including Jiangsu Grand Theatre, Chongqing Grand Theatre, Zhejiang Hangzhou CBD, and etc.;
- Holding nightscape lighting show for G20 Summit, which was the first time to coordinate and control 700,000 LED lights on 35 buildings through 4G network; and

- Participating in Xinjiang Kola's Swan River landscape project, which was granted "China's Demonstration Project Municipal Works" by China's Association of Municipal Works, the highest honour in the industry.

The Group's lighting industry business once covered production and sales of light emitting semiconductor products (LED epitaxial wafers and chips). However, due to the continuing decline of profitability of Nantong Semiconductor, a wholly owned subsidiary of the Guarantor, the Guarantor disposed all its equity interest in Nantong Semiconductor.

Water

The Group operates its water business through its subsidiaries, Huaian Tongfang, Huizhou Tongfang, as well as its investee company, Huakong Seg. The operation entities of the Group's water business once included Longjiang Environmental Protection, however, the Group had disposed all its equity interest in Longjiang Environmental protection. The Group engages in sewage treatment, reclaimed water reuse, water supply operation and investment in Huaian and Huizhou. As at 30 June 2017, the Group has ten sewage treatment plants, and the capacity for sewage treatment is 443,000 tons per day. Further, the Group has two sewage treatment plants entrusted by government, and the capacity for sewage treatment is 225,000 tons per day. The Group conducts its water business primarily through two models, namely BOT and TOT. BOT stands for "Build-Operate-Transfer". Typically, the government chooses a private investor through the public bidding, and authorises franchise rights for 20-30 years to the investor. Then the investor is responsible for building and operating the wastewater treatment facilities. At the end of the contract period, the facilities will be transferred to the government without any compensation to the private investor. In terms of TOT, it stands for "Transfer-Operate-Transfer". Different from BOT, the private investor does not need to build the facilities. Instead, the government or relevant public sector agency conducts a transfer of asset rights, to the private investor. Under the two models, the Group primarily achieve a level of revenues through charging wastewater treatment fee to recoup its initial investment and to make profit.

Public Security

The Group's public security business is primarily divided into two categories, security & inspection products and equipment manufacturing. The Group's public security business has developed from a single field of equipment inspection to an integration business and services for security and inspection. The Group operates its security business through its holding subsidiaries, Tongfang Nutech and Tongfang Industrial Co., Ltd. Tongfang Nutech is a leading security and inspection solution and service supplier in the world. According to the "2016 International EWC Detection Equipment Market Research Report" (《2016年全球EWC探測設備市場研究報告》) published by IHS, Tongfang Nutech commanded a market share of 13.6 per cent. of the world's detection equipment market in 2016, ranking third globally. In the cargo and car inspection sub-sector, Tongfang Nutech achieved a market share of 40.7 per cent. globally, ranking first for five consecutive years.

For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the Group's revenue generated from its public security business was RMB4,532.8 million, RMB4,927.8 million, RMB4,852.2 million, RMB954.9 million and RMB1,958.1 million, respectively, representing 17.4 per cent., 17.3 per cent., 16.9 per cent., 9.0 per cent. and 19.6 per cent., respectively, of the Group's total revenue.

Security and Inspection

The products of security inspection system covers cargo & vehicle inspection, baggage & parcel inspection, personnel screening, radioactive substances monitor, explosives & narcotics detection, and integrated solutions. The Group owns all of the intellectual property rights (IPR) to its core technologies. Through independent research and development of software and hardware of the security & inspection system, the Group provides qualified security inspection products to its customers.

The table below sets forth the sales volume of security and inspection equipment for the years indicated:

| Project | For the year ended 31 December | | | For the six months ended 30 June | |
|-----------------------|--------------------------------|-------|----------------|-------------------------------------|-------|
| | 2014 | 2015 | 2016 (unit) | 2016 | 2017 |
| Large Equipment | 186 | 180 | 142 | 42 | 86 |
| Small Equipment | 2,664 | 2,756 | 4,149 | 1,237 | 1,957 |

As at 30 June 2017, the aggregate amount of large-size security & inspection equipment under operation is 951 units, in which 714 units were operated overseas, and the aggregate amount of small-size security & inspection equipment under operation is 19,046, in which 5,428 were operated overseas :

- The Group was the supplier of security equipment for the Beijing 2008 Olympic Games.
- The Group provided safety inspection equipment and services to World Cup stadiums and Sochi Winter Olympics in 2014.
- The Group, as the prime contractor of security & inspection for the Commemoration of 70th Anniversary of Victory of Chinese People's Resistance against Japanese Aggression and World Anti-Fascist War in 2015, supplied 3000 sets of equipment for 134 security checkpoints.
- The Group supplied security & inspection equipment to Milan Expo. for security check of cargos and vehicles in 2015.
- The Group supplied security & inspection equipment to Wimbledon Open and Beijing World Athletics Championships in 2015.
- The Group supplied approximately 300 sets of different models security & inspection equipment such as X-ray Inspection Devices for the 2016 Rio Olympic Games.
- The Group supplied approximately 6200 sets of different models of security and inspection equipment explosion-proof products to the Hangzhou G20 Summit for more than 60 security checkpoints.
- The Group supplied approximately 300 sets of security & inspection equipment to the Bo'ao Forum for Asia and undertook the all the responsibility for security solutions and services from 2013 to 2016.
- The Group as the prime contractor of security and inspection for the International Summit Forum on the “One Belt and One Road”, supplied approximately 1,500 sets of security and inspection equipment.
- Tongfang Nutech's security inspection equipment assisted Australia government to seize huge amount of methamphetamine in 2016.
- Tongfang Nutech's security inspection equipment assisted Harbin Customs to solve a large mammoth ivory smuggling case in 2017.

Customers

The sales network of the Group's security and inspection products covers approximately 150 countries and regions. Well-known for world-leading technologies and after-sale service system, the Group's inspection systems are widely applied in the fields of civil aviation, customs, urban subway, railway, highway, ports and key organs and facilities. The payment method between the Group and its customers primarily takes the form of progress payment.

Procurement

The main suppliers of the Group's security and inspection business are electronic components manufacturers. The Group procures auxiliary materials in accordance with orders from client while outsourcing certain components and parts for external processing. The settlement terms between the Group and its supplies primarily is payment upon delivery and inspection.

Research and development

The Group emphasises strongly on being innovation-driven and continually focuses on the research and development of intelligence monitoring in security and inspection. The Group possesses world's leading strong research and development ability at this field and all of the IPR to its core technologies. As at the date of this Offering Circular, more than 40 per cent. of employees of the Group engage in research and development, and among them, there are approximately 300 experts with the title of associate researcher or above in their expertise, 60 experts with PhD degree, eight experts with special allowance of the State Council of PRC, and 13 experts with ministerial special allowance of PRC. As at the date of this Offering Circular, the Group has filed nearly 3,000 patents in more than 30 countries and registered trademark in more than 50 countries.

The Group has world-class technology in computed tomography, X-ray radiation imaging, explosives and narcotics detection and radioactive substances monitor. Among them, the Group has more than a decade's experience and expertise on the field of radiation imaging. The Group has won several awards for national scientific and technological achievements upon radiation imaging products. For example, the Group's development and industrialisation of mobile cargo inspection system using accelerator as the radiation source has been awarded first prize of National Scientific and Technological Progress Award, and its combination of mobile cargo inspection system has been awarded China Patent Gold Medal Award which is jointly awarded by the State National Intellectual Property Office (SIPO) and the World Intellectual Property Organisation(WIPO).

Equipment manufacturing

The Group's equipment manufacturing business covers high-end communication equipment, satellite navigation, special electronic products and special vessels.

Science Park

The Group constructs and manages science parks. The Group's science park business focuses on providing supporting services and management service to the Group's major businesses. As of 30 June 2017, the Group has operated an extensive physical network of science parks, including ten science parks in China, America, United Kingdom and Poland, etc. to support different industries. The Group has established its science parks in and around major cities, such as Beijing and Shanghai, which provide technology support to adjacent cities such as Langfang, Yangzhou and Nanjing. In the past three years, revenue of the Group's science park business generated primarily from lease of properties and consulting services. For the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the Group's revenue generated from science park was RMB101.6 million, RMB117.5 million, RMB150.3 million, RMB52.8 million and RMB584.9 million, respectively, representing 0.4 per cent., 0.4 per cent., 0.6 per cent., 0.5 per cent. and 5.8 per cent., respectively, of the Group's total revenue.

Financial Investment

The Group's financial investment business consists of financial holdings, life insurance, equity investment and fund management. For the year ended 31 December 2016 and for the six months ended 30 June 2017, the Group's revenue generated from its financial investment was RMB13.0 million and RMB3.9 million, respectively, representing 0.05 per cent. and 0.04 per cent., respectively, of the Group's total revenue. The Group started to generate revenue from its financial investment since the third quarter of 2016.

In December 2011, the Group acquired 38.4 per cent. of equity interest in Tongfang Guoxin Investment Co., Ltd. (同方國信投資控股有限公司)(the “**Tongfang Guoxin**”) (previously known as “Chongqing Guoxin Investment Co., Ltd. (重慶國信投資控股有限公司)”) and became the single largest shareholder of Tongfang Guoxin. The Group initiated the development of its financial investment through the integration of the financial capital and industrial capital. Tongfang Guoxin has developed to be a large-scale investment holding group with infrastructure investment and equity investment, with its total assets exceeding RMB253,145 million. Tongfang Guoxin primarily operates in southwest region of China. Its subsidiaries include financial corporations such as Chongqing International Trust Inc. (重慶信托), Chongqing Three Gorges Bank Co., Ltd. (三峽銀行), YIMIN Asset Management Co., Ltd. (益民基金), infrastructure operation and management corporations as Chongqing Road & Bridge Co., Ltd. (重慶路橋), Yufu Expressway (渝涪高速) and its investee companies include Hefei Technology Rural Commercial Bank (合肥科技農商行), China Trust Protection Fund Co., Ltd. (中國信托業保障基金) and China Trust Registration Co., Ltd. (中國信托登記有限責任公司), etc.

The Group acquired 50 per cent. of equity interest in AEGON-CNOOC Life Insurance Co., Ltd (海康人壽) in October 2014, and renamed it Aegon THTF Life Insurance Co., Ltd. (同方全球人壽保險有限公司). The other shareholder of Aegon THTF Life Insurance Co., Ltd. (同方全球人壽保險有限公司) is Aegon N.V. (荷蘭全球人壽). In cooperation with Aegon N.V., the Group started to develop its insurance and insurance-related financial business. The Group also initiated its cooperation with Tsinghua University on the research of insurance and risk management, and IT supporting services for insurance.

In March 2016, the Group acquired 48 per cent. of equity interest of Waranty Asset Management Co., Ltd. (華融泰資產管理有限公司). Waranty Asset Management Co., Ltd. holds the equity of Shenzhen Huakong Seg Co., Ltd. (深圳華控賽格有限公司, 000068.SZ) and Allied Cement Holdings Ltd. (聯合水泥, 01312.HK) (now renamed as Tongfang Kontafarma Holdings Ltd.). The acquisition of Waranty Asset Management Co., Ltd. brings in emerging business, such as sponge city, residential community environment, and medicine and healthcare, which helps improve the synergy with the Group’s existing business—smart city, environmental protection, health application and life insurance.

Note:

- (1) Tsinghua Holdings Human Settlement Environment Institute Co., Ltd has rich project experience and reserves of potential projects in the field of watershed management, sponge city, drainage system, smart water management and smart environment treatment.
- (2) Tongfang Kontafarma Cement Holdings has obtained the approval from the shareholders meeting and SFC to acquire 60 per cent of equity interest of Beijing Unis Pharmacy Limited Company from Waranty Asset Management. After renaming it to Tongfang Kontafarma Holdings Ltd. (同方康泰), it initiated transformation to the industries of medical treatment, medicine, and healthcare.

The Group also carries out financial investment business including equity investment, fund management and insurance. As of 30 June 2017, the total amount of the assets managed by Tongfang Financial Holdings was approximately RMB15 billion.

Environment

The Group believes that it is substantially in compliance with all material applicable national or local environmental laws and regulations in the PRC and has obtained all permits, approvals and certifications required under PRC law in relation to its environmental facilities. As at the date of this Offering Circular, the Group has achieved good performance in smart city and energy conservation and environmental protection businesses, and the Group is not involved in any material legal proceedings relating to any breach of applicable environmental laws and regulations, which may have a significant adverse impact on the Group’s overall financial position and operations.

Health and Safety

The Group regards occupational health and safety as one of its important corporate and social responsibilities. Some of the Group's production process might face accidental fire, breakdown of machine or improper operations by employees. The Group has implemented a variety of internal rules and operating procedures for work safety, accident handling and safety training. In particular, the Group has promulgated and enforced the Measures for the Administration of Safety Production and Accidents, among its other internal laws and regulations. As at the date of this Offering Circular, the Group has not been involved in any material safety accidents.

Research and Development

The Group strongly emphasises the industrialisation of high technology and take it as its core competitive strengths and growth potential. The Group has made substantial investments in its research and development in recent years. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's research and development expenses were RMB1,289.6 million, RMB1,674.3 million, RMB1,709.6 million, RMB769.8 million and RMB627.7 million, respectively. As at 30 June 2017, the Group has filed 4,144 patent applications, registered 3,212 patents and 460 software in China, and the Group has filed 1,618 patent applications and registered 621 patents overseas.

Employees

As at 30 June 2017, the Group had approximately 13,200 employees worldwide.

The Group provides competitive remuneration packages to its employees and establishes the performance and skill-based pay systems. In order to motivate employees, the Group adjusts employees' remuneration from time to time, which are tied to business and individual performance. The Group is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth.

Insurance

The Group maintains property insurance policies covering its (i) plants; (ii) office buildings, (iii) major manufacturing facilities and equipment and (iv) vehicles for manufacturing and administration. The Group also maintains business insurance policies covering its (i) engineering projects, (ii) valuable/fragile products in transit and (iii) accounts receivable from sales on credit. The Group believes it maintains adequate insurance coverage for its operations and that the scope of the coverage is in line with industry norms. However, there are certain risks for which the Group is not insured, and the Group may not have sufficient insurance coverage for damages and liabilities that may arise in the course of its business operations or the damages or liabilities caused by third party.

Legal Proceedings

From time to time, the Group may be involved in legal proceedings or other disputes in the ordinary course of its business. Each of these proceedings is, in the Group's view, immaterial in terms of their impact on business, financial condition or results of operations of the Group. As at the date of this Offering Circular, the Group is not aware of any material legal or arbitral proceedings, claims, disputes, penalties or liabilities currently existing or pending against the Group or its Directors, which may have a material adverse impact on its business, financial conditions or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The Board of Directors currently consists of seven directors, three of which are independent directors. The Board of Directors is responsible for convening shareholders' meetings and reporting the board's work at the shareholders' meetings, implementing the resolutions passed at the shareholders' meetings, determining the business plans and investment plans, formulating the annual budget and final accounts, and exercising other powers, functions and duties as stipulated in the articles of association of the Guarantor. The table below sets forth certain information regarding the directors as at the date of this Offering Circular:

| Name | Age | Position |
|------------------------------|-----|---|
| Zhou Liye (周立業) | 54 | Chairman of the Board of Directors |
| Huang Yu (黃俞) | 49 | Vice chairman of the Board of Directors |
| Fan Xin (范新) | 57 | Vice chairman of the Board of Directors |
| Tong Libin (童利斌) | 45 | Director |
| He Jia (何佳) | 63 | Independent director |
| Jiang Yigang (蔣毅剛) | 58 | Independent director |
| Zhao Jing (趙晶) | 41 | Independent director |

Mr. Zhou Liye, age 54, has been the chairman of the Board of Directors since August 2015. From January 1987 to February 2001, Mr. Zhou was a member of the Party committee, doctoral advisor and vice dean of the Institute of Nuclear and New Energy of Tsinghua University (清華大學核能與新能源技術研究院). From March 2001 to August 2003, Mr. Zhou was the vice dean of the Institute of Nuclear and New Energy of Tsinghua University. From April 2002 to June 2003, Mr. Zhou served as the general manager of Neimenggu Hongfeng Industry Company Limited (內蒙古宏峰實業股份有限公司). Since November 2003, Mr. Zhou served as a vice president, a director and the president of Tsinghua Holdings. Mr. Zhou graduated from Tsinghua University (清華大學) with a master's degree in 1986.

Mr. Huang Yu, age 49, has been the vice chairman of the Board of Directors since November 2015. Mr. Huang has been serving as the chairman of the board of directors of Shenzhen Warranty Asset Management Co., Ltd. (深圳市華融泰資產管理有限公司) since June 2009. He has also been serving as the chairman of the board of directors of Shenzhen Huakong Seg Co., Ltd. (深圳華控賽格股份有限公司) since April 2013. He has been serving as the chairman and executive director of Tongfang Kontafarma Holdings Ltd. (同方康泰產業集團有限公司) since July 2014. Mr. Huang obtained his master's degree from University of Greenwich in 2009.

Mr. Fan Xin, age 57, has been the vice chairman of the Board of Directors since May 2016. From November 2000 to April 2016, Mr. Fan served as the general manager and assistant to the president of Tsinghua Tongfang Artificial Environment Co., Ltd. (清華同方人工環境有限公司) and the president of the Guarantor. He has been serving as the vice president of Tsinghua Holdings since May 2016. Mr. Fan obtained his master's degree from the department of thermal engineering of Tsinghua University (清華大學) in 1988.

Mr. Tong Libin, age 45, has been a director of the Guarantor since May 2016. Mr. Tong joined the Group since May 2006 and served as the head of assets operations department, the secretary of the board of directors, assistant to the president and vice president of Tsinghua Holdings. Mr. Tong obtained his doctor's degree from Tsinghua University (清華大學) in 2000.

Mr. He Jia, age 63, has been an independent director of the Guarantor since May 2016. From 2001 to 2002, Mr. He served as a committee member of the Planning and Development Committee of China Securities Regulatory Commission (中國證券監督管理委員會規劃發展委員會) and the head of the research institute of Shenzhen Stock Exchange (深圳證券交易所綜合研究所). From 1988 to July 2015, Mr. He served as a professor of the department of finance of Chinese University of Hong Kong. Mr. He

has been serving as a professor in Southern University of Science and Technology (南方科技大學) since August 2015. Mr. He has also been serving as an independent director of China Investment Securities International Brokerage Limited (中國中投證券有限責任公司) since 2006, as an independent director of Tibet Huayu Mining Company (西藏華域礦業) since 2012 and as an independent director of Shenzhen Xinguodu Technology Co., Ltd. (深圳市新國都技術股份有限公司) since 2014. Mr. He obtained his doctor's degree from Wharton School of University of Pennsylvania in 1989.

Mr. Jiang Yigang, age 58, has been an independent director of the Guarantor since May 2017. From 2007 to 2013, Mr. Jiang served as an independent director of Shenzhen Seg Company Limited (深圳賽格股份有限公司). From 2008 to 2011, he served as an independent director of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司). From 2009 to 2015, Mr. Jiang served as an independent director of Guangdong Golden Glass Technologies Limited (廣東金剛玻璃科技股份有限公司). Mr. Jiang currently serves as a senior partner of Allbright Law Offices (Shenzhen) specializing in corporate and securities law. Mr. Jiang obtained his master's degree from Politics & Law School of South China Normal University in 1985.

Ms. Zhao Jing, age 41, has been an independent director of the Guarantor since May 2017. Ms. Zhao has been serving as an independent director of Shenyang Machine Tool (Group) Co., Ltd. (瀋陽機床(集團)有限公司) since May 2015 and an independent director of Yingda Taihe Property Insurance Co., Ltd. (英大泰和財產保險股份有限公司) since May 2016. She is also a professor in the school of business of Renmin University of China (中國人民大學). Ms. Zhao obtained her doctor's degree from Liaoning University in 2005.

Supervisors

The Board of Supervisors currently consists of three supervisors. The Board of Supervisors is responsible for monitoring the financial matters and overseeing the actions of the Board of Directors and the senior management. The table below sets forth certain information regarding the supervisors as at the date of this Offering Circular:

| Name | Age | Position |
|-------------------------------|-----|--------------------------------------|
| Zhang Wenjuan (張文娟) | 49 | Chairman of the Board of Supervisors |
| Sun Juan (孫娟) | 34 | Supervisor |
| Liu Gang (劉剛) | 54 | Supervisor |

Ms. Zhang Wenjuan, age 49, has been the chairman of the Board of Supervisors since May 2016. From July 1988 to April 2010, Ms. Zhang served as the deputy chief, chief, assistant to the director general and deputy director general of the finance department of Tsinghua University (清華大學). Ms. Zhang has been serving as the vice president of Tsinghua Holdings since April 2010. She currently also serves as the chairman of Tsinghua Holdings Group Finance Co., Ltd. (清華控股集團財務有限公司) and a director of Qingkong Asset Management Co., Ltd. (清控資管有限公司). She obtained her master's degree from Tsinghua University (清華大學) in 1999.

Ms. Sun Juan, age 34, has been a supervisor of the Guarantor since May 2016. From May 2007 to February 2013, Ms. Sun worked in Zhong Sheng Law Firm (中盛律師事務所). She joined Tsinghua Holdings in March 2013 and currently serves as the corporate governance director of the department of business management therein. Ms. Sun obtained her master's degree in law from Nankai University in 2007.

Mr. Liu Gang, age 54, has been a supervisor of the Guarantor since May 2016. From January 2001 to September 2006, Mr. Liu served as the general manager of the predecessor of the Guarantor, Tsinghua Artificial Environmental Engineering Company (清華人工環境工程公司). Since September 2006, Mr. Liu served as the head of the president's office of the Guarantor, the general manager of the

photoelectric business department and executive deputy manager of the semiconductor and lighting department. Mr. Liu obtained his master's degree from the department of thermal engineering from Tsinghua University (清華大學) in 1988.

Senior Management

The senior management is appointed by and answerable to the Board of Directors. The senior management is primarily responsible for implementing the decision of the Board of Directors regarding the management of the operations, implementing the annual business and investment plans, setting up the corporate governance structure and drafting detailed corporate protocols, and appointing and dismissing other senior management.

The table below sets forth certain information regarding members of the senior management as at the date of this Offering Circular:

| Name | Age | Position |
|--------------------------------|-----|--|
| Huang Yu (黃俞) | 49 | President |
| Li Jianhang (李健航) | 49 | Chief operation officer |
| Chen Zhiqiang (陳志強) | 46 | Senior vice president |
| Liu Weidong (劉衛東) | 54 | Vice president and chief financial officer |
| Li Jisheng (李吉生) | 52 | Vice president |
| Zhou Xia (周俠) | 51 | Vice president |
| Zhao Weijian (趙維健) | 52 | Vice president |
| Gao Zhi (高志) | 54 | Vice president |
| Qin Xuzhong (秦緒忠) | 45 | Vice president |
| Zhang Yuanyuan (張園園) | 40 | Secretary of the board of directors |

Mr. Huang Yu, age 49, has been the president of the Guarantor since May 2016. For Mr. Huang's biography, see "*Directors*" above.

Mr. Li Jianhang, age 49, has been the chief operation officer of the Guarantor since May 2016. Mr. Li joined the Group in 1998 and served as the general manager and chief engineer of Tongfang Computer Co., Ltd., the vice president of the Guarantor and the general manager of the computer system department and multimedia technology department. Mr. Li holds the certificate of "senior engineer". Mr. Li obtained his master's degree from Tsinghua University in 1995.

Mr. Chen Zhiqiang, age 46, has been a senior vice president of the Guarantor since May 2016. Mr. Chen joined the Group in 1997 and served as a director of technology department, assistant to the president, executive vice president, the chairman of the board of directors and the president of Tongfang Nutech. Mr. Chen served as a director of the nuclear information processing research laboratory of the Institute of Nuclear and New Energy Technology of Tsinghua University since 1999. Mr. Chen obtained a doctoral degree from the engineering physics department of Tsinghua University in 1999.

Mr. Liu Weidong, age 54, has been a vice president and the chief financial officer of the Guarantor since May 2016. Mr. Liu joined the Group in 2003 and served as deputy general manager of the audit department, deputy chief accountant and vice president and chief accountant of the Guarantor. He obtained his master's degree from the school of economics and management of Tsinghua University in 2006.

Mr. Li Jisheng, age 52, has been a vice president since May 2016. Mr. Li joined the Group in June 1997 and served as the general manager of Tsinghua Artificial Environmental Engineering Company (清華人工環境工程公司) and Tsinghua Tongfang Information Systems Co., Ltd. (清華同方信息系統公司), the general manager of the applied information system department and department of military

industry and the chief engineer of the Guarantor. Mr. Li currently also serves as the general manager of the department of military industry of the Guarantor. He obtained his doctor's degree from the department of thermal engineering of Tsinghua University in 1994.

Mr. Zhou Xia, age 52, has been a vice president of the Guarantor since May 2016. Mr. Zhou joined the Group in 2000 and served as the general manager of the education division of the applied information system department, deputy general manager of the applied information system department, general manager of Tongfang Government System Technology Co., Ltd. (同方政務系統科技公司). Since May 2016, Mr. Zhou has been serving as the general manager of the department of internet of things application industry. Mr. Zhou obtained his bachelor's degree from Beihang University (北京航空航天大學) in 1990.

Mr. Zhao Weijian, age 52, has been a vice president of the Guarantor since May 2016. Mr. Zhao worked in China Resources (華潤集團) from 1989 to 2001. He founded Beijing Tongfang Microelectronics Co., Ltd. (北京同方微電子有限公司) in 2001 and served as the general manager and the chairman of the board of directors therein. From May 2012 to November 2015, Mr. Zhao served as a director and the president of Tongfang Guoxin Electronics Co., Ltd. (同方國芯電子股份有限公司). He has been serving as the head of the innovation and research institution of the Guarantor since May 2016. Mr. Zhao holds the certificate of "senior engineer". Mr. Zhao obtained his master's degree from Tsinghua University in 1989.

Mr. Gao Zhi, age 54, has been a vice president of the Guarantor since May 2016. From July 1997 to May 2016, Mr. Gao served as the deputy general manager and general manager of the selling centre, the deputy general manager of the applied information system department, the general manager of the business management department, assistant to the president of the Guarantor, and special vice president and the general manager of the operation centre. Mr. Gao obtained his master's degree from the school of economics and management of Tsinghua University in 2006.

Mr. Qin Xuzhong, age 45, has been a vice president of the Guarantor since May 2016. Mr. Qin joined the Group in June 2000 and served as the general manager of the smart city department, the deputy executive general manager of the digital city department and the general manager of the engineering centre. He also served as the assistant to the president of the Guarantor and the general manager of Tongfang Energy Saving Engineering Technology Co., Ltd. (同方節能工程技術有限公司). Mr. Qin holds the certificate of "professorate senior engineer". He obtained his doctor's degree from the department of thermal engineering of Tsinghua University in 2000.

Ms. Zhang Yuanyuan, age 40, has been the secretary of the Board of Directors since May 2016. From March 2002 to May 2016, Ms. Zhang served as the business manager of the applied information system department and the securities affairs representative of the Guarantor. Ms. Zhang currently also serves as the general manager of the securities department of the Guarantor. She obtained her master's degree from the law school of Dongbei University of Finance and Economics (東北財經大學) in 2002.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgements do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the local governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organisation of the People's Courts (《人民法院組織法》), the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgement or order of a local court to the court at the next higher level. Second judgements or orders given at the next higher level and the first judgements or orders given by the Supreme People's Court are final. First judgements or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgement which has been given by any court at a lower level, or if the people's procuratorate at a higher level finds such error in a legally effective judgement or order of any people's court at a lower level the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court where the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgement or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgement, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgement.

A party seeking to enforce a judgement or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. A foreign judgement or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign currency at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the “Notice of PBOC Concerning Further Reform of the Foreign Currency Control System (《中國人民銀行關於進一步改革外匯管理體制的公告》)”, effective from 1 January 1994. The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the “Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理暫行規定》)” (the “Provisional Regulations”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily central parity of Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the “*Regulations for the Control of Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》)” (“Control of Foreign Exchange Regulations”) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council of the PRC and came into effect on 5 August 2008 (the “New Forex Regulation”). The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the foreign exchange administration. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the “*Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange*” (《結匯、售匯及付匯管理規定》) (the “Settlement Regulations”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the “*Notice Concerning the Discontinuance of Foreign Exchange Swap Business*” (《中國人民銀行、國家外匯管理局關於停辦外匯調劑業務的通知》) pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

On 9 June 2016, SAFE published the “*Notice on Reforming and Standardising the Administrative Policies on Capital Account Foreign Exchange Settlement*” (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “Notice”), which became effective on the same day. According to this Notice, PRC domestic enterprises (including both Chinese-funded enterprises and Foreign-invested enterprises but except financial institutions) can convert foreign debt borrowed offshore into RMB for their actual business needs in the PRC. It therefore may provide a legal basis for a PRC issuer/borrower to remit the proceeds from its offshore direct bond issuance/offshore borrowing back to the PRC and convert such proceeds (including foreign exchange capital and foreign debt and overseas listed repatriation of capital, etc.) into RMB for onshore business use after certain foreign exchange settlement. The implementation of the Notice enables PRC issuer/borrower to open a remittance account with an onshore bank and to process the remittance (including Foreign exchange capital, foreign debt and transferred back funds raised through overseas listing etc.) of such proceeds from offshore to onshore based on domestic institution’s actual business need.

Rules for Cross-border Renminbi Business

On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, PBOC and five other PRC authorities (the “**Six Authorities**”) promulgated the “*Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-border Trades*” (《關於擴大跨境貿易人民幣結算試點有關問題的通知》), the “*Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement*” (《關於擴大跨境貿易人民幣結算地區的通知》) and the “*Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods*” (《關於出口貨物貿易人民幣結算企業管理有關問題的通知》) (together as “**Circulars**”). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement

currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to the Six Authorities a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list.

On 5 July 2013, PBOC issued the “*Circular of the People’s Bank of China on Simplifying the Procedures for Cross-border RMB Business and Improving the Relevant Policies*”(《關於簡化跨境人民幣業務流程和完善有關政策的通知》)(the “**2013 PBOC Notice**”) to simplify the procedures under the cross-border Renminbi trade settlement, relaxed deadlines and financing account limit, regulate the domestic non-financial institutions Renminbi offshore lending business and provide external guarantees and other services. The 2013 PBOC Notice encourages the domestic bank to carry out cross-border Renminbi financing business, the domestic non-financial institutions to apply with domestic bank for its offshore Renminbi settlement business as well.

According to the 2013 PBOC Notice, PBOC does not set limits for the qualification and guaranteed amount of domestic non-financial institutions engaging in the cross-border Renminbi guarantee business.

Regulations Regarding Overseas Investment and Acquisition Activities

NDRC Supervision

According to the “*Measures for the Administration of Approval and Filing of Overseas Investment Projects*”(《境外投資項目核准和備案管理辦法》) effective from 8 May 2014 and amended on 27 December 2014, and replacing “*Interim Measures for the Administration of Verification and Approval of Overseas Investment Projects*”(《境外投資項目核准暫行管理辦法》), the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, areas or industries, regardless of the Investment amount, the projects shall be subject to the approval of NDRC. If the amount of the investment made by the Chinese party is U.S.\$2 billion or more, and the project is related to the sensitive countries, areas or industries, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for the approval. Other than the projects specified above, the other projects shall be subject to the filing administration.

Specifically, overseas investment projects carried out by enterprises under central management, and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the record-filing by NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the record-filing by competent investment departments of the provincial government.

According to the “*Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects*”(關於實施《境外投資項目核准和備案管理辦法》有關事項的通知), the “*Circular of NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities*”(《國家發展改革委關於做好境外投資項目下放核准權限工作的通知》) was terminated.

Investment projects to be carried out in Hong Kong and/or the Macao Special Administrative Region shall be governed by the “*Measures for the Administration of Approval and Filing of Overseas Investment Projects*”(《境外投資項目核准和備案管理辦法》).

MOFCOM Supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”)(《境外投資管理辦法》). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment

Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “**Sensitive countries and regions**” mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “**Sensitive industries**” mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, Central Enterprises, which refer to enterprises for which the State-owned Asset Supervision and Administration Commission of the PRC State Council perform the duty of capital contributor, their affiliated enterprises or other centrally-administered entities, shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise’s application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form.

The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry if the investing enterprise still needs to make overseas investment. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal formalities is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

Foreign Exchange Administration

According to the “*Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions*” and “*Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies*” (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), domestic investors within the PRC that have

been permitted to make outbound investment shall go through the procedures of registration with local commercial bank where such domestic investor is incorporated. Such local commercial bank shall have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and have opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. The local commercial bank shall issue a foreign exchange registration certificate (境外直接投資外匯登記業務憑證) generated by the capital account information system for overseas direct investment to the domestic investor. The domestic investor shall go through the formalities for outward remittance of funds for overseas direct investment at the designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the foreign exchange registration certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic investors includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the SAFE for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

NDRC Registration

On 14 September 2015, the NDRC issued the NDRC Notice, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross border financing, the New NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the New NDRC Circular, “foreign debts” means RMB-denominated or foreign currency-denominated debt instruments with a maturity of one year or above which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the New NDRC Circular.

Pursuant to the New NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within 5 working days upon receipt of the filing and registration application and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises based on the overall size of foreign debts within 7 working days upon accepting the application.

To issue foreign debts, an enterprise shall meet these basic conditions:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the New NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration. The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 23 October 2017.

According to the New NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “One Belt and One Road”, the coordinated development of Beijing, Tianjin, and Hebei Province, the Yangtze River Economic Belt, international cooperation on production capacity and the equipment manufacturing.

As the New NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification. The Guarantor undertakes that it will comply with the requirements of the New NDRC Circular in respect of the Bonds.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“two-year exemption and three-year reduction by half”).

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The new EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a *“Notice on the Implementation of the Transitional Preferential Enterprise Income Tax Policies”* (《國務院關於實施企業所得稅過渡優惠政策的通知》), or Circular 39. Further, as at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year reduction by half” of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the new EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

After the implementation of the new EIT law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. Pursuant to the “*Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy*”(《關於深入實施西部大開發戰略有關稅收政策問題的通知》), effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority.

In addition, pursuant to the “*Circular of the Ministry of Finance and State Administration of Taxation on Issues Relevant to the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment*” promulgated on 23 September 2008 (“Circular 46”) and the “*Circular on Issues Concerning the Implementation of Enterprise Income Tax Incentives on Infrastructure Project Enterprises Which Are Supported by the State*”(《關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》) with effect from 1 January 2008 (“Circular 80”), an enterprise set up after 1 January 2008 and engaged in public infrastructure projects is entitled to three-year full exemption followed by a three-year 50 per cent. exemption commencing from the first year it generates operating income.

Value-added Tax

According to the “*Tentative Regulations on the Value-added Tax of the PRC*”(《中華人民共和國增值税暫行條例》) which was revised by the State Council on 6 February 2016, and the “*Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC*”(《中華人民共和國增值税暫行條例實施細則》) promulgated by the PRC Ministry of Finance which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent. except as otherwise prescribed by the State Council.

On 23 March 2016, the Ministry of Finance and the SAT issued Circular 36, which completely replaced the regime of PRC business tax from 1 May 2016. Pursuant to Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. The rate of the value-added tax for the provision of financial services shall be 6%. In addition, the holders of the Bonds may also be subject to the local levies at approximately 6 per cent. to 12 per cent. (comprising) of the VAT payment and consequently, the combined rate of VAT and local levies could be around 6.36 per cent. to 6.72 per cent.

Deed Tax

Under the PRC Provisional Regulations on Deed Tax (《中華人民共和國契稅暫行條例》) of 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of the PRC.

The deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of local conditions and reported to the MOF and the State Tax Administration for record.

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 as amended in 2011 and its implementing rules of 1995, the Land Appreciation Tax (“LAT”) applies to both domestic and foreign investors in real properties in the PRC, irrespective of

whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain “deductible items” that include the following:

- (i) payment made to acquire land use rights;
- (ii) costs and expenses incurred in connection with land development;
- (iii) construction costs and expenses in the case of newly constructed buildings and facilities, or the assessed value in the case of old buildings and facilities;
- (iv) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- (v) other items allowed by the Ministry of Finance.

LAT shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items.

On 28 December 2006, the State Bureau of Taxation promulgated the Notice of the SAT on the relevant Issues Concerning the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), effective as at 1 February 2007. According to the Notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT if one of the following circumstances occurs:

- (i) a construction project has been completed and its commodity houses sold;
- (ii) an uncompleted real estate development project that has neither been completed nor undergone final accounts is transferred as a whole; or
- (iii) a direct transfer of the land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

- (i) the floor area of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable floor area has been leased out or is held for self-use;
- (ii) the pre-sale permit has been held for three years, but the commodity houses of the project still have not been sold;
- (iii) the taxpayer applies for cancellation of tax registration but has yet to carry out the procedures for the LAT settlement; or
- (iv) others circumstances provided by tax authorities at the provincial level.

On 25 May 2010, the SAT promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加強土地增值稅征管工作的通知》) to impose further requirements on the collection of LAT. This notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in East China, no less than 1.5% for properties in Central or Northeast China and no less than 1% for properties in West China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988 and amended in December 2006, January 2011 and December 2013, urban land use tax shall be calculated on the basis of the areas of land actually occupied by the taxpayers and shall be collected in accordance with the specified amount of tax, and the annual tax rate on urban land is set at between RMB0.6 and RMB30 per sq.m.

Building Tax

Under the Provisional Regulations of the PRC on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986 and amended in January 2011, building tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the value of a rental lease.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988 and amended in January 2011 applying to building property transfer instruments, including property ownership transfer instruments, the duty rate is 0.05% of the amount stated therein. For permits and certificates relating to rights, including Property Ownership Certificates and Land Use Rights Certificates, stamp duty is levied on an item-by-item basis at a rate of RMB5 per item.

Municipal Maintenance Tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on 8 February 1985 and amended in January 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》).

Government grants and subsidies

On 27 November 2014, the State Council issued the “*Notice of the State Council on trimming and regulating preferential tax policies*” (《國務院關於清理規範稅收等優惠政策的通知》)(the “Notice”), which provided for strict management of financial expenditures and that all local governments and authorities shall not impose fiscal preferential policies on enterprises without approval of the State Council. Preferential policies linked to tax payment or non-tax incomes of enterprises and their investors

(or administrators), including Levy First Refund Later (先征後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished.

Environmental Protection Laws

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC, Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Air Pollution Law of the PRC and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other environmental protection laws applicable to the Group include the “*Regulations of Environmental Protection Management on Construction Project*”, the “*Regulations of Environmental Protection Acceptance Inspection on Completion of Construction Projects*” and the Environmental Impact Evaluation Law of the PRC.

Cross-border Security Laws

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知)(collectively the “New Regulations”). The New Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only unless as otherwise expressly specified by the foreign exchange authority; (iii) removing eligibility requirements for providers of cross-border security except for general restriction clauses such as uses of funds which apply to all institutions; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸)(“NBWD”): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Dai (外保內貸)(“WBND”): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of changes to the principal clauses of the security). The

funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor's obligations in respect of the Bonds and the Trust Deed (the "Guarantee") are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the local SAFE will go through a procedural review (as opposed to a substantive approval process) of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration. The Guarantor has been advised by its PRC legal advisors that there are no foreseeable obstacles to the completion of the registration so long as all relevant documents have been duly submitted to SAFE.

Under the New Regulations:

- non-registration does not render the Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and
- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

A PRC non-financial institution may provide guarantee for offshore entities in accordance with the Property Law of the People's Republic of China, the Guarantee Law of the People's Republic of China and other relevant laws. Where the guarantee performance is triggered for a non-financial institution, the non-financial institution may directly handle the foreign exchange purchase and external payment required to perform its guarantee obligations on the strength of the guarantee registration document with the seal of the foreign exchange bureau affixed thereto.

Regulation of Real Estate Developers in the PRC

Establishment of a Real Estate Developer

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》)(the "Urban Real Estate Law") promulgated by the Standing Committee of the National People's Congress, effective on 1 January 1995 and revised in 2007 and 2009, a "real estate developer" refers to an enterprise which engages in the development and sale of real estate for profit-making purposes. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》)(the "Development Regulations") promulgated by the State Council on 20 July

1998 and revised in 2011, an enterprise engaging in real estate development must satisfy the following requirements in addition to other enterprise establishment conditions provided in relevant laws and administrative regulations:

- (i) its registered capital must be RMB1 million or more; and
- (ii) it must have four or more full-time professional real estate and construction technicians, and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The Development Regulations stipulates that people's governments of the provinces, autonomous regions and/or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a real estate development enterprise according to the local circumstances.

Pursuant to the Development Regulations, to establish a real estate development enterprise, the developer must apply for registration with the department of industry and commerce administration of the people's government at or above the county level, which should, in examining the application for the registration, seek the views of the governmental department governing real estate development at the relevant level. The developer must also report its establishment to the department of real estate development in the location of its registration, within 30 days of the receipt of its business licence.

Qualifications of a Real Estate Developer

According to the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》)(the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on 29 March 2000 and amended on 4 May 2015, a real estate developer shall apply for assessment of their qualification grade in accordance with the Provisions. An enterprise shall not engage in the development and sale of properties without a qualification classification certificate. Administrative authorities in charge of construction under the State Council shall be responsible for the administration of the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of real estate developers within their administrative regions. In accordance with the Provisions on Administration of Qualifications, real estate developers are divided into four classes.

Class 1 qualifications are subject to preliminary examination by the construction authorities under the people's governments of provinces, autonomous regions or municipalities directly under the Central Government and the final approval of administrative authorities in charge of construction under the State Council. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the PRC. Class 2, 3 or 4 qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of Class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m., the detailed business scope of the developer of Class 2 or lower is determined by the construction authorities the people's governments of provinces, autonomous regions or municipalities directly under the Central Government.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their, lengths of time they have conducted real estate development business, professional personnel they employ, performance and operating results from past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued with a qualification certificate of the relevant class by the qualification examination authority. A real estate developer shall only conduct the real estate development in compliance with the approved class of qualification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer shall apply for a formal qualification classification certificate with the real estate development authority within one month before the expiration of its provisional qualification certificate. If enterprises without qualification certificate engage in real estate development and management, competent authorities of real estate development of local people's government at or above the county level shall order them to rectify within a specified time limit, and impose a fine of no less than RMB50,000 but no more than RMB100,000 on them; if they fail to rectify within the specified time limit, competent authorities of real estate development shall submit the matters to administrative authorities for industry and commerce for the revocation of their business licenses.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of Class 1 real estate developer's qualification. Procedures for annual inspection of developers of Class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Regulation of Real Estate Project Development

Obtaining of Land Use Rights

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land.

According to Land Administration Law (《土地管理法》), all land in the urban areas of a city or town is State-owned, and all land in the rural areas and the suburban areas and all farm land is, unless otherwise specified by law, collectively-owned. The State has the right to resume its possession of land or the land use rights in accordance with law if required for the public interest (and compensation must be paid by the State).

Although all land in the PRC is owned by the State or by collectives, it may be lawfully determined to be used by individuals and entities. Individuals and entities may acquire land use rights in different ways, the two most important ones being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Grant of Land Use Rights

Under the Interim Regulations of the People's Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》)(the "Interim Regulations on Assignment and Transfer") promulgated and enforced by the State Council on 19 May 1990 and amended on 1 November 2002 and 4 July 2010, a system of assignment and transfer of the right to use State-owned land has been adopted. A land user shall pay a premium to the State as consideration for the assignment of the land use rights within certain terms, and a land user may transfer, lease, mortgage or perform other commercial activities within his terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a Land Use Rights Certificate in accordance with the relevant provisions. The Certificate is an evidence of the acquisition of land use rights. The Development Regulations provide that the land use rights for a site intended for real estate development shall be obtained by way of an assignment except for those land use rights which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on 9 May 2002 (2002 Regulations) and revised as at 21 September 2007 by Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》), or the 2007 Regulations, and Rules on the Assignment of State-owned Land Use Right through Tenders, Auction and Putting up for Bidding (《招標拍賣掛牌出讓國有土地使用權規範(試行)》) promulgated by the Ministry of Land and Resources on 31 May 2006. In addition, according to Notice of Ministry of Land and Resources and Ministry of Supervision on Continuing to Develop the Assignment of Commercial Land Use Right by Bidding, Auction and Quotation (《國土資源部、監察部關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》), the Ministry of Land and Resources required that with effect from 31 March 2004, the grant of land use rights shall be made pursuant to invitation of tender, auction or listings-for-sale at a land exchange and that no land use rights for commercial uses may be granted by way of agreement for the reason of historical issues after 31 August 2004. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, the grant of land use rights shall be conducted through bid invitation, auction or quotation. A number of measures are provided by the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau shall take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation shall be reported to the people's government at the same level for approval. The grantee shall apply for land registration and obtain the State-owned land use rights certificate upon full payment of the land premium of the granted land according to the State owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding shall be made 20 days prior to the date on which such competitive process begins. Further, it also stipulated that for listing at a land exchange, the time period for accepting bids must be no less than ten days.

In the case of tender, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit.

When land use rights are granted by way of tender, a tender evaluation committee consisting of representative of the grantor and other experts in the odd number of five or more, formed by the land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land grant fee before obtaining the State-owned land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant competent local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights granted by way of bilateral agreement are subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources, effective on 1 August 2003. Only when the methods of tender or auction are not required by the laws, regulations or rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the sum of the fee for compensated land use, the compensation for land acquisition (relocation), and the taxes payable pursuant to the provisions of the state for new construction site. For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70% of the standard land price of the relevant land category. No state-owned land may be granted at a price lower than the minimum price. Only when there is only one prospective land user on the promulgated land to be granted may the land authority grant the land use rights through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Rights Certificate as evidence of the acquisition of the land use rights.

Land Transfer from Current Land User

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract. With respect to the transfer of land use rights, registration for the transfer shall be undertaken in accordance with the relevant regulations and provisions. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

For residential construction projects, under the Provisions on the Administration of Urban Real Estate Transfer (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, where investment and development is carried out according to the terms of the contract of assignment, with respect to house construction projects, not less than 25% of the total project of development shall be completed. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. Pursuant to the Interim Regulations on Assignment and Transfer, the relevant local government shall have the priority to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Under special circumstances, the PRC government may, based on the requirements of social public interests, withdraw the right before the expiration of the term of use in line with the relevant legal procedures and shall base on the number of years in which the land user has used the land and the actual state of affairs with respect to the development and utilisation of the land, offer corresponding compensation.

Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources in March 1999 as amended in November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended on 29 October 2007, 12 November 2008 and 25 November 2016, when carrying out the feasibility study for a construction project subject to examination and approval, a real estate developer shall make a preliminary application for construction to the relevant land administration authority. After receiving the preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans, land supply policies of the government, the conditions prescribed in laws and regulations on land administration and the relevant provisions on the standards of land use, and will complete the pre-examination and offer its pre-examination opinion within 20 days after accepting the pre-examination application or receiving the forwarded materials. The opinions derived from this preliminary examination are requisite documents for the approval and notification of the construction

project. The construction standards and the total scale of the land to be used are set forth in the opinions issued after the preliminary examination and shall be taken into full consideration during the initial design phase of the construction project.

Obtaining Planning Permits and Construction Commencement Permits

Under the Measures for Planning of Granting and Transfer of Right to Use Urban State-Owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) enacted by the Ministry of Construction on 4 December 1992 and effective on 1 January 1993 as amended on 26 January 2011, after signing a grant contract, a real estate developer shall apply for a Permit for Construction Land Planning from administrative department in charge of urban planning. After obtaining a Permit for Construction Land Planning, the real estate developer shall organise the necessary planning and design work in accordance with planning and design requirements and a planning and design proposal in respect of the real estate project shall be submitted to the competent planning authority following the requirements and procedures under the Urban and Rural Planning Law of the PRC (《城鄉規劃法》), which was issued on 28 October 2007 and was revised on and became effective as at 24 April 2015, a construction work planning permit shall be obtained from the competent planning authority.

In addition, a real estate developer shall apply for a Construction Commencement Permit from the construction administrative authority under the local people's government above the county level pursuant to the Measures for the Administration of Construction Work Permit of Construction Projects (《建筑工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on 25 June 2014 and effective on 25 October 2014. For a construction project whose investment is less than RMB300,000 or whose construction area is less than 300 square meters, the construction entity may be allowed not to apply for a construction permit.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance under the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated in November 1997 and amended in 2011. A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After construction of a project is complete, the real estate developer must organise an acceptance examination by relevant government authorities and experts according to the Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) promulgated and implemented by State Council on 3 January 2000 and the Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by the Ministry of Housing and Urban-rural Development on 2 December 2013. The developer shall also file details of the acceptance examination pursuant to the Measures for Filing Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated on 7 April 2000 and amended on 19 October 2009. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, the sale of commodity houses can include both sales prior to the completion of the buildings, i.e. pre-sale of commodity properties and sales after the completion of the buildings.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

Income Tax

Pursuant to the PRC EIT Law effective on 1 January 2008 and amended on 24 February 2017 and the Individual Income Tax Law of the PRC, as amended on 30 June 2011 and effective on 1 September 2011 (“**IIT Law**”), and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer (if such interests are regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be)) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the PRC and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between the PRC and Hong Kong and relevant interpretation of the arrangement formulated by SAT of the PRC.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax under the IIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds. In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-PRC resident enterprise holders of the Bonds and 20 per cent. for non-resident individual holders of the Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

Value Added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by MOF and SAT. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real

Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.

Circular 36 further clarified that “loan services” refer to the activities of lending capital for another’s use and receiving the interest income thereon. Based on such an interpretation, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer or the Guarantor, which thus shall be regarded as the provision of financial services. Accordingly, the interest and other earnings received by a non-PRC resident Bondholder from the Guarantor and, if the Issuer is treated as a PRC resident enterprise, the Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Guarantor. Pursuant to Interim Regulation of the People’s Republic of China on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定), Notice of the Ministry of Finance on the Relevant Matters on Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知) and other relevant PRC laws and regulations, the local levies will be applicable when entities and individuals are obligated to pay VAT (for an aggregate of 6 per cent. to 12 per cent. on any VAT payable) and consequently, the combined rate of VAT and surcharges would be around between 6.36 per cent. to 6.72 per cent.

However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

The Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions of the Bonds*”.

Stamp Duty

No PRC stamp duty will be imposed on non-resident holders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC. The Issuer intends to maintain the register of holders of the Bonds outside the PRC.

British Virgin Islands

The following is a discussion on certain British Virgin Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor’s particular circumstances, and does not consider tax consequences other than those arising under British Virgin Islands law.

Under existing British Virgin Islands laws, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the interbank foreign exchange spot market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. The band was further expanded to 2.0 per cent. on 14 March 2014. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar. The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the U.S. Federal Reserve Board.

| Period | Noon buying rate ⁽¹⁾ | | | |
|---|---------------------------------|------------------------|--------|------------|
| | Low | Average ⁽²⁾ | High | Period End |
| RMB per U.S.\$1.00 | | | | |
| 2011 | 6.2939 | 6.4475 | 6.6364 | 6.2939 |
| 2012 | 6.2221 | 6.2990 | 6.3879 | 6.2301 |
| 2013 | 6.0537 | 6.1412 | 6.2438 | 6.0537 |
| 2014 | 6.0402 | 6.1704 | 6.2591 | 6.2046 |
| 2015 | 6.1870 | 6.2869 | 6.4896 | 6.4778 |
| 2016 | 6.4480 | 6.6549 | 6.9580 | 6.9430 |
| 2017 | | | | |
| January | 6.8360 | 6.8907 | 6.9575 | 6.8768 |
| February | 6.8517 | 6.8694 | 6.8821 | 6.8665 |
| March | 6.8687 | 6.8940 | 6.9132 | 6.8832 |
| April | 6.8778 | 6.8876 | 6.8988 | 6.8900 |
| May | 6.8098 | 6.8843 | 6.9060 | 6.8098 |
| June | 6.8029 | 6.8066 | 6.8382 | 6.7793 |
| July | 6.7240 | 6.7694 | 6.8039 | 6.7240 |
| August | 6.5888 | 6.6670 | 6.7272 | 6.5888 |
| September | 6.4773 | 6.5690 | 6.6591 | 6.6533 |
| October | 6.5712 | 6.6254 | 6.6533 | 6.6328 |
| November (through 10 November 2017) | 6.6018 | 6.6252 | 6.6380 | 6.6378 |

Notes:

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 2017 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

| Joint Lead Managers | Principal Amount of the Bonds be subscribed |
|--|--|
| | (U.S.\$) |
| DBS Bank Ltd. | |
| Bank of China Limited. | |
| Morgan Stanley & Co. International plc | |
| CMB International Capital Limited | |
| Sun Hung Kai Investment Services Limited | |
| TOTAL | |
| | |

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Joint Lead Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor, for which they have received, or will receive, customary fees and expenses.

In connection with the Offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the bonds being ‘offered’ should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. See “*Risk Factors – Risks Relating to the Bonds and the Guarantee – An active trading market for the Bonds may not develop and there may be limited liquidity for the Bonds*”. The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the

Issuer and/or the Guarantor, including the Bonds, and could adversely affect the trading prices of the Bonds. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Joint Lead Managers acting as stabilisation coordinator (the “**Stabilisation Coordinator**”) (or persons acting on its behalf) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Coordinator (or any person acting on behalf of the Stabilisation Coordinator) shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Coordinator (or any person acting on behalf of the Stabilisation Coordinator) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Coordinator.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds are restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has represented that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds or the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantee, except with its affiliates or with the prior written consent of the Issuer.

Each of the Joint Lead Managers has represented and agreed that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds and the Guarantee in the United States.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

The People's Republic of China

Each Joint Lead Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws or other relevant regulations of the People's Republic of China.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering

or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any offer to any person in the British Virgin Islands to purchase or subscribe for any of the Bonds.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Group's Financial Statements included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain differences between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The Guarantor is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

In making an investment decision, investors must rely upon their own examination of the Guarantor, the Group, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included herein.

Reversal of Impairment Losses on Assets

In accordance with to "*PRC Accounting Standards No. 8 – Impairment of Assets*", an asset impairment loss that has been recognised shall not be reversed in subsequent accounting periods, while in accordance with IAS 36 "*Impairment of Assets*", an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill can be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of that asset since the last impairment loss was recognised.

As at 30 June 2017, the Group had no such reversal of impairment losses on assets. Therefore, the above technical difference had no substantial impact on the audited or reviewed financial statements included elsewhere in this Offering Circular.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 171760046 and the ISIN for the Bonds is XS1717600461.
2. **Authorisations:** Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of their respective obligations under the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 15 November 2017. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by a resolution of the board of directors and a resolution of the shareholders of the Guarantor dated 16 April 2017 and 10 May 2017, respectively.
3. **No Material and Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2017.
4. **Litigation:** None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which the Issuer or the Guarantor believes is material in the context of the Bonds or the giving of the Guarantee nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.
5. **Available Documents:** So long as any of the Bonds is outstanding, copies of the Group's Financial Statements, the Issuer's and the Guarantor's articles of association, the Trust Deed, the Deed of Guarantee and the Agency Agreement will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding during normal business hours (being between 9:00 a.m. to 3:00 p.m.) at the specified office of the Principal Paying Agent and the principal place of business of the Trustee, which at the date of this Offering Circular is at One Canada Square, London E14 5AL, United Kingdom.
6. **Financial Statements:** The Group's audited consolidated financial information as at and for the years ended 31 December 2014, 2015 and 2016 has been derived from the Group's Audited Financial Statements, which have been audited by ShineWing. The consolidated financial information of the Group as at 30 June 2017 and for the six months ended 30 June 2016 and 2017 has been derived from the Group's 2017 Interim Financial Statements, which have been reviewed by ShineWing.
7. **Listing of Bonds:** Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 2017.

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信永中和会计师事务所
ShineWing
certified public accountants

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Review Report

XYZH/2017BJA80307

To The Shareholders of Tongfang Co., Ltd:

We have reviewed the accompanying financial statements of Tongfang Co.,Ltd. (hereinafter referred to as "Tongfang"), including the consolidated and the Company's balance sheets as at June 30, 2017, the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements, the consolidated and the Company's statements of changes in equity for the six-month period then ended, and notes to these financial statements. The management of Tongfang is responsible for the preparation and fair presentation of these financial statements. Our responsibility is to express an opinion on these financial statements based on our review.

We conducted our review in accordance with Chinese Standard on Review No.2101, "Review of Financial Statements" for Certified Public Accountants. Those standards require that we comply with ethical requirements, plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatement, and provide conclusions in a passive manner. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly in accordance with the Accounting Standards for Business Enterprises or do not present fairly, in all material respects, the financial position of the consolidated and the Company as at 30 June 2017, and of its financial performance and its cash flow for the six-month period then ended.

ShineWing Certified Public Accountants



Certified Public Accountant:

陈军



Certified Public Accountant:

彭帅



Beijing, China

28 August 2017

Consolidated Balance Sheet

2017-6-30

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2017/6/30 | 2016/12/31 |
|---|--------|-------------------|-------------------|
| Current assets: | | | |
| Cash at bank and on hand | VI. 1 | 8,756,578,524.22 | 10,958,180,121.53 |
| Financial assets at fair value through profit or loss | VI. 2 | 774,530,753.69 | 864,994,753.09 |
| Notes receivable | VI. 3 | 52,524,455.98 | 89,024,500.29 |
| Accounts receivable | VI. 4 | 7,682,128,702.41 | 7,115,732,144.17 |
| Prepayments | VI. 5 | 1,222,598,390.01 | 1,050,557,527.45 |
| Interest receivable | | 0.00 | 0.00 |
| Dividends receivable | VI. 6 | 385,408,963.70 | 22,041,113.97 |
| Other receivables | VI. 7 | 992,478,028.59 | 1,271,659,662.12 |
| Inventories | VI. 8 | 9,862,259,746.39 | 9,256,404,728.06 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | VI. 9 | 3,182,611,701.95 | 3,096,887,049.00 |
| Total current assets | | 32,911,119,266.94 | 33,725,481,599.68 |
| Non-current assets: | | | |
| Available-for-sale financial assets | VI. 10 | 3,358,199,430.89 | 3,020,578,817.78 |
| Held-to-maturity investments | | 0.00 | 0.00 |
| Long-term receivables | VI. 11 | 1,045,550,550.62 | 908,285,567.16 |
| Long-term equity investments | VI. 12 | 13,241,921,839.83 | 12,156,644,248.13 |
| Investment properties | VI. 13 | 14,700,000.00 | 14,700,000.00 |
| Fixed assets | VI. 14 | 3,205,662,443.39 | 3,292,441,420.70 |
| Construction in progress | VI. 15 | 673,867,380.92 | 592,410,463.69 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | VI. 16 | 1,264,321,104.69 | 1,332,467,485.71 |
| Development expenditure | VI. 17 | 840,127,813.06 | 740,111,883.31 |
| Goodwill | VI. 18 | 1,179,634,154.75 | 1,060,128,754.25 |
| Long-term deferred expenses | VI. 19 | 43,763,373.68 | 45,480,498.28 |
| Deferred tax assets | VI. 20 | 278,518,189.59 | 207,487,014.65 |
| Other non-current assets | VI. 21 | 613,853,217.83 | 516,073,399.22 |
| Non-current assets | | 25,760,119,499.25 | 23,886,809,552.88 |
| Total assets | | 58,671,238,766.19 | 57,612,291,152.56 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Balance Sheet (Continued)

2017-6-30

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Liabilities and equity | Note | 2017/6/30 | 2016/12/31 |
|---|--------|-------------------|-------------------|
| Current liabilities: | | | |
| Short-term loans | VI. 23 | 10,436,768,725.88 | 7,928,914,235.02 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | VI. 24 | 355,640,902.14 | 433,090,726.38 |
| Accounts payable | VI. 25 | 6,111,591,699.17 | 7,237,904,788.49 |
| Advances receipts | VI. 26 | 4,412,999,077.66 | 4,815,134,276.38 |
| Employee benefits payable | VI. 27 | 322,949,302.32 | 476,706,322.61 |
| Taxes payable | VI. 28 | 112,902,430.85 | 496,246,493.30 |
| Interests payable | VI. 29 | 105,406,706.84 | 114,489,597.41 |
| Dividends payable | VI. 30 | 754,605,699.63 | 13,630,961.88 |
| Other payables | VI. 31 | 881,284,593.75 | 884,858,592.17 |
| Non-current liabilities due within one year | VI. 32 | 1,170,011,520.00 | 1,070,721,400.00 |
| Other current liabilities | VI. 33 | 5,071,985,443.51 | 5,037,645,081.98 |
| Total current liabilities | | 29,736,146,101.75 | 28,509,342,475.62 |
| Non-current liabilities: | | | |
| Long-term loans | VI. 34 | 1,139,467,699.13 | 1,067,010,203.66 |
| Bonds payable | VI. 35 | 3,500,000,000.00 | 2,800,000,000.00 |
| Long-term payables | VI. 36 | 232,094.08 | 232,094.08 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | VI. 37 | 2,100,000.00 | 2,100,000.00 |
| Provisions | VI. 38 | 3,465,043.04 | 6,356,662.80 |
| Deferred income | VI. 39 | 359,815,351.91 | 389,203,869.68 |
| Deferred tax liabilities | VI. 20 | 287,527,158.37 | 281,699,013.81 |
| Other non-current liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 5,292,607,346.53 | 4,546,601,844.03 |
| Total liabilities | | 35,028,753,448.28 | 33,055,944,319.65 |
| Shareholders' equity: | | | |
| Share capital | VI. 40 | 2,963,898,951.00 | 2,963,898,951.00 |
| Capital surplus | VI. 41 | 9,331,073,187.20 | 9,331,433,136.68 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | VI. 42 | 35,186,743.64 | 282,695,752.77 |
| Special reserve | | 0.00 | 0.00 |
| Surplus reserve | VI. 43 | 1,314,511,100.64 | 1,314,511,100.64 |
| Undistributed profits | VI. 44 | 7,035,819,349.96 | 7,897,458,148.30 |
| Total shareholders' equity attributable to shareholders of the parent company | | 20,680,489,332.44 | 21,789,997,089.39 |
| Non-controlling interests | | 2,961,995,985.47 | 2,766,349,743.52 |
| Total shareholders' equity | | 23,642,485,317.91 | 24,556,346,832.91 |
| Total equity and liabilities | | 58,671,238,766.19 | 57,612,291,152.56 |

Legal representative of the Company:

业周
印立

Person in charge of finance:

东刘
印工

Head of accounting department:

许王
印映

Consolidated Income Statement

1/1/2017-30/6/2017

Prepared by: Tsinghua Tongfang Co., Ltd.

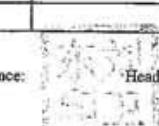
Unit: RMB Yuan

| Item | Note | 1/1/2017-30/6/2017 | 1/1/2016-30/6/2016 |
|--|--------|--------------------|--------------------|
| I. Revenue | VI. 45 | 10,013,584,405.41 | 10,655,488,519.09 |
| II. Operating costs and expenditures | | 10,450,047,784.44 | 11,547,462,583.83 |
| Including: Costs | VI. 45 | 8,028,474,813.94 | 8,932,981,902.06 |
| Business taxes and surcharges | VI. 46 | 76,424,459.98 | 53,735,341.02 |
| Selling and distribution expenses | VI. 47 | 909,992,326.06 | 952,573,943.36 |
| General and administrative expenses | VI. 48 | 972,739,571.91 | 1,179,961,539.28 |
| Financial expenses | VI. 49 | 310,331,768.54 | 277,376,235.75 |
| Impairment losses on assets | VI. 50 | 152,084,844.01 | 150,833,622.36 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | VI. 51 | -80,583,885.80 | -352,859,228.73 |
| Investment income (loss is denoted by "-") | VI. 52 | 418,484,313.41 | 7,204,486,388.75 |
| Including: Income from joint venture and associates investment | | 330,588,834.69 | 306,064,796.60 |
| Other income | VI. 53 | 30,134,409.04 | 0.00 |
| III. Operating profit (loss is denoted by "-") | | -68,428,542.38 | 5,959,653,095.28 |
| Add: non-operating income | VI. 54 | 86,634,569.54 | 270,843,825.65 |
| Including: Proceeds on disposal of non-current assets | | 13,255,896.54 | 3,890,057.57 |
| Less: Non-operating expenses | VI. 55 | 10,073,687.74 | 13,747,645.87 |
| Including: Losses from disposal of non-current assets | | 2,978,302.64 | 7,317,688.10 |
| IV. Profit before income tax (loss is denoted by "-") | | 8,132,339.42 | 6,216,749,275.06 |
| Less: Income tax expenses | VI. 56 | 16,754,789.55 | 1,158,683,037.60 |
| V. Net profit (net loss is denoted by "-") | | -8,622,450.13 | 5,058,066,237.46 |
| Net profit attributable to shareholders of the parent company | | -120,664,060.59 | 4,956,883,324.65 |
| Net profit attributable to non-controlling interests | | 112,041,610.46 | 101,182,912.81 |
| VI. Other comprehensive income after tax | VI. 57 | -265,037,018.64 | 783,385,441.87 |
| Other comprehensive income after tax attributable to shareholders of the parent company | | -247,509,009.13 | 762,372,857.48 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | -247,509,009.13 | 762,372,857.48 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity method | | -180,334,579.79 | -7,134,095.64 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | -42,867,417.09 | 764,833,847.35 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | -24,307,012.25 | 4,673,105.77 |
| 6. Others | | 0.00 | 0.00 |
| Other comprehensive income after tax attributable to non-controlling interest after tax | | -17,528,009.51 | 21,012,584.39 |
| VII. Total comprehensive income | | -273,659,468.77 | 5,841,451,679.33 |
| Total comprehensive income attributable to shareholders of the parent company | | -368,173,069.72 | 5,719,256,182.13 |
| Total comprehensive income attributable to non-controlling interests | | 94,513,600.95 | 122,195,497.20 |
| VIII. Earnings per share | | | |
| (I) Basic earnings per share | | -0.04 | 1.67 |
| (II) Diluted earnings per share | | -0.04 | 1.67 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Cash Flow Statement

1/1/2017-30/6/2017

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | 1/1/2017-30/6/2017 | 1/1/2016-30/6/2016 |
|--|--------|--------------------|--------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 9,248,266,891.78 | 10,201,924,027.27 |
| Refund of taxes and surcharges | | 112,923,203.95 | 475,750,103.51 |
| Cash received relating to other operating activities | VI. 58 | 390,898,576.15 | 480,950,569.11 |
| Sub-total of cash inflows from operating activities | | 9,752,088,671.88 | 11,158,624,699.89 |
| Cash paid for goods and services | | 9,650,764,716.92 | 11,019,798,837.73 |
| Cash paid to and on behalf of employees | | 1,733,604,239.15 | 1,692,609,443.91 |
| Payments of taxes and surcharges | | 467,530,524.19 | 839,521,229.66 |
| Cash paid relating to other operating activities | VI. 58 | 1,232,124,673.56 | 1,259,436,329.14 |
| Sub-total of cash outflows from operating activities | | 13,084,024,153.82 | 14,811,365,840.44 |
| Net cash flows from operating activities | | -3,331,935,481.94 | -3,652,741,140.55 |
| II. Cash flows from investing activities: | | | |
| Cash received from disposal of investments | | 67,587,399.83 | 20,206,174.81 |
| Cash received from returns on investments | | 30,964,048.43 | 113,780,637.01 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 34,078,321.15 | 20,351,215.01 |
| Net cash received from disposal of subsidiaries | | 283,575,651.07 | 3,348,465,186.93 |
| Cash received relating to other investing activities | VI. 58 | 136,806,271.97 | 19,202,703.97 |
| Sub-total of cash inflows from investing activities | | 553,011,692.45 | 3,522,005,917.73 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 407,553,905.13 | 502,949,979.32 |
| Cash paid to acquire investments | | 1,816,929,831.64 | 2,825,912,444.61 |
| Net cash paid to acquire subsidiaries | | 0.00 | 1,500,000.00 |
| Cash paid relating to other investing activities | VI. 58 | 285,000,000.00 | 5,704,805.19 |
| Sub-total of cash outflows from investing activities | | 2,509,483,736.77 | 3,336,067,229.12 |
| Net cash flows from investing activities | | -1,956,472,044.32 | 185,938,688.61 |
| III. Cash flows from financing activities: | | | |
| Cash received from capital contributions | | 35,663,910.34 | 6,175,322.80 |
| Including: Cash received from capital contributions by non-controlling interests of subsidiaries | | 35,663,910.34 | 6,175,322.80 |
| Cash received from borrowings | | 11,377,486,746.15 | 9,326,500,562.91 |
| Cash received relating to other financing activities | VI. 58 | 126,848,187.77 | 74,149,501.38 |
| Sub-total of cash inflows from financing activities | | 11,539,998,844.26 | 9,406,825,387.09 |
| Cash repayments of borrowings | | 7,927,977,057.46 | 8,222,670,950.74 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 385,011,328.19 | 506,801,414.28 |
| Including: Cash payments for distribution of dividends or profits to non-controlling interests of subsidiaries | | 51,000,000.00 | 103,897,404.70 |
| Cash payments relating to other financing activities | VI. 58 | 139,053,075.94 | 508,494,903.44 |
| Sub-total of cash outflows from financing activities | | 8,452,041,461.59 | 9,237,967,268.46 |
| Net cash flows from financing activities | | 3,087,957,382.67 | 168,858,118.63 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | -31,438,907.27 | 68,739,319.10 |
| V. Net increase in cash and cash equivalents | | -2,231,889,050.86 | -3,229,205,014.21 |
| Add: Cash and cash equivalents at beginning of the year | | 10,784,430,041.70 | 9,687,734,636.22 |
| VI. Cash and cash equivalent at end of the year | | 8,552,540,990.84 | 6,458,529,622.01 |

Legal representative of the Company:

业周
印立

Person in charge of finance:

东刈
印立

Head of accounting department:

许主
印映

Prepared by: Tsinghua Tongfang Co., Ltd.

1/1/2017-30/6/2017

Consolidated Statement of Changes in Shareholders' Equity

| Item | Attributable to shareholders of the Parent Company | | | | | | Non-controlling interests | Total shareholders' equity |
|---|--|------------------|----------------------|----------------------------|-----------------|------------------|---------------------------|----------------------------|
| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | | |
| I. Closing balance of the preceding year | 2,963,898,951.00 | 9,331,133,136.68 | 0.00 | 282,695,752.77 | 0.00 | 1,314,511,100.64 | 7,897,458,148.30 | 24,556,346,832.91 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | 0.00 |
| Business combination under common control | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,331,433,136.68 | 0.00 | 282,695,752.77 | 0.00 | 1,314,511,100.64 | 7,897,458,148.30 | 24,556,346,832.91 |
| III. Changes in equity for the year, decrease is denoted by - | 0.00 | -359,949.48 | 0.00 | -247,509,009.13 | 0.00 | -861,638,798.34 | 195,446,241.05 | -913,861,515.00 |
| (I) Total comprehensive income | | | | -247,509,009.13 | | -120,664,060.59 | 94,513,000.05 | -273,659,468.77 |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | -1,311,167.79 | 0.00 | 0.00 | 0.00 | 0.00 | 152,132,641.00 | 150,821,473.21 |
| 1. Capital contribution by shareholders | | | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | 149,828,102.45 | 149,828,102.45 |
| 3. Others | | -1,311,167.79 | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,304,538.55 | 993,370.76 | |
| 1. Appropriation to surplus reserve | | | | | | 0.00 | -746,974,737.75 | -791,974,737.75 |
| 2. Profit distribution to shareholders | | | | | | | -746,974,737.75 | -791,974,737.75 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -51,000,000.00 | -51,000,000.00 |
| 1. Capitalization of capital surplus | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | |
| 3. Loss covered by surplus reserve | | | | | | | | |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 951,218.31 | | | | | | 951,218.31 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,331,073,167.20 | 0.00 | 35,186,743.64 | 0.00 | 1,314,511,100.64 | 7,035,819,349.96 | 23,642,485,317.91 |

Legal representative of the Company:

刘东印

Head of accounting department:

王立印

Person in charge of finance:

周立业

Prepared by: Tsinghua Tongfang Co., Ltd.

1/1/2016-30/6/2016

Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB Yuan

| Item | Attributable to shareholders of the Parent Company | | | | | | Non-controlling interests | Total shareholders' equity |
|---|--|------------------|----------------------|----------------------------|-----------------|-----------------|---------------------------|----------------------------|
| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | | |
| Closing balance of the preceding year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 884,278,173.27 | 4,410,668,665.65 | 22,655,834,086.44 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | 0.00 |
| Business combination under common control | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 884,278,173.27 | 4,410,668,665.65 | 22,655,834,086.44 |
| III. Changes in equity for the year (decrease is denoted by " ") | 0.00 | -183,137,270.86 | 0.00 | 762,372,857.48 | 0.00 | 0.00 | 4,571,576,461.02 | -1,972,902,521.06 |
| (I) Total comprehensive income | | | | 762,372,857.48 | | 0.00 | 4,956,853,324.65 | 122,195,497.20 |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | -133,663,261.58 | 0.00 | 0.00 | 0.00 | 0.00 | -1,991,260,623.56 | -2,124,863,885.14 |
| 1. Capital contribution by shareholders | | | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | -2,130,907,549.84 |
| 3. Others | | -133,663,261.58 | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -385,306,853.63 | 139,706,926.28 |
| 1. Appropriation to surplus reserve | | | | | | | | 6,043,664.70 |
| 2. Profit distribution to shareholders | | | | | | | | -489,204,268.33 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -103,897,404.70 | -489,204,268.33 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | -54,474,009.28 | | | | | | -54,474,009.28 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,266,592,044.05 | 0.00 | 708,330,139.96 | 0.00 | 884,278,173.27 | 8,982,345,126.67 | 3,031,491,555.38 |
| | | | | | | | | 25,828,745,990.33 |

Legal representative of the Company: 周立业
Person in charge of finance: 刘立业

Head of accounting department: 刘立业

薛王印

Balance Sheet of the Parent Company

2017-6-30

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2017/6/30 | 2016/12/31 |
|---|--------|--------------------------|--------------------------|
| Current assets: | | | |
| Cash at bank and on hand | | 1,724,644,542.48 | 2,880,118,397.34 |
| Financial assets at fair value through profit or loss | | 535,499,117.33 | 591,381,137.81 |
| Notes receivable | | 15,357,418.57 | 16,471,368.26 |
| Accounts receivable | XVI. 1 | 1,697,164,801.91 | 1,684,280,112.91 |
| Prepayments | | 788,483,867.61 | 830,735,792.73 |
| Interests receivable | | 0.00 | 0.00 |
| Dividends receivable | | 265,190,752.58 | 174,419,305.35 |
| Other receivables | XVI. 2 | 11,989,516,608.06 | 10,174,910,994.35 |
| Inventories | | 2,254,623,200.31 | 2,130,675,184.45 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | | 492,240,091.31 | 1,264,770,046.68 |
| Total current assets | | 19,762,720,400.16 | 19,747,762,339.88 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | 1,133,255,593.96 | 1,246,981,286.68 |
| Held-to-maturity investments | | 0.00 | 0.00 |
| Long-term receivables | | 0.00 | 0.00 |
| Long-term equity investments | XVI. 3 | 13,157,264,238.86 | 12,770,755,687.79 |
| Investment properties | | 0.00 | 0.00 |
| Fixed assets | | 920,458,272.74 | 946,444,177.51 |
| Construction in progress | | 0.00 | 0.00 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | | 125,107,676.05 | 159,421,920.04 |
| Development expenditure | | 57,222,817.54 | 26,476,100.55 |
| Goodwill | | 0.00 | 0.00 |
| Long-term deferred expenses | | 11,690,744.34 | 12,625,318.11 |
| Deferred tax assets | | 33,022,126.79 | 0.00 |
| Other non-current assets | | 0.00 | 0.00 |
| Non-current assets | | 15,438,021,470.28 | 15,162,704,490.68 |
| Total assets | | 35,200,741,870.44 | 34,910,466,830.56 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Balance Sheet of the Parent Company (Continued)

2017-6-30

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Liabilities and equity | Note | 2017/6/30 | 2016/12/31 |
|--|------|-------------------|-------------------|
| Current liabilities: | | | |
| Short-term loans | | 5,750,000,000.00 | 4,700,000,000.00 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | | 175,838,039.05 | 200,817,359.05 |
| Accounts payable | | 1,892,795,749.18 | 2,260,112,635.82 |
| Advances receipts | | 673,773,462.69 | 612,950,225.72 |
| Employee benefits payable | | 58,863,527.21 | 56,600,203.75 |
| Taxes payable | | 7,313,419.05 | 211,412,553.45 |
| Interests payable | | 86,945,810.40 | 97,132,044.04 |
| Dividends payable | | 740,974,737.75 | 0.00 |
| Other payables | | 1,310,094,784.75 | 1,912,416,023.98 |
| Non-current liabilities due within one year | | 700,000,000.00 | 700,000,000.00 |
| Other current liabilities | | 5,071,985,443.51 | 5,037,645,081.98 |
| Total current liabilities | | 16,468,584,973.59 | 15,789,086,127.79 |
| Non-current liabilities: | | | |
| Long-term loans | | 0.00 | 0.00 |
| Bonds payable | | 3,500,000,000.00 | 2,800,000,000.00 |
| Long-term payables | | 49,483.11 | 49,483.11 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | | 100,000.00 | 100,000.00 |
| Provisions | | 0.00 | 0.00 |
| Deferred income | | 27,579,499.86 | 30,510,499.86 |
| Deferred tax liabilities | | 0.00 | 29,884,025.06 |
| Other non-current liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 3,527,728,982.97 | 2,860,544,008.03 |
| Total liabilities | | 19,996,313,956.56 | 18,649,630,135.82 |
| Shareholders' equity: | | | |
| Share capital | | 2,963,898,951.00 | 2,963,898,951.00 |
| Capital surplus | | 9,256,781,667.18 | 9,255,830,448.87 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | | -419,107,840.75 | -277,036,204.37 |
| Surplus reserve | | 1,313,393,112.26 | 1,313,393,112.26 |
| Undistributed profits | | 2,089,462,024.19 | 3,004,750,386.98 |
| Total shareholders' equity | | 15,204,427,913.88 | 16,260,836,694.74 |
| Total equity and liabilities | | 35,200,741,870.44 | 34,910,466,830.56 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Income Statement of the Parent Company

1/1/2017-30/6/2017

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | 1/1/2017-30/6/2017 | 1/1/2016-30/6/2016 |
|--|--------|------------------------|-------------------------|
| I. Revenue | XVI. 4 | 1,292,124,107.61 | 2,554,689,067.76 |
| II. costs | XVI. 4 | 1,087,214,443.47 | 2,335,445,578.00 |
| Business taxes and surcharges | | 14,777,141.41 | 12,780,989.77 |
| Selling and distribution expenses | | 65,449,023.63 | 80,557,037.68 |
| General and administrative expenses | | 133,999,586.10 | 181,876,339.39 |
| Financial expenses | | 256,542,960.29 | 130,179,202.13 |
| Impairment losses on assets | | 39,812,413.79 | 37,098,165.41 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | | -50,089,339.56 | -288,347,127.28 |
| Investment income (loss is denoted by "-") | XVI. 5 | 162,390,963.96 | 8,121,684,051.72 |
| Including: Income from joint venture and associates | | 12,998,994.28 | 32,861,569.72 |
| Other income | | 0.00 | 0.00 |
| II. Operating profit (loss is denoted by "-") | | -193,369,836.68 | 7,610,088,679.82 |
| Add: non-operating income | | 2,949,163.77 | 9,751,922.48 |
| Including: Proceeds on disposal of non-current assets | | 15,588.77 | 278,699.20 |
| Less: Non-operating expenses | | 212,445.52 | 6,405,248.29 |
| Including: Losses from disposal of non-current assets | | 4,992.51 | 6,405,248.29 |
| III. Profit before income tax (loss is denoted by "-") | | -190,633,118.43 | 7,613,435,354.01 |
| Less: Income tax expenses | | -16,319,493.39 | 1,120,384,883.28 |
| IV. Net profit (net loss is denoted by "-") | | -174,313,625.04 | 6,493,050,470.73 |
| V. Other comprehensive income after tax | | -142,071,636.38 | 5,191,718.78 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | -142,071,636.38 | 5,191,718.78 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity method | | -45,404,797.57 | -2,643,241.31 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | -96,666,838.81 | 7,834,960.09 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | 0.00 | 0.00 |
| 6. Others | | 0.00 | 0.00 |
| VI. Total comprehensive income | | -316,385,261.42 | 6,498,242,189.51 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Cash Flow Statement of the Parent Company

1/1/2017-30/6/2017

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | 1/1/2017-30/6/2017 | 1/1/2016-30/6/2016 |
|---|------|--------------------|--------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 1,415,253,323.19 | 2,634,636,942.25 |
| Refund of taxes and surcharges | | 704,747.54 | 158,248,248.78 |
| Cash received relating to other operating activities | | 120,373,857.99 | 109,169,121.91 |
| Sub-total of cash inflows from operating activities | | 1,536,331,928.72 | 2,902,054,312.94 |
| Cash paid for goods and services | | 1,624,404,465.86 | 3,187,781,501.90 |
| Cash paid to and on behalf of employees | | 118,345,898.65 | 131,361,228.23 |
| Payments of taxes and surcharges | | 27,722,245.40 | 25,095,608.73 |
| Cash paid relating to other operating activities | | 203,353,114.25 | 238,562,886.05 |
| Sub-total of cash outflows from operating activities | | 1,973,825,724.16 | 3,582,801,224.91 |
| Net cash flows from operating activities | | -437,493,795.44 | -680,746,911.97 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 53,326,925.23 | 19,342,874.81 |
| Cash received from returns on investments | | 71,830,765.76 | 214,795,324.35 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 50,000.00 | 5,879,395.58 |
| Net cash received from disposal of subsidiaries | | 354,272,579.11 | 3,898,097,003.04 |
| Cash received relating to other investing activities | | 91,950,894.85 | 357,500,000.00 |
| Sub-total of cash inflows from investing activities | | 571,431,164.95 | 4,495,614,597.78 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 28,815,338.08 | 32,035,343.80 |
| Cash paid to acquire investments | | 354,254,283.28 | 940,919,443.20 |
| Net cash paid to acquire subsidiaries | | 0.00 | 0.00 |
| Cash paid relating to other investing activities | | 1,897,216,928.04 | 4,517,579,370.00 |
| Sub-total of cash outflows from investing activities | | 2,280,286,549.40 | 5,490,534,157.00 |
| Net cash flows from investing activities | | -1,708,855,384.45 | -994,919,559.22 |
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 0.00 | 0.00 |
| Cash received from borrowings | | 6,750,000,000.00 | 5,800,000,000.00 |
| Cash received relating to other financing activities | | 3,501.19 | 6,550,000.00 |
| Sub-total of cash inflows from financing activities | | 6,750,003,501.19 | 5,806,550,000.00 |
| Cash repayments of borrowings | | 5,000,000,000.00 | 3,686,056,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 247,462,970.36 | 232,260,073.63 |
| Cash payments relating to other financing activities | | 511,272,360.78 | 384,943,653.46 |
| Sub-total of cash outflows from financing activities | | 5,758,735,331.14 | 4,303,259,727.09 |
| Net cash flows from financing activities | | 991,268,170.05 | 1,503,290,272.91 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | -389,343.83 | 277,983.89 |
| V. Net increase in cash and cash equivalents | | -1,155,470,353.67 | -172,098,214.39 |
| Add: Cash and cash equivalents at beginning of the year | | 2,879,718,136.83 | 1,053,585,390.04 |
| VI. Cash and cash equivalent at end of the year | | 1,724,247,783.16 | 881,487,175.65 |

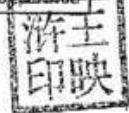
Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Statement of Changes in Shareholders' Equity of the Parent Company

1/1/2017-30/6/2017

Prepared by: Tsingtao Tongfang Co., Ltd.



| Item | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|----------------------------|-----------------|------------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,963,898,951.00 | 9,255,830,448.87 | 0.00 | -277,036,204.37 | 0.00 | 1,313,393,112.26 | 3,004,750,386.98 | 16,260,436,694.74 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,255,830,448.87 | 0.00 | -277,036,204.37 | 0.00 | 1,313,393,112.26 | 3,004,750,386.98 | 16,260,436,694.74 |
| III. Changes in equity for the year (decrease as denoted by -) | 0.00 | 951,218.31 | 0.00 | -142,071,636.38 | 0.00 | 0.00 | -915,288,362.79 | -1,056,408,780.86 |
| (I) Total comprehensive income | | | | -142,071,636.38 | | | -174,313,625.04 | -316,385,261.42 |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution by shareholders | | | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 0.00 |
| 3. Others | | | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -740,974,737.75 | -740,974,737.75 |
| 1. Appropriation to surplus reserve | | | | | | | | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -740,974,737.75 | -740,974,737.75 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | |
| 3. Loss covered by surplus reserve | | | | | | | | |
| 4. Others | | | | | | | | |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 951,218.31 | | | | | | 951,218.31 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,256,781,667.18 | 0.00 | -419,107,840.75 | 0.00 | 1,313,393,112.26 | 2,089,462,024.19 | 15,204,427,913.88 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Prepared by: Tsinghai Tongling Co., Ltd.

Statement of Changes in Shareholders' Equity of the Parent Company

1/1/2016-30/6/2016

| Item | Share capital | Capital surplus | Less: treasury stock | Other comprehensive | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|---------------------|-----------------|-----------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,848,855.14 | 13,635,423,612.99 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,848,855.14 | 13,635,423,612.99 |
| III. Changes in equity for the year (decrease is denoted by -) | 0.00 | 57,700,467.72 | 0.00 | 5,191,718.78 | 0.00 | 0.00 | 6,107,743,607.10 | 6,170,635,793.60 |
| (I) Total comprehensive income | | | | 5,191,718.78 | | | | |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 6,493,050,470.73 | 6,493,242,189.51 |
| 1. Capital contribution by shareholders | | | | | | | | 0.00 |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 0.00 |
| 3. Others | | | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -385,306,863.63 | -385,306,863.63 |
| 1. Appropriation to surplus reserve | | | | | | | | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -385,306,863.63 | -385,306,863.63 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 57,700,467.72 | | | | | 57,700,467.72 | |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,235,971,139.84 | 0.00 | 27,436,668.62 | 0.00 | 883,160,184.89 | 6,695,592,462.24 | 19,806,059,406.59 |

Legal representative of the Company:

周立印

Person in charge of finance:

刘东印

Head of accounting department:

王映印

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

I. Basic Information of the Company

Tsinghua Tongfang Co., Ltd. (hereinafter referred to as “the Company”) is a stock limited company established through public offering by Tsinghua Holdings Co., Ltd. (formerly known as “Beijing Tsinghua University Enterprise Group”) as the main promoter, approved by the State Commission for Restructuring the Economy and the State Education Commission. In June 1997, the Company issued 110,700,000 RMB ordinary shares with the approval of the China Securities Regulatory Commission (hereinafter referred to as CSRC) (Reference No.: Zheng Jian Fa [1997] 316), of which 68,700,000 shares were held by the promoters (representing 62.06% of the entire share capital) and 42,000,000 shares were held by domestic public holders (representing 37.94% of the entire share capital). The Company was registered with the State Administration for Industry and Commerce on 25 June 1997, and the registered capital was RMB 110,700,000. The Company has its shares in initial public offering listed on the Shanghai Stock Exchange on 27 June 1997.

In January 1998, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 166,050,000 shares, of which 103,050,000 shares were held by the promoters (representing 62.06% of the entire share capital). In June 1999, the Company increased its existing share capital by making a right issue to the existing shareholders in the proportion of 3 new shares for every 10 shares, the total number of shares after right issue increased to 189,800,000 shares, of which 107,900,000 shares were held by the promoters (representing 56.85% of the entire share capital). Upon approval by the CSRC (Reference No.: CSRC [1999] 23) in June 1999, the Company merged with Shandong Luying Electronic Co., Ltd. (Now known as “Shandong Tsinghua Tongfang Luying Electronic Co., Ltd.”) by way of share exchange offer. The Company issued 15,172,328 RMB ordinary shares to all shareholders of Shandong Luying Electronic Co., Ltd., the total number of shares after the issue increased to 204,972,328 shares, of which 113,504,444 shares were held by the promoters (representing 55.38% of the entire share capital). In September 1999, the Company issued bonus shares of 54,366,696 shares in the proportion of 3 shares for every 10 shares held, the total number of shares after the issue increased to 259,339,024 shares, of which 143,610,199 shares were held by the promoters (representing 55.38% of the entire share capital). In May 2000, the Company converted the share premium into share capital in the proportion of 4 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 363,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 55.38% of the entire share capital). In December 2000, the Company issued 20,000,000 RMB ordinary shares to domestic public, the total number of shares after the conversion increased to 383,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 52.48% of the entire share capital). In May 2001, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 574,612,295 shares, of which 301,581,762 shares were held by the promoters (representing 52.48% of the entire share capital).

With the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented the measures on full circulation reform for

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

listed companies in February 2006, a total of 103,751,603 shares were paid by non-circulating shareholders to the circulating shareholders in the proportion of 3.8 shares for every 10 shares held, in exchange for the listing and circulation of the Company's non-circulating shares. After the implementation, the total number of shares remained unchanged, of which the number of shares held by the promoters decreased to 197,830,159 shares (representing 34.43% of the entire share capital).

In July 2007, the Company issued 54,000,000 RMB ordinary sharesto specific investors, the total number of shares after the issue increased to 628,612,295 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 384,625,315 shares.

In May 2008, the Company increased the share capital by making a right issue to the existing shareholders in the proportion of 2 new shares for every 10 shares, the total number of shares after the right issue increased to 751,515,811 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 507,528,831 shares.

In August 2008, the Company converted the share premium into share capital in the proportion of 3 ordinary shares for every 10 shares of share premium held, all shareholders were issued with 225,454,743 shares based on the total number of shares of 751,515,811 on 30 May 2008, after the conversion, the total number of shares increased to 976,970,554, of which the number of circulating shares with sale restrictions is 246,983,074 shares, and the number of circulating shares without sale restrictions is 729,987,480 shares.

In February 2009, 246,983,074 circulating shares with sale restrictions were lifted. As at 31 December 2009, the total share capital of the Company was 976,970,554, all of which were circulating shares without sale restrictions.

In July 2010, the Company issued 16,880,000 ordinary shares to Tangshan Jingyuan Electronics Co., Ltd, the total number of shares after the issue increased to 993,850,554 shares, of which the number of circulating shareswith sale restrictions is 16,880,000 shares, and the number ofcirculating shareswithout sale restrictions is 976,970,554 shares.

In May 2011, the Company converted the share premium into share capital in the proportion of 10 ordinary shares for every 10 shares of share premium held, based on the total number of shares of 993,850,554 on 31 December 2010. After the conversion, the Company's total share capital increased from 993,850,554 to 1,987,701,108 shares.

In August 2013, the Company issued 210,181,130 RMB ordinary sharesto specific investors, of which 157,724,483 shares were used as the acquisition consideration of 75.27265% of the shares of Beijing ERENEBEN Information Technology Co., Ltd., and the matching funds raised from issuing the remaining 52,456,647 shares were used as the acquisition consideration of 24.72735% of the shares of Beijing ERENEBEN Information Technology Co., Ltd. The total number of shares after the issue increased to 2,197,882,238 shares, of which the number of circulating shares without sale restrictions is 1,987,701,108 shares, and the number of circulating shares with sale restrictions is 210,181,130 shares.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

In February 2015, the Company issued 766,016,713 RMB ordinary shares to specific investors, all of which are circulating shares with sale restrictions.

As at 30 June 2017, the total number of shares of the Company is 2,963,898,951 shares, of which the number of circulating shares without sale restrictions is 2,197,882,238 shares, and the number of circulating shares with sale restrictions is 766,016,713 shares.

The Company's main business scope includes: license management project; Internet information services business without news, publishing, health care, medicines and medical equipment and other contents; the dispatch of labor personnel required for the implementation of overseas projects related to the export of self-produced complete sets of equipment; production of commercial encryption products; sales of commercial encryption products; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; production of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment, instrumentation, optical mechanical and electrical integration equipment; manufacturing of water fountain; class I value-added telecommunications services in the Internet access services business (Beijing 1 municipality as well as Changchun, Nanchang 2 cities); production, sales, technical services and maintenance of computer and peripheral equipment; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; sales and installation of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment; development and sales of instrumentation, optoelectronic integrated equipment; sales of fire protection products; high-tech project consulting, high-tech transfer and services; property management; import and export business; mechanical and electrical installation project general contracting; engineering, procurement and construction of electromechanical works; intelligent building, urban and road lighting, electronic engineering contractor; indoor air purification project; computer system integration; special engineering design of building intelligent system integration (excluding fire subsystem); water fountain design, installation, commissioning; security engineering (design, construction); cable TV shared antenna design and installation; advertising and agents; vessel rental; engineering survey and design; design, sales of lighting equipment; basic software services, application software services; sales of machinery and equipment, hardware and electrical supplies, household appliances, software and auxiliary equipment, radio and television equipment, communications equipment, electronic products. (Companies have the freedom under the law to select the business to engage in. For business that needs to be approved by law can only be carried out after getting approval by relevant authorities. Business that is prohibited or restricted by law of the city shall not be engaged in.)

II. Scope of consolidated financial statements

The scope of the company's consolidated financial statements consists of 200 companies, including Nuctech Company Limited, Tongfang Computer Co., Ltd., Technovator International

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

Limited and TsingHua TongFang Artificial Environment Co., Ltd., Compared with the previous period, the scope of consolidated financial statements increased one Level 1 subsidiary.

See relevant contents of “VII Variation of Scope of Consolidated Financial Statement” and “VIII Rights and Interests in Other Entities” in the Notes for details.

III. Basis of the financial statements preparation

1. Basis of preparation

On the basis of the going concern and in reference to actual transactions and events, the Company’s financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China, the accounting policies and accounting estimates stated in “IV Significant Accounting Policies and Accounting Estimates” of the Notes to the financial statement as well as other relevant provisions.

2. Going concern

The management of the Company has taken into account factors such as macroeconomic policy risk, market risk, current and long-term profitability, solvency, financial flexibility and management’s intention to change operating policies, it does not identify any events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the end of the reporting period.

IV. Significant accounting policies and accounting estimates

The Company has set up accounting policies and estimates on transactions or events such as operating cycle, recognition and measurement of bad debt provision for accounts receivable, measurement of inventories, classification and depreciation of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue and so on based on the Company’s actual production and operation features.

1. Statement of compliance with CASBEs

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and truly and completely reflect the Company’s financial position, results of operations, cash flow, and other related information.

2. Accounting period

The accounting year of the Company runs from 1 January to 31 December under the Gregorian calendar.

3. Operating cycle

The Company takes 12 months as the normal operating cycle.

4. Reporting currency

The Company chooses RMB as their reporting currency.

5. Accounting treatments of business combination under and not under common control

The assets and liabilities acquired by the Company, as the acquirer, in the business combination under the control of the same entity shall be calculated based on the carrying amount in the ultimate controlling party’s consolidated statements of the acquiree on the

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

acquisition date. Capital reserve shall be adjusted for the difference between the carrying amount of the acquired net assets and the carrying amount of the combination consideration transferred. If the capital reserve is not sufficient for off-setting, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control shall be measured at their acquisition - date fair value. The consideration transferred includes cash or non-cash assets paid, liabilities issued or assumed, the fair value of equity instruments or debt instruments issued by the Company on the acquisition date for acquiring control rights on the acquiree. The Company shall recognize goodwill as of the acquisition date measure as the excess of the consideration transferred over the fair value of identifiable net assets acquired from the acquiree during business combination. Where the consideration transferred is less than the fair value of the identifiable net assets acquired from the acquiree during business combination, the fair value of all identifiable assets acquired, liabilities and contingent liabilities assumed, as well as the fair value of non-cash assets or equity securities issued shall be reviewed. If that less remains after review, the company shall recognise the resulting gain in current non-operating income.

6. Basis for preparation of consolidated financial statements

The Company brings all its controlled subsidiaries into its consolidation scope.

During preparation of consolidated financial statements, in the event that accounting policy or accounting period adopted by subsidiaries are not in line with that of the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits shall be offset during preparation of consolidated financial statements. The portion of subsidiary shareholders' equity which does not belong to the parent company and the portion of minority equity in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "non-controlling interests, profit or loss attributable to non-controlling interests, other comprehensive income attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests" in the consolidated financial statements.

For the subsidiary acquired in the business combination under common control, its business performance and cash flow are included into the consolidated financial statements from the beginning of the current period of the merger. During the preparation of the comparing consolidated financial statements, related items in the financial statements of the previous year are adjusted, and it is deemed that the entity of financial statements formed after the combination has existed since the beginning of control by the ultimate controlling party.

For the subsidiary acquired in the business combination not under the control of the same entity, its business performance and cash flow are included into the consolidated financial statements since the date when the Company acquires the control rights. During the preparation of consolidated financial statements, financial statements of the subsidiary are adjusted based on

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

the fair values of identifiable assets, liabilities and contingent liabilities identified on the acquisition date.

During the preparation of consolidated financial statements, when the equity of the invested entity are obtained through business combination not under common control achieved in stages, the Company should first determine whether it is a “package deal”. Any transaction categorized as package deal is subject to the accounting treatment as one transaction of acquiring the controlling power. If it does not belong to a package deal, the carrying value of the acquirer's previously held equity interest in the acquiree shall be re-measured to fair value at the acquisition date, and the difference between the fair value and its carrying amount shall be included in the current investment income. Other comprehensive income, under equity method rising from the interest held in acquiree in relation to the period before the acquisition, other changes in shareholders' equity except the net profit and loss, other comprehensive income and profit distribution shall be reclassified to investment income at the date on which acquisition is made, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plans of the acquiree.

When the Company does not lose control over a subsidiary due to disposal of partial long-term equity investment, the difference between (i) the disposal price and (ii) respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted to the capital premium or share premium. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

During the preparation of consolidated financial statements, when the Company loses control over a subsidiary due to disposal of certain equity interest or other reasons, the residual equity after disposal shall be re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any residual equity and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date or merging date according to the original proportion of ownership interest shall be recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary shall be reclassified to investment income in the period in which control is lost.

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

Joint arrangements of the Company include joint operations and joint ventures.

For joint operations, the Company as a joint operator shall recognize in relation to its interest in a joint operation: its separately owned assets and liabilities and its share of any assets and liabilities held jointly and according to related agreements to recognize its separate or its share of revenue earned and expenses incurred from the joint operation. When the Company, as a joint operator, invests or sells assets (that does not constitute a business) to or purchase assets from joint operations, the Company shall only recognise the part of profit or loss from this transaction attributable to other parties of joint operations.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

The Company, as a joint venture, treats investments in joint ventures in accordance with the provisions as set out in “Accounting Standards for Business Enterprises No. 2 - long-term equity investment”.

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Company refers to the cash on hand and deposits that are available for payment at any time. Cash equivalent in the cash flow statement refers to the investments which have a holding period of not more than 3 months, and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

9. Foreign currency transactions and conversion of foreign currency financial statements

(1) Foreign currency transaction

The foreign currency amount in a foreign currency transaction of the Company shall be converted into RMB amount at the spot exchange rate on the first day of transaction month. Monetary items calculated in foreign currency in the balance sheet shall be translated into RMB at the closing rate. Exchange differences shall be recognized in current profit and loss except that exchange differences arising from specific foreign currency borrowings, which related to the acquisition, construction or production of assets meet the capitalized terms, shall be recognized as per capitalization principle. Foreign currency non-monetary items that are measured at fair value shall be translated at the spot exchange rate on the date the fair value is measured. For foreign currency non-monetary items that are classified as available-for-sale financial assets, the exchange differences between the functional currency amount and the original functional currency amount shall be recognized in other comprehensive income. For foreign currency non-monetary items at fair value through profit or loss, the difference between the re-translated functional currency amount and the original functional currency amount shall be recognized in profit and loss. Foreign currency non-monetary items that are measured at historical cost shall be still translated at the spot exchange rate of the transaction date, with the RMB amount unchanged.

(2) Conversion of financial statements in foreign currency

The asset and liability items in the balance sheet of a foreign operation shall be translated as per the spot exchange rate on the balance sheet date; the shareholders' equity items, except for the items of “undistributed profit”, shall be translated at the spot exchange rate on the dates of transactions. The income and expenditure items in the income statement of a foreign operation shall be translated at exchange rates on the dates of the transactions. The foreign currency exchange difference from above translation shall be recognized in other comprehensive income. During the preparation of consolidated financial statements, if there are any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income. Other comprehensive income related to the foreign operation shall be reclassified from equity to profits and losses in proportion upon disposal of the foreign operations.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The amount of

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

influence of exchange rate change on cash and cash equivalents shall be listed in the cash flow statement separately.

10. Financial assets and financial liabilities

A financial asset or financial liability shall be recognized when the Company becomes a party to the contract of a financial instrument.

(1) Financial assets

1) Classification, recognition basis and measurement method of financial assets

The financial assets owned by the Company are classified according to the investment purposes and economic nature, including the financial assets at fair value through profit or loss, held-to-maturity investments, receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss at the initial recognition. A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; (ii) it is part of a portfolio of identified financial instruments that the Company manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial instrument may be designated as a financial asset at fair value through profit or loss upon initial recognition if one of the following conditions is satisfied: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (ii) in accordance with the Company's documented risk management or investment strategy, the financial asset forms a part of a group of financial instruments, which is managed and its recorded at fair value, performance is evaluated based on its fair value, and this information is provided internally on that basis to the entity's key management personnel; (iii) the financial instrument contains one or several embedded derivatives, unless the embedded derivatives do not significantly modify the cash flow of the hybrid instrument or it is clear that separation of the embedded derivatives is prohibited; and (iv) the hybrid instrument contains an embedded instrument, which needs to be separated from its host, but is unable to be measured separately at initial recognition or at the end of subsequent financial reporting period. These financial assets shall be subsequently measured at fair value. The changes in fair value of financial assets at fair value through profit or loss are shall be included in profit and loss from fair value changes; interests or cash dividends gained during holding of the assets shall be recognized as investment income; at the disposal, the difference between the fair value and the initial book value shall be recognized as investment income and gains and losses arising from changes in fair value shall be adjusted at the same time.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be subsequently measured at

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amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount. Receivables are subsequently measured at amortized cost. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale, and financial assets not identified to other item at the time of initial recognition. In such assets, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost. Investments in equity instruments that have a quoted market price in an active market or fair value can be reliably measured shall be measured at fair value, and the changes in fair value shall be recognized in other comprehensive income. For financial assets that are subsequently measured at fair value, changes in the fair values of available-for-sale financial assets shall be recorded into equity except for impairment losses and foreign exchange gains and losses arising from the transaction of monetary financial assets denominated in foreign currencies. When the financial asset is derecognized, the cumulative changes in fair value previously recognized in equity will be recognized in the income statement. Interests on available-for-sale debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the invested entity on available-for-sale equity instruments shall be recognized as investment income in profit or loss for the period.

2) Recognition basis and measurement method of transfer financial assets

The financial assets meeting one of the following conditions shall be de-recognized:

- ①The contractual rights to receive the cash flow from financial asset expired; ②The financial asset has been transferred substantially all the risks and rewards of ownership of financial assets have been transferred into the transfer-in party by the Company; ③The financial assets have been transferred, although the Company has neither transferred nor retained substantially all the risks and rewards of ownership of financial assets, the Company has given up the control to the financial assets.

Where the Company does not transfer or retain almost all of the risks and rewards related to the ownership of a financial asset and retained its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize related financial asset and relevant liability accordingly.

If the transfer of a financial asset in its entirety qualifies for derecognition, the difference between the carrying amount of the transferred financial asset and consideration received due to transfer as well as accumulative amount of variation of the fair value that is initially included into the other comprehensive incomes shall be recognized in the current profits and losses.

If the transfer of partial financial asset qualifies for derecognition, the previous carrying amount of the larger financial assets shall be allocated between the part that continues to be

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recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. And the difference between the sum of the consideration received in the transfer and the accumulative amount of the changes of the fair value originally recorded in other comprehensive income that shall allocated to the part derecognized and the carrying amount allocated shall be recognized in the current profits and losses.

3) Test and accounting treatment method for financial asset impairment

Except the financial assets at fair value through profits and losses, the Company would check the carrying amount of other financial asset on the balance sheet date and adjust the loss allowance if there are some objective evidences showing the financial asset suffers from impairment. When there is significant or non-temporary decline in the fair value of an available-for-sale financial asset, the cumulative losses that have been recognized in equity as a result of the decline in the fair value shall be removed from equity and recognized as impairment losses. With regard to the debt instrument investment available for sale, the impairment loss of which has been recognized, if the fair value rises in the subsequent period and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the current profits and losses. With regard to the equity instrument investment available for sale, the impairment loss of which has been recognized, the rise in fair value in the subsequent periods and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the shareholders' equity. The impairment losses for an investment in an equity instrument that do not have quoted market prices in active markets and whose fair value cannot be reliably measured shall not be reversed.

(2) Financial Liabilities

1) Classification, recognition basis and measurement method of financial liabilities

The Company shall, at initial recognition, classify all the financial liabilities into the financial liabilities at fair value through profits or losses and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss at the initial recognition. The profit or loss occurred from change of the fair value and the relevant dividend and interest expenditure of such financial liabilities are recorded into the current profits and losses.

Other financial liabilities, including bonds issued by the Company, accounts payable due to the purchase of goods and long-term payables, are subsequently measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

When all or parts of current obligations of the financial liabilities are extinguished, such financial liabilities or parts of that the obligations shall be de-recognized. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and

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the recognition of a new financial liability. The difference between the carrying amount of a financial liability or part of a financial liability extinguished and consideration paid shall be recognized in profit or loss

(3) Methods of recognition of fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities in the Company shall be measured by the price in the principle market and in the absence of a principle market, such assets and liabilities shall be measured by the price in the most advantageous market, and then applicable and sufficient data and valuation techniques supported by other information shall be used. Input values used for measuring the fair value shall be classified into three levels: Level 1 inputs are the unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. The Company gives highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are used for financial assets at fair value through profit or loss, available-for-sale financial assets that have a quoted market price in an active market or fair value can be reliably measured and financial liabilities at fair value through profit or loss. Level 3 inputs are used for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. The hierarchy of fair value measurement is categorised in the same level as the lowest level of the input significant to the fair value measurement in entirety.

11. Bad debt reserve of receivables

The Company assesses the carrying amount of receivables on each balance sheet date. Provision for bad debts is accrued when receivables cannot be collected in expected time because of business shut-down caused by dismiss, bankruptcy, insolvency, deficit cash flows, serious natural disasters, or other conclusive evidences showing that receivables cannot be collected or are not likely to be collected.

Allowance method is used to calculate the possible losses of bad debts and impairment test would be taken at the end of the period separately or assembly, provision for bad debts shall be recognized in profit and loss. For receivables that are proved impossible to collect by conclusive evidence, the Company shall write-off the provision for bad debts after approved and listed as impairment loss.

(1) With individually significant amount and identified separately for bad debts provision

| | |
|---|--|
| Criteria or amount standard for determining whether the individual amount is significant | Regard receivables with an individual amount of over RMB10 million as significant receivables |
| Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed | The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. |

(2) Provision for bad debts identified on Portfolios

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics (account age, transaction object, and nature of

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payment). The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the similar credit risk characteristics. For aging portfolios, the impairment losses are determined based on aging analysis. For other portfolios, the impairment losses are determined based on credit risk characteristics.

The ratios of accruement on receivables classified by aging:

| Account age | Ratio of the provision for accounts receivable | Ratio of the provision for other receivables |
|-------------------|--|--|
| Within 1 year | 1% | 1% |
| 1-2 years | 5% | 5% |
| 2-3 years | 15% | 15% |
| 3-4 years | 30% | 30% |
| 4-5 years | 50% | 50% |
| More than 5 years | 100% | 100% |

| | |
|--|--|
| (3) | Individually insignificant amount but identified separately for bad debts provision |
| Reasons for making individual bad debt provision | Receivables with insignificant and bad debt provision drawn by combination not reflecting risk features of the receivables |
| Drawing method for bad debts provision | The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. |

12. Inventories

The inventories of the Company mainly include materials in transit, raw materials, low value consumables, packing materials, consigned processing materials, work in process, finished goods, goods in stock, consigned finished goods, goods shipped in transit, constructions and so on, disclosed at the lower of cost and net realizable value.

Valuation method in obtaining and issuing inventories: the Company adopts the perpetual inventory system and inventories are measured at the actual cost when acquired. Low value consumables and packaging materials are amortized by one-off write-off method. The actual costs of other requisitioned or issued inventories are determined by the weighted average method.

Accumulation and allocation method of production costs: the main business of the Company is roughly divided into production and sales of various types of high-tech and consumer electronics products, undertake a variety of information networks, artificial environment, energy and environmental protection, mechanical and electrical engineering projects, and provide relevant technical support and consulting services. Among them, the costs from a variety of high-tech products are allocated and distributed in accordance with Cost Accounting Process for Industrial Enterprises; while the costs from a variety of projects are allocated and distributed between direct and indirect costs.

Recognition and measurement of inventories and impairment loss: The Company adopts the lower of cost or net realizable value method to value its inventory. On a basis of comprehensive inventory verification, the Company shall assess at the end of each reporting period whether any inventories are impaired, i.e. the carrying amount is not fully recoverable (e.g. because of damage, obsolescence or declining selling prices). If an item of inventory is

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impaired, the Company shall measure the inventory at its selling price less costs to complete and sell, and to recognize an impairment loss. Inventory impairment provisions for finished goods and bulk raw materials are drawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

Determination method for net realizable value of inventories: For inventory directly available for sale such as goods in stock, work in process, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling and distribution expenses and relevant taxes; for raw material held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling and distribution expenses, and related taxes. For inventory held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price. If the quantity of inventories held is greater than ordered quantity of the sales contract, the net realizable value of the excessive part shall be calculated based on the general selling price.

13. Long-term equity investments

The Company's long-term equity investments are mainly investments into subsidiaries, associates and joint ventures.

The Company's criterion for joint control is that all parties or group of parties collectively control the arrangement, and decisions about the relative activities of the arrangement require the unanimous consent of parties sharing the control.

Significant influence exists when the Company directly or indirectly holds 20% (included) or more but less than 50% shares with voting rights in investee. If holding less than 20% voting rights, the Company shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body of the investee, participation in financial or operating activities policy-making processes, material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

When control exists over the investee, the investee becomes a subsidiary of the Company. The initial investment cost of long-term equity investment acquired through business combination under common control, is the portion of carrying amount of net assets in the ultimate controller's consolidated financial statements of the acquiree on the combination date. If the carrying amount of net assets of the acquiree on the combination date is negative, the long-term equity investment cost shall be recognized at zero.

If equity of the investee under common control is acquired by stages, and business combination incurs in the end, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transactions belong to "package deal". If the transactions do not belong to "package deal", the share of carrying amount of shareholders' equity of the acquiree in consolidated financial statements of the ultimate controlling party on the date of acquisition shall be deemed as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the sum of

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the carrying amount of long-term equity investment prior to the business combination plus the carrying amount of newly paid consideration for further shares acquired on the date of acquisition shall be adjusted in capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment acquired through business combination under different control, consolidated cost shall be recognized as initial investment cost.

If equity of the invested entity under different control is acquired by stages, which results in business combination, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transaction belongs to "package deal". If it does not belong to "package deal", the original carrying amount of equity investment plus newly increased investment costs are taken as the initial investment costs of long-term equity investment under cost method. If the equity investment is held under equity method before the purchase date, other comprehensive incomes calculated under equity method shall not be adjusted. When disposing of the investment; the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Where the equity held prior to the purchase date as available-for-sale financial assets under fair value model, the accumulative change of the fair value originally included into other comprehensive income shall be transferred into investment income/loss for the period.

Apart from long-term equity investment acquired through business combination mentioned above, the cost of investment for those acquired by cash is the amount of cash actually paid; for those acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For those acquired through non-monetary assets exchange, the investment cost shall be determined according to "Accounting Standard for Business Enterprises No.7 - Non-monetary assets exchange"; for those acquired through debt restructuring, the investment cost shall be determined according to "Accounting Standard for Business Enterprises No.12 - Debt Restructuring".

The Company uses the cost method to calculate investments in subsidiaries and equity method for investments in associates and joint ventures.

For long-term equity investment subsequently measured under cost method, the cost of long-term equity investment shall be adjusted when adding or withdrawing investment. Cash dividend or profit declared by the investee shall be recognized as investment income for the period.

Long-term equity investments subsequently measured under the equity method shall be adjusted for the carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee's net profits or losses according to the shareholding attributable to the entity, which is based on the fair value of the investee's individual identifiable assets at the acquisition date, and after making appropriate adjustments in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures.

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For the disposal of long-term equity investment, the difference between the carrying amount and consideration actually received shall be recognized in income for the period. For the long-term equity investment calculated under equity method, the changes of shareholder's equity, other than the net profit or loss of the investee company, previously recorded in the shareholder's equity of the Company shall be transferred into investment income/loss for the period of disposal.

For losing of joint control or significant influence in the investee due to disposal of partial equity investment or other reasons, the remaining equity investments shall be changed to be accounted for as available-for-sale financial assets, and the difference between the fair value and carrying amount of remaining equity investment at the date of losing the joint control or significant influence shall be recognized in the profit and loss for the period. For other comprehensive incomes recognized from previous equity investment under the equity method shall be accounted for on the same basis as that adopted by the investee for directly disposing related assets or liabilities when stop use the equity method.

For losing control of invested unit due to disposal of partial long-term equity investment, the remaining equity investment, if capable of realizing joint control or applying significant influence in investee, will be changed to the equity method for calculation, the difference between carrying amount of disposed investment and consideration received shall be recognized as investment income, and the remianing investment shall be adjusted accordingly as if it was calculated by the equity method since acquisition. The remianing investment after disposal, if unable to realize joint control or apply significant influence on investee, shall be changed to accounting treatment based on related regulations of available-for-sale financial assets, the difference between carrying amount of disposed and consideration shall be recognized as investment income, and the difference between the fair value and carrying amount of the remaining investment on the date of losing control shall be recognized in profit and loss for the period.

If the Company loses its control through partially disposal of investment by stages and it's not a package deal, the Company shall account for all transactions separately. Any transaction categorized as package deal shall be recognized as one transaction for subsidiary disposal and loss of controlling power. However, before losing control, the difference between the disposal consideration and carrying amount of long-term equity investment disposed which arises from each individual transaction shall be recognized as other comprehensive income until being transferred into profit and loss for the period by the time of losing control.

14. Fixed asset

The Company's fixed assets refer to tangible assets held for use in the production or supply of goods and services, for rental to others (not include rental of premises and buildings), or for administrative purposes and expected to be used during more than one year.

Fixed assets include buildings, equipment and vehicles. Fixed assets shall be initially measured at their actual cost at the date of acquisition. the cost of acquired fixed assets includes the purchase price, value-added tax, import duties, other relevant taxes and other necessary expenditures directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management; the cost of self-constructed assets

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consists of the necessary expenses for constructing the assets to the expected conditions for use; the fixed assets invested by investors shall be taken as entry value as per the value agreed in the investment contract or agreement; however, if the value agreed in the contract or agreement is not fair, it shall be accounted as fair value; for the fixed assets for financial lease, it shall be recognized at the lower of the fair value of leased assets on the lease commencement date and the present value of minimum leasing payment.

Except for the fixed assets fully depreciated but still in use, the Company calculates depreciation for all fixed assets. Straight line method shall be adopted for calculating depreciation of fixed assets. Depreciation rates based on the category, useful life, residual value (residual value rate is 3-5%) of fixed assets listed as follows:

| Type of asset | Depreciation period | Annual depreciation rate |
|---------------|---------------------|--------------------------|
| Building | 30-50 years | 2.11-3.23% |
| Equipment | 5-10 years | 9.50-19.40% |
| Vehicles | 10 years | 9.50-9.70% |

Treatment for subsequent cost of fixed assets: the subsequent costs that are related to fixed assets, including replacement or reformation expenditure and repairing expenditure, which shall be recognized in the cost of fixed assets if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent costs can be measured reliably, The carrying amount of replaced parts shall be de-recognized, and the expenditures which do not conform to the recognition conditions of fixed assets shall be included in current profits and losses when occurred.

On each balance sheet date, the Company will recheck and properly adjust the service life, expected net salvage value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

The carrying amount of the property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from selling, transferring, discarding or damaging of fixed assets shall be recognized in profit and loss after deducting relevant taxes.

15. Construction in Progress

Construction in progress shall be measured according to the actual cost. Self operated projects shall be measured at direct material, direct salary, direct construction cost, etc.; contracted projects shall be measured at payable project cost, etc.; and the cost of equipment installation works shall be determined according to value of installed equipment, installation cost, commissioning expenditure, etc. Costs of projects under construction also include borrowing costs that should be capitalized.

Since the date when the construction in progress reach the expected conditions for use, the projects shall be reclassified into fixed assets based on the estimated value according to project budget, construction cost or actual cost, and depreciation shall be withdrawn from the next month. The original value difference of fixed assets shall be adjusted after the completion and settlement.

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16. Borrowing costs

Recognition principles of capitalization of borrowing costs: Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of the asset. Other borrowing costs are shall be recognized as expense in profit or loss when they are incurred. The assets in compliance with capitalization conditions refer to the fixed assets, intangible assets and inventory that necessarily takes a substantial period of time (usually referred as more than one year) to get ready for its intended use or sale.

Capitalization period of borrowing costs: the company shall begin capitalising borrowing costs as part of the cost of a qualifying asset when the expenditures for the asset have been incurred, borrowing costs have been incurred and activities that are necessary to prepare the asset for its intended use or sale have been undertaken. Where the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the construction or production events of asset begin again. When the qualifying asset under acquisition, construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Calculation method of capitalization amount of borrowing costs: where funds are borrowed specifically for the purpose of acquisition, construction or production of a qualifying asset, the amount of the actual borrowing costs incurred on that borrowing during the period less any interest income earned from depositing the remaining borrowed funds or investment income on the temporary investment of those borrowings shall be capitalized. To the extent that the Company borrows funds generally and uses them for purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

17. Intangible assets

Intangible assets of the Company mainly included land use rights, house use rights, patents and proprietary technology, franchises, trademarks, software and so on. Acquired Intangible assets shall be measured initially at cost as per actually paid amount and other relevant expenditures. Intangible assets invested by investors shall be confirmed as actual cost as per value as defined in the investment contract or agreement; however, if the value as defined in the investment contract or agreement is not fair, its actual cost shall be confirmed as per fair value.

Land use right of the Company shall be amortized evenly within the amortization period since the remised date Patents and proprietary technology, software and other intangible assets of the Company shall be amortized evenly over the shortest of their estimated useful life, contractual beneficial period and the useful life specified in the law. The amortized amounts shall be recognized in profit or loss or relevant asset costs according to beneficiaries.

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The useful life and the amortization method of intangible assets with finite useful life shall be reviewed at the end of each year and an adjustment shall be made if there is a change. The Company shall review the expected useful life of intangible assets with indefinite useful life in each accounting period. If any evidences indicate that the useful life of intangible assets is finite, the useful life shall be estimated and amortized within the finite useful life.

The expenditures for internal research & development projects are classified into research phase and development phase according to natures of the expenditures and whether a great uncertainty lies in the conversion of the R&D activities into intangible assets.

For internally generated intangible asset, the expenditures in research phase shall be included in the current profits and losses when they are incurred; and the expenditures in development phase which meet the following conditions shall be recognized as an intangible asset:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) there is the intention to complete the intangible asset and use or sell it;
- (3) there is a market for the output of the intangible assets or a market for the intangible assets itself;
- (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (5) the expenditures attributable to the intangible assets in development phase can be measured reliably.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when they are incurred. The expenditures for development stage which have been included in profits and losses cannot be recognized as assets later. The capitalized expenditures for development stage are included in the balance sheet as development expenditures and are converted into intangible assets upon the date when the R&D project is ready for its intended use.

18. Impairment of non-current assets

The Company shall assess at the end of each reporting period whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life of subsidiaries, joint ventures and associates may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. For the intangible assets with an indefinite useful life and goodwill, irrespective of whether there is any indication of impairment, the Company shall test for impairment annually. If it is not possible to estimate the recoverable amount of an individual asset, the Company shall test impairment based on asset group or asset group combination.

If the impairment test shows that the carrying amount of the assets is greater than its recoverable value, the difference between the two is recognized as loss from impairment. Such loss from impairment, once recognized, shall not be reversed in later accounting period. The recoverable amount of assets is the net amount of fair value of assets deducting disposal fees, or present value of expected future cash flow of the assets, whichever is higher.

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Indications of possible asset impairments are as follows:

- (1) The current market price of an asset has declined during the period significantly more than would be expected as a result of the passage of time or normal use;
- (2) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- (3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- (4) Evidence is available of obsolescence or physical damage of an asset;
- (5) The asset becoming idle, plans to discontinue and plans to dispose of an asset before the previously expected date;
- (6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow created by an asset or business profit (or loss) realized (incurred) an asset is lower (higher) than the expected amount, etc.;
- (7) Other evidence that indicates that asset impairment has probably occurred.

19. Long-term deferred expenses

Long-term deferred expense is expense that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses shall be amortized evenly over the beneficial period. If long-term deferred expenses cannot benefit the future accounting periods, the residual value shall be transferred into current profit or loss.

20. Employee benefits

Employee benefits of the Company include short-term employee benefits, post-employment benefits and termination benefits and other long-term benefits.

Short-term employee benefits mainly include salaries, bonuses, allowances and subsidies, employee welfare expenses, housing fund, labor union expenditure, personnel education funds and medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurances. During the accounting period when the employees render the related services, the actual amount of short-term employee benefits expected to be paid shall be recognized as a liability, and included in current profits and losses or relevant cost of assets based on different beneficiaries.

Post-employment benefits include basic pension scheme, unemployment insurance, supplementary pension etc. Depending on the obligation and risk borne by the company, post employment benefit can be classified into defined contribution plan. For the defined contribution plan, at the end of the accounting period, a liability shall be recognized based on the contributed amount paid into a separate entity in exchange for the employee's services rendered in the period and it shall be recorded in current profits and losses or relevant cost of assets in according with the beneficiaries.

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Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment before the expiration of the labor contract between the Company and the employee. The Company shall recognize a liability and expense for termination benefits at the earlier of the following dates: a.) when the Company cannot withdraw the offer of dismissal welfare because of an employment termination plan or a curtailment proposal; or b.) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall recognize the present value of the termination benefits in current profit and loss.

Other long-term benefits include long-term incentive schemes and long-term benefits. These benefits are accounted for in accordance with the requirements relating to defined contribution plan.

21. Provisions

Where the business related to external guarantee, pending litigations or arbitrations, product warranties, layoff plan, onerous contract, restructuring obligation, environmental pollution remediation, commitment, fixed assets disposal obligations etc. meets the following conditions, the Company shall recognize it as liabilities: current obligation borne by the Company; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Provisions are initially measured at the best estimate of expenditure required to settle the relevant present obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the best estimate shall be the present value of relevant future cash outflows. The carrying amount of the provisions shall be reviewed at the end of each reporting period and adjusted (if any change) to reflect current best estimate.

For possible obligation that arises from past transactions or events, its existence and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events; or a present obligation that arises from past transactions or events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, the Company shall disclose the possible obligation or present obligation as contingent liability.

22. Recognition principles and measurement methods of revenue

The operating income of the Company is mainly derived from sale of goods, rendering of services, alienating the right of use assets, construction contracts and Build-Operate-Transfer (BOT). When economic benefits related to transaction can flow into the Company, and relevant revenue can be measured reliably and meet the recognition criteria of special revenue of the following various operating activities, relevant revenue can be recognized.

(1) Sale of goods

The revenue from the sale of goods shall be recognized under the following conditions: all the significant risks and rewards of ownership of the goods have been transferred to the buyer;

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and neither continuing managerial involvement to the degree usually related to the ownership nor effective control over the goods sold is retained; relevant economic benefits will flow to the company; the amount of revenue can be measured reliably and relevant costs incurred or to be incurred in respect of the transaction can be measured reliably.

(2) Rendering of services

If a transaction involving rendering of services is started and completed in the same year, the revenue of labor service associated with the transaction shall be recognized upon completion. If the rendering of services is started and completed in different year, and if the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction involving rendering services, revenue associate with the transaction shall be recognized by reference to the percentage-of-completion method. If an enterprise can not, on the date of the balance sheet, measure the result of a transaction concerning the rendering of services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

1) If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount;

2) If the cost of labor services incurred is not expected to be fully compensated, the revenues from providing labor services are recognized in accordance with the amount received or expected to be received, and the cost of labor services incurred is carried forward. If the revenue recognized is lower than the cost of labor services incurred, the difference shall be recognized in profit and loss for current period;

3) If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services shall be recognized.

(3) Revenue from alienating the right of use assets

The revenue from alienating the right of use assets can be recognized when the economic benefits related to transaction can flow into the Company and the amount of revenue can be measured reliably.

1) The amount of interest income shall be measured and confirmed in accordance with the time and actual interest rate of monetary capital used by other party;

2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement;

3) The amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term.

4) If the outcome of a construction contract can be estimated in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. If the outcome of a construction contract cannot be estimated in a reliable way, and if the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period when they are incurred; If the

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contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized. If the expected total contract costs exceed the total contract revenue, the expected loss shall be recognized as a current expense.

(5) The principle of recognition of income from participation in public infrastructure construction by means of Build - Operate - Transfer (BOT) is as follows:

1) The Company conducts its public infrastructure construction business using the Build-operate-transfer (BOT) method. If the project company had not provided actual construction services but contracted the infrastructure construction out to other parties, construction service revenue shall not be recognized but shall be recognized as financial assets or intangible assets according to the projects costs paid in construction process and considering the contract provisions. Where the contract stipulates that within certain period after the completion of infrastructures, and the project company may unconditionally collect certain amount of monetary fund or financial assets from the contract awarding party, or when the fees of operating services provided by project company are lower than certain limited amount, and the awarding party shall make price difference compensation for project company as stipulated in the contract, and recognized as financial asset. If the fees are uncertain, it shall be recognized as intangible asset.

2) Operating income from BOT projects after the completion of the project shall be recognized depends on two different circumstances: for projects in which franchising is recorded as intangible assets, all the income during the operation period shall be recognized as operating income. For projects that are paid by the government rather than directly by the service receivers in the form of a service fee, it shall be recorded as financial assets, the operating income shall be determined based on reasonable costs and ROI. The interest income from the financial assets shall be recorded as investment income, by applying the actual interest rate to the amortized cost of the long-term receivables.

3) Any predicted expense to be paid by the Company in line with terms of contract to maintain the certain service capacity of infrastructure or to maintain the certain usability status prior to handing over to the contract awarding party of the infrastructure shall be subject to the provisions in the Accounting Standard for Enterprise No. 13 - Contingencies.

4) For fees that shall be treated as daily maintenance and management fees according to related service agreement, it shall be directly included in the profit or loss during the provision of services. If it is determined that the the Company can receive or receive compensation related to maintenance and management from Government, the revenue shall be treated as operating income during the provision of services, with the relevant cost ratio.

5) In some cases, the infrastructure that the Company has built for the purpose of service agreement or purchased from third parties, or existing infrastructure provided by the contractor to the Company for the purpose of the service agreement, shall be subject to the aforesaid BOT business principles.

23. Government Grants

The government Grants shall be recognized when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the subsidy will be received.

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As the monetary government Grants, it shall be measured based on the actually received amounts; the grants made on the basis of fixed amounts shall be measured at the amount receivable. As the non-monetary government Grants, it shall be measured at fair value.

Asset-related government grants shall be recognized as deferred income, and shall be recognized in profit or loss on a systematic basis over the useful life of related assets. Income-related government grants used to compensate for related expenses or losses to be incurred in subsequent periods shall be recognized as deferred income and it shall be included in profits and losses when the related expenses are incurred; for those relating to compensation for related expenses or losses already incurred shall be included in current profits and losses directly.

24. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Company shall be recognized by calculating the difference (temporary difference) between the tax base of an asset or liability and its carrying amount. As specified by tax laws, a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax liabilities shall be not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax assets and deferred tax liabilities shall be not recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). On balance sheet date deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

A deferred tax asset shall be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, tax losses and tax credit can be utilised.

25. Lease

Lease can be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an underlying asset. Other leases are operating lease.

The rental income or expenses of operating leases shall be recognized in the relevant asset costs or in the profits and losses in accordance with the straight-line method over each period of the lease term.

The Company shall recognize assets held under a financial lease in its balance sheet at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The balance between the entering value of leased assets and the minimum lease payment shall be deemed unrecognized finance charges, and amortized using the effective interest method over the lease term. The balance of the minimum lease payments after deducting unrecognized finance charges shall be presented as long-term payables.

26. Significant changes of accounting policy and accounting estimate

(1) Changes in significant accounting policies

There were no changes in significant accounting policies this year.

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(2) Changes in significant accounting estimates

There were no changes in significant accounting estimates this year.

V. Taxes

Main taxes and rates

1. Company income tax

Except for the following companies, the income tax rate applicable to all domestic subsidiaries of the Company is 25%.

(1) Pursuant to “Management Measures for High - tech Enterprises” (Ref. No.: Guo Ke Fa Huo [2016] 32), “Tentative Measures for the Administration of the Recognition of the Key Software Enterprises and Integrated Circuit Design Enterprises Covered by the National Planning Layout” (Ref No.: Fa Gai Gao Ji [2012] 2413), and “Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries” (Ref. No.: Cai Shui [2012] 27), relevant domestic subsidiaries enjoy tax benefits as follows:

| Name | Preferential tax rate | Reason |
|---|-----------------------|---|
| Tsinghua Tongfang Co., Ltd. | 15% | High-tech enterprises |
| TsingHua TongFang Artificial Environment Co., Ltd. | 15% | High-tech enterprises |
| Nuctech Company Limited. | 15% | High-tech enterprises |
| Tongfang Knowledge Network Technology Co., Ltd. (Beijing) | 15% | High-tech enterprises |
| Tongfang Knowledge Network Digital Publishing Co., Ltd. | 15% | High-tech enterprises |
| Tongfang Health Technology (Beijing) Co., Ltd. | 15% | High-tech enterprises |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Software Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 15% | High-tech enterprises |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 15% | High-tech enterprises |
| Tongfang R.I.A Company Limited | 15% | High-tech enterprises |
| Tongfang Industry Co., Ltd. | 15% | High-tech enterprises |
| Beijing ERENEBEN Information Technology Co., Ltd. | 15% | High-tech enterprises, software enterprisee |

(2) The income tax rate of offshore subsidiaries during the reporting period are as follows:

| Name | Tax rate |
|--|----------|
| Resuccess Investments Limited | 0% |
| Technovator International Limited | 17% |
| Tongfang Optoelectronic (HK) Limited | 16.50% |
| Tongfang HongKong Limited | 16.50% |
| Tongfang Global Limited | 16.50% |
| THTF USA, Inc. | 31% |
| Tongfang Asia Pacific (R&D Center) Pte. Ltd. | 17% |

2. Value-Added Tax (VAT)

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The sales of goods, rendering of processing and repair service are applicable to VAT, domestic output tax rate is 17%.

Pursuant to the “Circular on Taxation Policies for Value-added Tax Reform in the Industry of Transport and Certain Modern Services” (Ref. No.: Cai Shui [2013] 37) issued by the Ministry of Finance and the State Administration of Taxation, the rendering of research & development and technical services, information technology services, cultural and creative services, forensic advisory services and other modern service operated by the Company are applicable to VAT, and the tax rate is 6%.

Pursuant to “Circular on comprehensively pushing off the pilot projects for replacing the Business Tax with a Value-Added Tax” (Ref. No.: Cai Shui [2016] 36) issued by the Ministry of Finance and the State Administration of Taxation, since 1 May 2016, the incomes of the Company which operate in construction service (mainly engineering and installation services), real estate leasing service, real estate sales and land use rights transfer are applicable to VAT. The output tax rate is 11% if general tax calculation method is applied, the tax rate is 3% or 5% if simplified tax calculation method is applied; Interest income and transfer income from financial instruments applicable to the tax rate of 6%.

VAT payable is the balance of the output VAT after deducting the input VAT. The input VAT paid refund for exporting products can be claimed for.

3. City maintenance and construction tax and education surcharges

The Company's city maintenance and construction tax and education surcharges are calculated based on the payable VAT with a tax rate of 1.7% and 3% respectively. Tax rate for local education surcharge is 2%.

4. Property tax

Property tax of the Company's own property is calculated based on 70% of the original property value with a tax rate of 1.2%.

Property tax of the Company's rental property is calculated based on rental price of the property with a tax rate of 12%.

5. Other taxes

The other taxes applicable are calculated in accordance with relevant state regulations.

VI. Notes to main items in consolidated financial statements

Unless especially noted, among the following disclosed data in the financial statement, “beginning of the period” refers to 1 January 2017; “end of the period” refers to 30 June 2017; “current period” refers to from 1 January to 30 June 2017; “previous period” refers to from 1 January to 30 June 2016; and monetary unit is RMB.

1. Cash at bank and on hand

| Item | Closing balance | Opening balance |
|--|-------------------------|--------------------------|
| Cash on hand | 9,467,056.32 | 10,596,075.47 |
| Bank deposits | 8,500,044,729.76 | 10,727,484,746.96 |
| Other cash balances | 247,066,738.14 | 220,099,299.10 |
| Total | 8,756,578,524.22 | 10,958,180,121.53 |
| Including: total amount deposited abroad | 1,747,615,845.79 | 1,982,628,056.68 |

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As at 30 June 2017, restricted cash at bank and on hand amounted to RMB 204,037,533.38.

2. Financial assets at fair value through profit or loss

| Item | Closing balance | Opening balance |
|---|-----------------------|-----------------------|
| Financial assets held for trading | 145,754,415.83 | 126,425,852.01 |
| Including: equity instruments investment | 145,754,415.83 | 126,425,852.01 |
| Designated as financial assets at fair value through profit or loss | 628,776,337.86 | 738,568,901.08 |
| Including: equity instruments investment | 628,776,337.86 | 738,568,901.08 |
| Total | 774,530,753.69 | 864,994,753.09 |

3. Notes receivable

| Item | Closing balance | Opening balance |
|-----------------------------|----------------------|----------------------|
| Bank acceptance notes | 43,349,255.57 | 79,713,872.86 |
| Commercial acceptance notes | 9,175,200.41 | 9,310,627.43 |
| Total | 52,524,455.98 | 89,024,500.29 |

4. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|-------------------------|----------------|-------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % | Amount | Provision Ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 72,741,362.85 | 0.82% | 72,741,362.85 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 8,771,725,784.82 | 98.68% | 1,089,597,082.41 | 12.42% | 7,682,128,702.41 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 44,995,866.64 | 0.50% | 44,995,866.64 | 100.00% | 0.00 |
| Total | 8,889,463,014.31 | 100.00% | 1,207,334,311.90 | 13.58% | 7,682,128,702.41 |

(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|----------------|-------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % | Amount | Provision Ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 72,741,362.85 | 0.89% | 72,741,362.85 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 8,086,551,660.76 | 98.44% | 970,819,516.59 | 12.01% | 7,115,732,144.17 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 54,891,050.27 | 0.67% | 54,891,050.27 | 100.00% | 0.00 |
| Total | 8,214,184,073.88 | 100.00% | 1,098,451,929.71 | 13.37% | 7,115,732,144.17 |

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1) Receivables with individual significant amount and identified separately for bad debt provision

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|-------------------------------------|
| China Broadcasting Communication Group Co., Ltd. | 72,741,362.85 | 72,741,362.85 | 100.00% | Amount expected cannot be recovered |
| Total | 72,741,362.85 | 72,741,362.85 | 100.00% | — |

2) Aging portfolios

| Age | Closing balance | | |
|-------------------|-------------------------|----------------|-------------------------|
| | Accounts receivable | % | Provision for bad debt |
| Within 1 year | 5,585,627,643.32 | 63.68% | 55,856,276.46 |
| 1-2 years | 1,492,300,097.43 | 17.02% | 74,615,004.87 |
| 2-3 years | 348,561,560.69 | 3.97% | 52,284,234.12 |
| 3-4 years | 318,645,073.04 | 3.63% | 95,593,521.93 |
| 4-5 years | 430,686,730.76 | 4.91% | 215,343,365.45 |
| More than 5 years | 595,904,679.58 | 6.79% | 595,904,679.58 |
| Total | 8,771,725,784.82 | 100.00% | 1,089,597,082.41 |

3) Receivables with individual insignificant amount and identified separately for bad debt provision

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|---|----------------------|----------------------|-----------------|----------------------------|
| 63 companies including Guangzhou LEDS-LUX Opto&Illumination Technology Co., Ltd. etc. | 44,995,866.64 | 44,995,866.64 | 100.00% | Amount cannot be recovered |
| Total | 44,995,866.64 | 44,995,866.64 | 100.00% | — |

(2) The top 5 largest accounts receivable at the end of the period is RMB 2,020,790,840.09, making up of 22.73% of the total balance, provision for bad debts at the end of the period is RMB 157,348,461.60.

5. Prepayments

(1) Age of prepayment

| Item | Closing balance | | Opening balance | |
|-------------------|-------------------------|----------------|-------------------------|----------------|
| | Amount | % | Amount | % |
| Within 1 year | 814,372,014.28 | 66.60% | 649,253,822.52 | 61.80% |
| 1-2 years | 180,039,991.30 | 14.73% | 192,881,972.19 | 18.36% |
| 2-3 years | 131,280,179.77 | 10.74% | 126,565,288.47 | 12.05% |
| More than 3 years | 96,906,204.66 | 7.93% | 81,856,444.27 | 7.79% |
| Total | 1,222,598,390.01 | 100.00% | 1,050,557,527.45 | 100.00% |

(2) The top 5 largest prepayments at the end of the period is RMB 188,658,120.76, making up of 15.43% of the total balance.

6. Dividends receivable

| Investee | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Tongfang Guo Xin Investment Holding Co., Ltd. | 338,775,000.00 | 0.00 |

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| Investee | Closing balance | Opening balance |
|--|-----------------------|----------------------|
| Tongfang Environment Co., Ltd. | 29,423,520.00 | 16,813,440.00 |
| Tellhow Sci-Tech Co., Ltd. | 13,270,610.40 | 0.00 |
| Unispplendour Corporation Limited | 2,839,833.30 | 0.00 |
| Advanced Systems Development Co., Ltd. | 1,100,000.00 | 3,964,000.00 |
| Sinopec mixed ownership reform asset management plan | 0.00 | 1,263,673.97 |
| Total | 385,408,963.70 | 22,041,113.97 |

7. Other receivables

1) Classification of other receivables

| Type | Closing balance | | | | |
|---|-------------------------|----------------|------------------------|-----------------|-----------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % | Amount | provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 44,859,905.21 | 3.37% | 44,859,905.21 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,287,024,971.88 | 96.63% | 294,546,943.29 | 22.89% | 992,478,028.59 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 1,331,884,877.09 | 100.00% | 339,406,848.50 | 25.48% | 992,478,028.59 |

(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|----------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % | Amount | provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 44,859,905.21 | 2.79% | 44,859,905.21 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,560,898,984.71 | 97.21% | 289,239,322.59 | 18.53% | 1,271,659,662.12 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 1,605,758,889.92 | 100.00% | 334,099,227.80 | 20.81% | 1,271,659,662.12 |

2) Other account receivables with individual significant amount and identified separately for bad debt provision

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|------------------------|
| Qinzhou City Tongfang Hechen Precision Electronic Technology Co., Ltd. | 44,859,905.21 | 44,859,905.21 | 100.00% | Abnormal credit record |
| Total | 44,859,905.21 | 44,859,905.21 | 100.00% | — |

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3) Aging portfolios

| Age | Closing balance | | |
|-------------------|-------------------------|----------------|------------------------|
| | Other receivables | % | Provision for bad debt |
| Within 1 year | 667,684,938.37 | 51.88% | 6,676,849.39 |
| 1-2 years | 214,864,723.80 | 16.69% | 10,743,236.23 |
| 2-3 years | 62,143,313.04 | 4.83% | 9,321,496.96 |
| 3-4 years | 95,738,617.20 | 7.44% | 28,721,585.17 |
| 4-5 years | 15,019,207.89 | 1.17% | 7,509,603.96 |
| More than 5 years | 231,574,171.58 | 17.99% | 231,574,171.58 |
| Total | 1,287,024,971.88 | 100.00% | 294,546,943.29 |

(1) Classification of other receivables by nature

| Nature | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Guarantee deposit and security deposit | 604,279,240.75 | 412,000,089.40 |
| Intercourse funds | 437,993,765.52 | 319,678,616.28 |
| Equity transfer price | 108,326,898.00 | 703,583,802.73 |
| Petty cash | 97,892,810.95 | 97,555,781.08 |
| Payments for other entities | 31,619,149.96 | 34,440,208.55 |
| Tax refund, export tax rebate | 5,115,936.36 | 5,012,746.41 |
| Others | 46,657,075.55 | 33,487,645.47 |
| Total | 1,331,884,877.09 | 1,605,758,889.92 |

(2) The top 5 largest other receivables at the end of the period is RMB 441,624,841.17, making up of 33.16% of the total balance, provision for bad debts at the end of the period is RMB 64,905,127.26.

8. Inventories

(1) Classifications of inventories

| Item | Closing balance | | | Opening balance | | |
|--------------------------------|--------------------------|---|-------------------------|--------------------------|---|-------------------------|
| | Book balance | Provision for decline in the value of inventories | Carrying amount | Book balance | Provision for decline in the value of inventories | Carrying amount |
| Goods in stock | 2,445,514,395.43 | 219,250,203.92 | 2,226,264,191.51 | 2,416,529,031.58 | 224,356,787.50 | 2,192,172,244.08 |
| Work in process | 3,046,395,091.53 | 236,565,374.34 | 2,809,829,717.19 | 2,411,469,756.46 | 239,810,687.76 | 2,171,659,068.70 |
| Raw materials | 2,135,751,708.70 | 121,276,760.71 | 2,014,474,947.99 | 2,336,043,664.41 | 119,427,866.66 | 2,216,615,797.75 |
| Constructions | 1,496,506,661.69 | 61,087,462.95 | 1,435,419,198.74 | 1,408,929,926.81 | 61,087,462.95 | 1,347,842,463.86 |
| Goods shipped in transit | 1,403,631,651.36 | 98,575,943.42 | 1,305,055,707.94 | 1,332,320,851.33 | 98,575,943.42 | 1,233,744,907.91 |
| Consigned processing materials | 61,927,504.02 | 176,888.99 | 61,750,615.03 | 75,915,831.56 | 176,888.99 | 75,738,942.57 |
| Materials in transit | 7,753,211.23 | 0.00 | 7,753,211.23 | 17,374,015.73 | 0.00 | 17,374,015.73 |
| Low value consumables | 1,914,265.09 | 219,562.49 | 1,694,702.60 | 1,460,887.91 | 219,562.49 | 1,241,325.42 |
| Packing materials | 134,664.74 | 117,210.58 | 17,454.16 | 133,172.62 | 117,210.58 | 15,962.04 |
| Goods on consignment | 167,203.56 | 167,203.56 | 0.00 | 167,203.56 | 167,203.56 | 0.00 |
| Total | 10,599,696,357.35 | 737,436,610.96 | 9,862,259,746.39 | 10,000,344,341.97 | 743,939,613.91 | 9,256,404,728.06 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Provision for decline in the value of inventories

| Item | Opening balance | Increase Provision | Decrease Write-off | Exchange adjustment | Closing balance |
|--------------------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Goods in stock | 224,356,787.50 | 1,490,687.65 | 5,517,868.06 | -1,079,403.17 | 219,250,203.92 |
| Work in process | 239,810,687.76 | 91,328.15 | 3,324,719.96 | -11,921.61 | 236,565,374.34 |
| Raw materials | 119,427,866.66 | 3,768,770.79 | 1,921,308.02 | 1,431.28 | 121,276,760.71 |
| Constructions | 61,087,462.95 | 0.00 | 0.00 | 0.00 | 61,087,462.95 |
| Goods shipped in transit | 98,575,943.42 | 0.00 | 0.00 | 0.00 | 98,575,943.42 |
| Consigned processing materials | 176,888.99 | 0.00 | 0.00 | 0.00 | 176,888.99 |
| Low value consumables | 219,562.49 | 0.00 | 0.00 | 0.00 | 219,562.49 |
| Packing materials | 117,210.58 | 0.00 | 0.00 | 0.00 | 117,210.58 |
| Goods on consignment | 167,203.56 | 0.00 | 0.00 | 0.00 | 167,203.56 |
| Total | 743,939,613.91 | 5,350,786.59 | 10,763,896.04 | -1,089,893.50 | 737,436,610.96 |

9. Other current assets

| Item | Closing balance | Opening balance |
|-------------------------------------|-------------------------|-------------------------|
| Available-for-sale financial assets | 2,338,488,800.00 | 2,348,858,900.00 |
| Prepaid taxes | 506,150,101.46 | 512,263,281.80 |
| VAT deductible | 337,972,800.49 | 235,764,867.20 |
| Total | 3,182,611,701.95 | 3,096,887,049.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Item | Closing balance | | | Opening balance | | |
|---------------------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|-------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Available-for-sale equity instruments | 3,361,677,271.72 | 3,477,840.83 | 3,358,199,430.89 | 3,024,056,658.61 | 3,477,840.83 | 3,020,578,817.78 |
| Including: | | | | | | |
| measured at fair value | 3,231,446,480.18 | 0.00 | 3,231,446,480.18 | 2,921,915,246.99 | 0.00 | 2,921,915,246.99 |
| measured at historical cost | 130,230,791.54 | 3,477,840.83 | 126,752,950.71 | 102,141,411.62 | 3,477,840.83 | 98,663,570.79 |
| Total | 3,361,677,271.72 | 3,477,840.83 | 3,358,199,430.89 | 3,024,056,658.61 | 3,477,840.83 | 3,020,578,817.78 |

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

| Item | Available-for-sale equity instrument |
|---|--------------------------------------|
| Cost of equity instrument | 2,776,859,323.67 |
| Fair value | 3,231,446,480.18 |
| Amount of changes in fair value accumulatively included in other comprehensive income | 454,587,156.51 |
| Amount of impairment provision provided | 0.00 |

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

| Investee | Book balance | | | Shareholding ratio in investee | Cash dividends in current period |
|--|-----------------|---------------|------------|--------------------------------|----------------------------------|
| | Opening balance | Increase | Decrease | | |
| Haerbin HRB's Marine Equipment Co., Ltd. | 0.00 | 21,750,000.00 | 0.00 | 21,750,000.00 | 10.36% |
| Shenzhen Hymson Laser Science & Technology Co., Ltd. | 20,000,000.00 | 0.00 | 0.00 | 20,000,000.00 | 4.00% |
| Legend Silicon Corp. | 18,404,728.00 | 0.00 | 0.00 | 18,404,728.00 | 3.56% |
| China Investment & Credit Guaranty Co., Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 1.00% |
| Tsinghua Agriculture Co. Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 5.00% |
| EIKON CORPORATION | 0.00 | 6,762,304.72 | 0.00 | 6,762,304.72 | 9.9388% |
| National Engineering Lab. For DTV(Beijing) | 6,250,000.00 | 0.00 | 0.00 | 6,250,000.00 | 12.50% |
| Asqella Oy | 5,817,335.79 | 0.00 | 172,924.80 | 5,644,410.99 | 7.65% |
| Beijing Science Park Zhidi Co., Ltd. | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 1.00% |
| Wuhan International Conference & Exhibition Center | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 2.21% |
| Chongqing Three Gorges Bank Co., Ltd. | 3,720,000.00 | 0.00 | 0.00 | 3,720,000.00 | 0.04% |
| Guangdong New Light Source Industry Innovation Center of | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 4.76% |
| | | | | | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Book balance | | | Shareholding ratio in investee | Cash dividends in current period |
|--|-----------------------|----------------------|-------------------|--------------------------------|----------------------------------|
| | Opening balance | Increase | Decrease | | |
| Nanhai District of Foshan City | | | | | |
| Beijing Zhongtie Yipin Tourist Information Service Co., Ltd. | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 10.00% |
| Jiangxi Wan Defu Tape Co., Ltd. | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 | 35.00% |
| Beijing Gaoxiao Innovation Co., Ltd. | 2,000,000.00 | 0.00 | 0.00 | 2,000,000.00 | 2.30% |
| Suzhou Joekai Biotechnology LLC | 1,745,154.11 | 0.00 | 0.00 | 1,745,154.11 | 13.29% |
| Beijing Shoukai Yixin Property Co., Ltd. | 1,540,000.00 | 0.00 | 0.00 | 1,540,000.00 | 0.31% 930,000.00 |
| Taiji Huafang (Beijing) System Engineering Co., Ltd. | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 10.00% |
| Hubei Yinyu Lighting Co., Ltd. | 901,088.97 | 0.00 | 0.00 | 901,088.97 | 10.00% |
| Zebra Network Technology Co., Ltd. | 756,680.98 | 0.00 | 0.00 | 756,680.98 | 6.73% |
| Beijing Yi Hao Technology Co., Ltd. | 520,408.16 | 0.00 | 0.00 | 520,408.16 | 5.10% |
| Neo-Neon (Beijing) Optoelectronics Technology Research Institute | 419,360.22 | 0.00 | 0.00 | 419,360.22 | 51.00% |
| Taiyuan Wuyi Department Store | 30,000.00 | 0.00 | 0.00 | 30,000.00 | 0.15% |
| Jiangmen Neo-Neon Education Investment Management Co., Ltd. | 24,619.33 | 0.00 | 0.00 | 24,619.33 | 49.00% |
| Tongfang Zhihaole Education Technology (Beijing) Co., Ltd. | 20,486.06 | 0.00 | 0.00 | 20,486.06 | 0.76% |
| Beijing Dudulang Culture Communication Co., Ltd. | 250,000.00 | 0.00 | 250,000.00 | 0.00 | 0.00% |
| Total | 102,141,411.62 | 28,512,304.72 | 422,924.80 | 130,230,791.54 | — 1,050,000.00 |

(4) Provision for impairment of available-for-sale financial assets

| Investee | Provision for impairment | | | |
|---|--------------------------|-------------|-------------|---------------------|
| | Opening balance | Increase | Decrease | Closing balance |
| Guangdong New Light Source Industry Innovation Center of Nanhai District of Foshan City | 691,735.71 | 0.00 | 0.00 | 691,735.71 |
| Jiangxi Wan Defu Tape Co., Ltd. | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 |
| Hubei Yinyu Lighting Co., Ltd. | 14,555.12 | 0.00 | 0.00 | 14,555.12 |
| Taiyuan Wuyi Department Store | 30,000.00 | 0.00 | 0.00 | 30,000.00 |
| Total | 3,477,840.83 | 0.00 | 0.00 | 3,477,840.83 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

11. Lone-term receivables

| Item | Closing balance | | | Opening balance | | |
|---|-------------------------|--------------------------------|-------------------------|-----------------------|--------------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Sewage, sludge treatment project(BOT,TOT) | 690,559,291.79 | 0.00 | 690,559,291.79 | 577,798,104.02 | 0.00 | 577,798,104.02 |
| Services by installments | 345,352,737.99 | 0.00 | 345,352,737.99 | 330,487,463.14 | 0.00 | 330,487,463.14 |
| Sale of goods by installments | 9,638,520.84 | 0.00 | 9,638,520.84 | 0.00 | 0.00 | 0.00 |
| Total | 1,045,550,550.62 | 0.00 | 1,045,550,550.62 | 908,285,567.16 | 0.00 | 908,285,567.16 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

12. Long-term equity investments

(1) Details of long-term equity investments

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current period | | | Others | Closing balance | Provision for impairment Ending Balance |
|--|------------------|-----------------------|-----------------------|---|----------------------------|-----------------------------------|----------------|-----------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income | Other equity movements adjustment | | | |
| I. Joint ventures | | | | | | | | | |
| Aegon THTF Life Insurance Co., Ltd. | 1,246,756,037.49 | 0.00 | 0.00 | -14,815,993.62 | -43,474,193.09 | 0.00 | 0.00 | 0.00 | 1,188,465,850.78 |
| Tongfang Rass Pharmaceutical Industry Investment (Guangdong) Co., Ltd. | 0.00 | 1,020,000,000.00 | 0.00 | 12,128,898.14 | 0.00 | 0.00 | 0.00 | 0.00 | 1,032,128,898.14 |
| NuRay Technology Co., Ltd. | 23,928,276.17 | 0.00 | 0.00 | -3,357,581.39 | 0.00 | 0.00 | 0.00 | 0.00 | 20,570,694.78 |
| Tong Wei Jin Fu Technology (Tianjin) Co., Ltd. | 3,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,000,000.00 |
| II. Associates | | | | | | | | | |
| Tongfang Guo Xin Investment Holding Co., Ltd. | 7,119,086,888.80 | 0.00 | 0.00 | 370,991,419.15 | -113,116,775.79 | 0.00 | 338,775,000.00 | 0.00 | 7,038,186,532.16 |
| Warranty Asset Management Co., Ltd. | 1,230,806,750.53 | 0.00 | 0.00 | -68,072,183.53 | -16,073,129.64 | 0.00 | 21,142,320.00 | 0.00 | 1,125,519,117.36 |
| Tellhow Sci-Tech Co., Ltd. | 619,992,809.82 | 39,912,955.28 | 0.00 | 10,446,802.94 | 18,677.73 | 940,314.15 | 13,270,610.40 | 0.00 | 658,040,949.52 |
| Tongfang Investment Co., Ltd. | 538,262,841.85 | 0.00 | 0.00 | 17,059,291.48 | -8,055,769.42 | 0.00 | 0.00 | 0.00 | 547,266,363.91 |
| Jarun Investment Co., Ltd. | 326,569,539.03 | 0.00 | 0.00 | 6,393,817.65 | 0.00 | 0.00 | 0.00 | 0.00 | 332,963,356.68 |
| Yuxi City Huakong Environmental Sponge City Construction Co., Ltd. | 0.00 | 165,010,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 165,010,000.00 |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 157,596,621.94 | 0.00 | 0.00 | -514,963.78 | 0.00 | 0.00 | 0.00 | 0.00 | 157,181,658.16 |
| Tongfang Environment Co., Ltd. | 143,216,918.90 | 0.00 | 0.00 | 4,346,915.38 | -129,141.19 | 10,904.16 | 12,610,080.00 | 0.00 | 134,835,517.25 |
| Easyway Technology Co., Ltd. | 132,469,667.36 | 0.00 | 0.00 | 113,010.99 | 0.00 | 0.00 | 0.00 | 0.00 | 132,582,678.35 |
| Tongfang Holch Investment Group Co., Ltd. | 100,300,000.00 | 0.00 | 0.00 | -1,440,189.66 | 0.00 | 0.00 | 0.00 | 0.00 | 98,859,810.34 |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 73,048,769.34 | 18,271,328.00 | 0.00 | -219.26 | 0.00 | 0.00 | 0.00 | 0.00 | 91,319,878.08 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 85,198,941.00 | 0.00 | 0.00 | 231,069.50 | 0.00 | 0.00 | 0.00 | 0.00 | 85,430,010.50 |
| Beijing Global Safety Technology Co., Ltd. | 75,760,668.32 | 0.00 | 0.00 | -546,833.08 | 3,053.62 | 0.00 | 1,350,000.00 | 0.00 | 73,866,888.86 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current period | | | Others | Closing balance | Provision for impairment Ending Balance |
|---|-----------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|--------------|-----------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | | | |
| Advanced Systems Development Co., Ltd. | 52,091,172.60 | 0.00 | 0.00 | 1,513,657.67 | 3,178.68 | 0.00 | 1,100,000.00 | 0.00 | 52,508,008.95 0.00 |
| Shenzhen Qianhai HT Capital Co., Ltd. | 0.00 | 40,130,000.00 | 0.00 | -9,090.04 | 0.00 | 0.00 | 0.00 | 40,120,909.96 | 0.00 |
| Tianjin Enorth Netnews Co., Ltd. | 33,788,720.11 | 0.00 | 0.00 | -1,508,068.16 | 0.00 | 0.00 | 0.00 | 32,280,651.95 | 0.00 |
| Hefei Jiarun Kangze Investment Limited Partnership | 0.00 | 30,000,000.00 | 0.00 | 410,740.42 | 0.00 | 0.00 | 0.00 | 30,410,740.42 | 0.00 |
| Shanxi Zuoyun Jimeng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,153,563.00 | 21,153,563.00 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 17,902,405.90 | 0.00 | 0.00 | 446,494.10 | 0.00 | 0.00 | 0.00 | 0.00 | 18,348,900.00 0.00 |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 14,040,727.78 | 0.00 | 0.00 | 835,144.81 | 0.00 | 0.00 | 0.00 | 0.00 | 14,875,872.59 0.00 |
| Tongfang Refine Energy Saving Technology Co., Ltd | 11,105,399.64 | 0.00 | 0.00 | 1,829,597.46 | -14,635.08 | 0.00 | 0.00 | 0.00 | 12,920,362.02 0.00 |
| Tongfang Refine Energy Saving Technology Co., Ltd | 11,893,972.00 | 0.00 | 0.00 | 299,183.27 | 0.00 | 0.00 | 0.00 | 0.00 | 12,193,155.27 0.00 |
| China Railway Capital (Tianjin) Equity Investment Fund Management Co., Ltd. | 12,417,099.26 | 0.00 | 0.00 | -235,920.61 | 0.00 | 0.00 | 0.00 | 0.00 | 12,181,178.65 0.00 |
| Tongfang Cloud Computing Technology Co., Ltd. | 15,089,539.33 | 0.00 | 0.00 | -3,381,014.59 | 0.00 | 0.00 | 0.00 | 0.00 | 11,708,524.74 0.00 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 10,721,891.68 | 0.00 | 0.00 | 73,622.60 | 0.00 | 0.00 | 0.00 | 0.00 | 10,795,514.28 0.00 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 10,479,626.06 | 0.00 | 0.00 | 31,706.25 | 0.00 | 0.00 | 0.00 | 0.00 | 10,511,332.31 0.00 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | 10,149,532.79 | 0.00 | 0.00 | 49,578.44 | 0.00 | 0.00 | 0.00 | 0.00 | 10,199,111.23 0.00 |
| Beijing Tongfang Time Link Electronic Co., Ltd | 10,449,415.76 | 0.00 | 0.00 | -1,151,139.10 | 0.00 | 0.00 | 0.00 | 0.00 | 9,298,276.66 0.00 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 8,048,772.24 | 0.00 | 0.00 | 40,576.83 | 0.00 | 0.00 | 0.00 | 0.00 | 8,089,349.07 0.00 |
| Zhangjiakou TV Culture Media Co., Ltd. | 7,844,734.37 | 0.00 | 0.00 | -100,852.96 | 0.00 | 0.00 | 0.00 | 0.00 | 7,743,881.41 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current period | | | Others | Closing balance | Provision for impairment Ending Balance |
|---|-----------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|--------------|-----------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | | | |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd. | 7,399,907.46 | 0.00 | 0.00 | 158,926.59 | 0.00 | 0.00 | 0.00 | 7,558,834.05 | 0.00 |
| Beijing Maixin Litong Technology Co., Ltd. | 7,386,365.02 | 0.00 | 0.00 | -113,561.14 | 0.00 | 0.00 | 0.00 | 7,272,803.88 | 0.00 |
| Beijing Maixin Litong Technology Co., Ltd. | 7,398,626.83 | 0.00 | 0.00 | -165,221.89 | 0.00 | 0.00 | 0.00 | 7,233,404.94 | 0.00 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 6,314,954.82 | 0.00 | 0.00 | 79,993.86 | 0.00 | 0.00 | 0.00 | 6,394,948.68 | 0.00 |
| Shenzhen Beice Technology Co., Ltd. | 0.00 | 5,000,000.00 | 0.00 | 132,437.40 | 0.00 | 0.00 | 0.00 | 5,132,437.40 | 0.00 |
| CINTS Company Limited | 6,863,762.08 | 0.00 | 0.00 | -17,468.67 | 0.00 | 0.00 | 2,000,000.00 | 0.00 | 4,846,293.41 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 5,535,990.49 | 0.00 | 0.00 | -702,851.20 | 0.00 | 0.00 | 0.00 | 4,833,139.29 | 0.00 |
| Tongfang Zhiyuan (Shenzhen) Equity Investment Fund Management Co., Ltd. | 0.00 | 4,500,000.00 | 0.00 | -2,459.85 | 0.00 | 0.00 | 0.00 | 4,497,540.15 | 0.00 |
| Luoyang Tongfang Digital Television Co., Ltd. | 4,677,944.76 | 0.00 | 0.00 | -375,588.83 | 0.00 | 0.00 | 0.00 | 4,302,355.93 | 0.00 |
| Tongfang Besteasy (Beijing) | 4,337,221.21 | 0.00 | 0.00 | -494,064.85 | 0.00 | 0.00 | 0.00 | 3,843,156.36 | 0.00 |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,771,735.39 | 0.00 | 0.00 | -18,784.03 | 0.00 | 0.00 | 0.00 | 2,752,951.36 | 0.00 |
| Lime PC Multimedia Technologies Co., Limited | 2,470,662.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,412,751.34 | 2,412,751.34 |
| Inner Mongolia Olefinic Carbon Energy Technology Development Co. Ltd. | 0.00 | 2,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,000,000.00 | 0.00 |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 1,840,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,840,000.00 | 0.00 |
| Technovator Qatar | 184,361.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 184,361.40 | 184,361.40 |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Haishan Data Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current period | | | | Closing balance | Provision for impairment |
|---|--------------------------|-------------------------|-----------------------|---|----------------------------|------------------------|-------------------------|----------------------|--------------------------|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income | Other equity movements | Cash dividends declared | | |
| Beijing Wenu Laser Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Guangzhou Thomee Lighting Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 12,180,452,835.03 | 1,324,824,283.28 | 0.00 | 330,588,834.69 | -180,838,734.18 | 951,218.31 | 390,248,010.40 | -57,911.16 | 13,265,672,515.57 |
| | | | | | | | | 23,750,675.74 | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Provision for impairment of long-term equity investments

| Investee | Opening balance | Increase | Decrease | Closing balance |
|---|----------------------|-------------|------------------|----------------------|
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 21,153,563.00 |
| Lime PC Multimedia Technologies Co., Limited | 2,470,662.50 | 0.00 | 57,911.16 | 2,412,751.34 |
| Technovator Qatar | 184,361.40 | 0.00 | 0.00 | 184,361.40 |
| Total | 23,808,586.90 | 0.00 | 57,911.16 | 23,750,675.74 |

13. Investment properties

Investment properties measured at fair value

| Item | Premises and buildings |
|---------------------------------|------------------------|
| I. Opening balance | 14,700,000.00 |
| II. Changes in the current year | 0.00 |
| III. Closing balance | 14,700,000.00 |

14. Fixed assets

| Item | Premises and buildings | Equipment | Vehicles | Total |
|--|------------------------|------------------|----------------|------------------|
| I. Original cost | | | | |
| 1. Opening balance | 3,800,265,442.02 | 3,248,583,180.16 | 139,206,478.61 | 7,188,055,100.79 |
| 2. Increase | 5,392,228.24 | 78,552,390.34 | 3,760,369.59 | 87,704,988.17 |
| (1)Purchase | 2,313,112.56 | 57,507,168.12 | 3,760,369.59 | 63,580,650.27 |
| (2)Transferred from construction in progress | 3,079,115.68 | 17,461,338.26 | 0.00 | 20,540,453.94 |
| (3)Business combination | 0.00 | 3,583,883.96 | 0.00 | 3,583,883.96 |
| 3. Decrease | 24,300,567.83 | 125,934,314.99 | 3,850,545.12 | 154,085,427.94 |
| (1)Disposal or written-off | 23,317,443.75 | 125,934,314.99 | 3,850,545.12 | 153,102,303.86 |
| (2)Other changes | 983,124.08 | 0.00 | 0.00 | 983,124.08 |
| 4. Exchange adjustments | -1,866,235.96 | -3,202,056.52 | -806,794.04 | -5,875,086.52 |
| 5. Closing balance | 3,779,490,866.47 | 3,197,999,198.99 | 138,309,509.04 | 7,115,799,574.50 |
| II. Accumulated depreciation | | | | |
| 1. Opening balance | 1,077,962,231.88 | 2,013,118,943.60 | 91,745,981.49 | 3,182,827,156.97 |
| 2. Increase | 48,549,043.75 | 93,324,149.84 | 4,071,674.53 | 145,944,868.12 |
| (1)Provision | 48,549,043.75 | 92,761,329.86 | 4,071,674.53 | 145,382,048.14 |
| (2)Business combination | 0.00 | 562,819.98 | 0.00 | 562,819.98 |
| 3. Decrease | 3,066,086.19 | 97,221,170.19 | 3,382,641.95 | 103,669,898.33 |
| (1)Disposal or written-off | 3,066,086.19 | 97,221,170.19 | 3,382,641.95 | 103,669,898.33 |
| 4. Exchange adjustments | -866,373.97 | -3,043,147.59 | -472,661.43 | -4,382,182.99 |
| 5. Closing balance | 1,122,578,815.47 | 2,006,178,775.66 | 91,962,352.64 | 3,220,719,943.77 |
| III. Provision for impairment | | | | |
| 1. Opening balance | 300,438,459.60 | 410,817,125.52 | 1,530,938.00 | 712,786,523.12 |
| 2. Increase | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Decrease | 0.00 | 23,369,335.78 | 0.00 | 23,369,335.78 |
| (1)Disposal or written-off | 0.00 | 23,369,335.78 | 0.00 | 23,369,335.78 |
| 4. Exchange adjustments | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Closing balance | 300,438,459.60 | 387,447,789.74 | 1,530,938.00 | 689,417,187.34 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Premises and buildings | Equipment | Vehicles | Total |
|-----------------------------|------------------------|----------------|---------------|------------------|
| IV.Carrying amount | | | | |
| 1.Ending carrying amount | 2,356,473,591.40 | 804,372,633.59 | 44,816,218.40 | 3,205,662,443.39 |
| 2.Beginning carrying amount | 2,421,864,750.54 | 824,647,111.04 | 45,929,559.12 | 3,292,441,420.70 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

15. Construction in Progress

(1) Details of construction in progress

| Item | Closing balance | | | Opening balance | |
|---|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 362,509,242.48 | 0.00 | 362,509,242.48 | 297,948,665.69 | 0.00 |
| Digital publishing and digital library project of “China National Knowledge Infrastructure” | 135,667,609.73 | 0.00 | 135,667,609.73 | 128,829,789.27 | 0.00 |
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 101,763,879.13 | 0.00 | 101,763,879.13 | 93,618,694.78 | 0.00 |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 19,561,832.71 | 14,603,542.91 | 4,958,289.80 | 19,561,832.71 | 14,603,542.91 |
| Tongfang Technovator Industrial Energy Saving Project | 8,628,707.76 | 0.00 | 8,628,707.76 | 8,628,707.76 | 0.00 |
| New plant construction project of Tongfang Nuctech Warsaw | 4,726,226.34 | 0.00 | 4,726,226.34 | 4,219,192.19 | 0.00 |
| Huizhou sewage treatment indicator improvement project | 0.00 | 0.00 | 0.00 | 2,760,930.03 | 0.00 |
| Other projects | 55,651,020.91 | 37,595.23 | 55,613,425.68 | 51,483,789.40 | 37,595.23 |
| Total | 688,508,519.06 | 14,641,138.14 | 673,867,380.92 | 607,051,601.83 | 14,641,138.14 |

(2) Movements in construction in progress

| Item | Budget/ RMB'000 | Opening balance | Increase | Transfer to fixed assets | Other decrease | Closing balance | Sources of fund | Cost incurred as a percentage of budget |
|--|--------------------|-----------------|---------------|-----------------------------|----------------|-----------------|-----------------------|---|
| | | | | | | | | |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 46,000.00 | 297,948,665.69 | 77,030,678.35 | 12,470,101.56 | 0.00 | 362,509,242.48 | Self-raised, loans | 81.52% |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 49,000.00 | 128,829,789.27 | 6,837,820.46 | 0.00 | 0.00 | 135,667,609.73 | Self-raised | 27.69% |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Budget/ RMB'0000 | Opening balance | Increase | Transfer to fixed assets | Other decrease | Closing balance | Sources of fund | Cost incurred as a percentage of budget |
|--|---------------------|-----------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|---|
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 11,890.00 | 93,618,694.78 | 8,145,184.35 | 0.00 | 0.00 | 101,763,879.13 | Self-raised | 85.59% |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 11,107.95 | 19,561,832.71 | 0.00 | 0.00 | 0.00 | 19,561,832.71 | Self-raised | 83.99% |
| Tongfang Technovator Industrial Energy Saving Project | 950.00 | 8,628,707.76 | 0.00 | 0.00 | 0.00 | 8,628,707.76 | Self-raised, loans | 90.83% |
| New plant construction project of Tongfang Nuctech Warsaw | 3,957.36 | 4,219,192.19 | 507,034.15 | 0.00 | 0.00 | 4,726,226.34 | Loans | 11.94% |
| Huizhou sewage treatment indicator improvement project | — | 2,760,930.03 | 9,533,019.93 | 0.00 | 12,293,949.96 | 0.00 | Self-raised | — |
| Other projects | — | 51,483,789.40 | 12,557,203.26 | 8,070,352.38 | 319,619.37 | 55,651,020.91 | Self-raised | — |
| Total | — | 607,051,601.83 | 114,610,940.50 | 20,540,453.94 | 12,613,569.33 | 688,508,519.06 | — | — |
| Including: Capitalized borrowing costs | — | 71,473.50 | 2,117,689.83 | 14,017.78 | 0.00 | 2,175,145.55 | — | — |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

16. Intangible assets

| Item | Land use right | Housing use right | Patents and technical know-how | Franchise | Trademark | Software and others | Total |
|-------------------------------------|----------------|-------------------|--------------------------------|---------------|---------------|---------------------|------------------|
| I.Original cost | | | | | | | |
| 1. Opening balance | 645,387,880.43 | 1,321,428.54 | 1,145,992,725.16 | 0.00 | 61,000,000.00 | 547,703,207.98 | 2,401,405,242.11 |
| 2. Increase | 0.00 | 0.00 | 50,176,859.05 | 10,574,400.00 | 0.00 | 1,925,981.89 | 62,677,240.94 |
| (1) Purchase | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,186,723.62 | 1,186,723.62 |
| (2) Transfer from expenditure | 0.00 | 0.00 | 50,176,859.05 | 0.00 | 0.00 | 739,258.27 | 50,916,117.32 |
| (3) Business combination | 0.00 | 0.00 | 0.00 | 10,574,400.00 | 0.00 | 10,574,400.00 | |
| 3. Decrease | 0.00 | 0.00 | 410,000.00 | 0.00 | 0.00 | 1,015,198.29 | 1,425,198.29 |
| (1) Disposal | 0.00 | 0.00 | 410,000.00 | 0.00 | 0.00 | 1,015,198.29 | 1,425,198.29 |
| 4. Exchange adjustments | 434,313.09 | 0.00 | -2,787,064.45 | -159,360.00 | 0.00 | -1,118,514.56 | -3,630,625.92 |
| 5. Closing balance | 645,822,193.52 | 1,321,428.54 | 1,192,972,519.76 | 10,415,040.00 | 61,000,000.00 | 547,495,477.02 | 2,459,026,658.84 |
| II.Accumulated amortization | | | | | | | |
| 1. Opening balance | 87,500,934.14 | 304,948.57 | 646,890,192.33 | 0.00 | 0.00 | 329,215,180.64 | 1,063,911,255.68 |
| 2. Increase | 6,690,404.05 | 15,247.27 | 66,326,697.33 | 520,752.00 | 0.00 | 54,725,136.59 | 128,278,237.24 |
| (1) Provision | 6,690,404.05 | 15,247.27 | 66,326,697.33 | 520,752.00 | 0.00 | 54,725,136.59 | 128,278,237.24 |
| 3. Decrease | 0.00 | 0.00 | 410,000.00 | 0.00 | 0.00 | 1,015,198.29 | 1,425,198.29 |
| (1) Disposal | 0.00 | 0.00 | 410,000.00 | 0.00 | 0.00 | 1,015,198.29 | 1,425,198.29 |
| 4. Exchange adjustments | -62,637.89 | 0.00 | -574,738.53 | 0.00 | 0.00 | -350,468.26 | -987,844.68 |
| 5. Closing balance | 94,128,700.30 | 320,195.84 | 712,232,151.13 | 520,752.00 | 0.00 | 382,574,650.68 | 1,189,776,449.95 |
| III.Provision for impairment | | | | | | | |
| 1. Opening balance | 0.00 | 0.00 | 5,026,500.72 | 0.00 | 0.00 | 0.00 | 5,026,500.72 |
| 2. Increases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Decrease | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Exchange adjustments | 0.00 | 0.00 | -97,396.52 | 0.00 | 0.00 | 0.00 | -97,396.52 |
| 5. Closing balance | 0.00 | 0.00 | 4,929,104.20 | 0.00 | 0.00 | 0.00 | 4,929,104.20 |
| IV. Carrying amount | | | | | | | |
| 1. Ending carrying amount | 551,693,493.22 | 1,001,232.70 | 475,811,264.43 | 9,894,288.00 | 61,000,000.00 | 164,920,826.34 | 1,264,321,104.69 |
| 2. Beginning carrying amount | 557,886,946.29 | 1,016,479.97 | 494,076,032.11 | 0.00 | 61,000,000.00 | 218,488,027.34 | 1,332,467,485.71 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

17. Development expenditure

| Item | Opening balance | Increase | | Decrease | | Exchange adjustment | Closing balance |
|-------------------------|-----------------------|----------------------------------|-------------------------------|---|-----------------------|---------------------|-----------------------|
| | | Internal Development expenditure | Transfer to intangible assets | Transfer to the current profit and loss | Other reduction | | |
| Development expenditure | 740,111,883.31 | 370,850,030.19 | 50,916,117.32 | 12,114,286.52 | 207,010,208.60 | -793,488.00 | 840,127,813.06 |
| Research expenditure | 0.00 | 256,798,498.75 | 0.00 | 253,921,529.11 | 2,876,969.64 | 0.00 | 0.00 |
| Total | 740,111,883.31 | 627,648,528.94 | 50,916,117.32 | 266,035,815.63 | 209,887,178.24 | -793,488.00 | 840,127,813.06 |

18. Goodwill

(1) (1) Original value of goodwill

| Investee | Opening balance | Increase | Decrease | Exchange adjustment | Closing balance |
|--|-------------------------|-----------------------|-------------|----------------------|-------------------------|
| Beijing ERENEBEN Information Technology Co., Ltd. | 902,329,518.71 | 0.00 | 0.00 | 0.00 | 902,329,518.71 |
| Neo-Neon Holdings Limited | 127,224,330.86 | 0.00 | 0.00 | 0.00 | 127,224,330.86 |
| Tongfang Securities Limited | 0.00 | 121,540,114.01 | 0.00 | -1,831,653.09 | 119,708,460.92 |
| Tivoli, LLC | 8,663,161.46 | 0.00 | 0.00 | -203,060.42 | 8,460,101.04 |
| Suzhou Weimu Intelligent System Co., Ltd. | 5,695,889.45 | 0.00 | 0.00 | 0.00 | 5,695,889.45 |
| Beijing Tongfang Clean Technology Co., Ltd. | 5,138,915.10 | 0.00 | 0.00 | 0.00 | 5,138,915.10 |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 5,040,000.00 | 0.00 | 0.00 | 0.00 | 5,040,000.00 |
| Guangdong Tongfang Lighting Co., Ltd. | 4,079,128.94 | 0.00 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | 4,041,174.42 | 0.00 | 0.00 | 0.00 | 4,041,174.42 |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | 2,996,693.24 | 0.00 | 0.00 | 0.00 | 2,996,693.24 |
| Beijing Tongfang Software Co., Ltd. | 1,993,272.21 | 0.00 | 0.00 | 0.00 | 1,993,272.21 |
| Tongfang Health Technology (Beijing) Co., Ltd. | 1,891,614.86 | 0.00 | 0.00 | 0.00 | 1,891,614.86 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1,286,280.05 | 0.00 | 0.00 | 0.00 | 1,286,280.05 |
| Technovator International Limited | 663,112.00 | 0.00 | 0.00 | 0.00 | 663,112.00 |
| Neo-Neon Europe GmbH | 662,831.91 | 0.00 | 0.00 | -19,703.19 | 643,128.72 |
| TsingHua TongFang Artificial Environment Co., Ltd. | 375,077.30 | 0.00 | 0.00 | 0.00 | 375,077.30 |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 110,441.27 | 0.00 | 0.00 | 0.00 | 110,441.27 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 52,740.49 | 0.00 | 0.00 | 0.00 | 52,740.49 |
| Total | 1,072,244,182.27 | 121,540,114.01 | 0.00 | -2,054,416.70 | 1,191,729,879.58 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Provision for impairment of goodwill

| Investee | Opening balance | Increase | Decrease | Exchange adjustment | Closing balance |
|---|----------------------|-------------|-------------|---------------------|----------------------|
| Guangdong Tongfang Lighting Co., Ltd. | 4,079,128.94 | 0.00 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | 4,041,174.42 | 0.00 | 0.00 | 0.00 | 4,041,174.42 |
| Beijing Tongfang Software Co., Ltd. | 1,993,272.21 | 0.00 | 0.00 | 0.00 | 1,993,272.21 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1,286,280.05 | 0.00 | 0.00 | 0.00 | 1,286,280.05 |
| Neo-Neon Eruope GmbH | 662,831.91 | 0.00 | 0.00 | -19,703.19 | 643,128.72 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 52,740.49 | 0.00 | 0.00 | 0.00 | 52,740.49 |
| Total | 12,115,428.02 | 0.00 | 0.00 | -19,703.19 | 12,095,724.83 |

19. Long-term deferred expenses

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Decoration and renovation expenditures | 34,412,922.80 | 7,680,187.13 | 7,986,708.58 | 34,106,401.35 |
| Land lease expenditures | 9,688,786.10 | 0.00 | 183,444.60 | 9,505,341.50 |
| Advertising endorsement expenditures | 1,090,146.77 | 0.00 | 943,396.20 | 146,750.57 |
| Others | 288,642.61 | 0.00 | 283,762.35 | 4,880.26 |
| Total | 45,480,498.28 | 7,680,187.13 | 9,397,311.73 | 43,763,373.68 |

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities recognized

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| I. Deferred tax assets | | |
| Tax assets from temporary differences of non-special items | 354,049,383.10 | 343,825,714.37 |
| Tax assets from temporary differences of special items | 109,544,436.32 | 55,218,561.53 |
| Total | 463,593,819.42 | 399,044,275.90 |
| II. Deferred tax liabilities | | |
| Deferred tax liabilities | 472,602,788.20 | 473,256,275.06 |
| Total | 472,602,788.20 | 473,256,275.06 |

(2) Details of taxable difference and deductible difference items

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| I. Deductible temporary difference item | | |
| Provision for bad debt | 1,129,072,478.15 | 1,083,658,266.77 |
| Provision for decline in the value of inventories | 319,432,584.31 | 320,413,643.30 |
| Amortization of intangible assets | 226,001,654.48 | 213,722,406.70 |
| Deferred incomes and special payables | 197,288,231.11 | 217,724,418.52 |
| Unrealized sales gains and losses | 141,027,927.71 | 131,813,851.18 |
| Payroll unpaid | 81,233,121.46 | 41,204,398.79 |
| Accrued expenses | 61,158,773.87 | 72,470,791.60 |
| Deductible temporary differences of foreign subsidiaries recognized according to its location special tax law | 60,988,593.24 | 68,170,099.06 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Provision for impairment of fixed assets | 31,101,279.74 | 31,101,279.74 |
| Provision for impairment of long-term equity investments | 21,153,563.00 | 21,153,563.00 |
| Provision for impairment of available-for-sale financial assets | 2,771,550.00 | 2,771,550.00 |
| Provision for impairment of construction in progress | 37,595.23 | 37,595.23 |
| Depreciation of fixed assets | 0.00 | 387,947.32 |
| Sub-total | 2,271,267,352.30 | 2,204,629,811.21 |
| II. Taxable temporary difference items | | |
| Changes in fair value | 2,208,676,448.39 | 2,295,160,891.21 |
| Long-term receivables | 145,751,687.78 | 139,153,370.76 |
| With holding tax on undistributed earnings | 14,312,000.80 | 14,750,469.88 |
| Valuation increment of assets transferred in business combination | 10,475,304.07 | 1,891,786.83 |
| Taxable temporary differences of foreign subsidiaries recognized according to its location special tax law | 4,576,483.45 | 3,558,972.35 |
| Sub-total | 2,383,791,924.49 | 2,454,515,491.03 |
| III. Special temporary difference items | | |
| Deductible losses | 577,899,894.70 | 237,772,744.88 |
| Sub-total | 577,899,894.70 | 237,772,744.88 |

21. Other non-current assets

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| Sinopec mixed ownership reform asset management plan | 268,159,822.01 | 268,151,563.90 |
| Beijing Tongfang Yiheng Venture Capital Center | 145,410,041.61 | 146,310,079.91 |
| Qingdao Jiahong No. One venture capital fund | 100,801,633.48 | 101,611,755.41 |
| Shenzhen Nanshan Liangwan Innovative and Entrepreneurial Talent Equity Investment Fund Limited Partnership | 43,892,693.99 | 0.00 |
| China Railway Tongfang (Tianjin) Equity Investment Fund Limited Partnership | 36,005,517.55 | 0.00 |
| Huakong Cornerstone (Tianjin) Venture Capital Investment Limited Partnership | 19,583,509.19 | 0.00 |
| Total | 613,853,217.83 | 516,073,399.22 |

22. Provision for impairment of Asset

| Item | Opening balance | Increase Provision | Decrease Write-off | Exchange adjustment | Closing balance |
|---|-------------------------|-----------------------|-----------------------|------------------------|-------------------------|
| Bad debts | 1,676,698,464.37 | 146,734,057.42 | 475,275.38 | -6,361,443.22 | 1,816,595,803.19 |
| Decline in the value of inventories | 743,939,613.91 | 5,350,786.59 | 10,763,896.04 | -1,089,893.50 | 737,436,610.96 |
| Impairment of fixed assets | 712,786,523.12 | 0.00 | 23,369,335.78 | 0.00 | 689,417,187.34 |
| Impairment of intangible assets | 5,026,500.72 | 0.00 | 0.00 | -97,396.52 | 4,929,104.20 |
| Impairment of construction in progress | 14,641,138.14 | 0.00 | 0.00 | 0.00 | 14,641,138.14 |
| Impairment of long-term equity investments | 23,808,586.90 | 0.00 | 0.00 | -57,911.16 | 23,750,675.74 |
| Impairment of goodwill | 12,115,428.02 | 0.00 | 0.00 | -19,703.19 | 12,095,724.83 |
| Impairment of available-for-sale financial assets | 3,477,840.83 | 0.00 | 0.00 | 0.00 | 3,477,840.83 |
| Total | 3,192,494,096.01 | 152,084,844.01 | 34,608,507.20 | -7,626,347.59 | 3,302,344,085.23 |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

23. Short-term loans

| Category | Closing balance | Opening balance |
|------------------|--------------------------|-------------------------|
| Unsecured loans | 7,153,642,866.83 | 5,768,441,651.36 |
| Mortgaged loans | 38,952,800.00 | 32,950,750.00 |
| Guaranteed loans | 3,210,301,059.05 | 2,092,836,833.66 |
| Pledged loans | 33,872,000.00 | 34,685,000.00 |
| Total | 10,436,768,725.88 | 7,928,914,235.02 |

As at 30 June 2017, the short-term mortgaged loans of the Company are as follows: borrowings of USD 5,750,000.00 (Equivalent to RMB 38,952,800.00) were secured by the mortgage of the Neo-Neon Holdings Limited's (third-tier subsidiary of the Company) inventories and account receivables with a carrying amount of RMB 76,637,194.25.

As at 30 June 2017, details of short-term guaranteed loan of the Company are set out in Note XI (II) 5.

As at 30 June 2017, the short-term pledged loans of the Company are as follows: borrowings of USD 5,000,000.00 (Equivalent to RMB 33,872,000.00) were secured by the pledge of the Neo-Neon Holdings Limited's (third-tier subsidiary of the Company) account receivables with a carrying amount of RMB 33,872,000.00.

24. Notes payable

| Item | Closing balance | Opening balance |
|-----------------------|-----------------------|-----------------------|
| Bank acceptance notes | 355,640,902.14 | 433,090,726.38 |
| Total | 355,640,902.14 | 433,090,726.38 |

25. Accounts payable

| Item | Closing balance | Opening balance |
|-----------------------------|------------------|------------------|
| Accounts payable | 6,111,591,699.17 | 7,237,904,788.49 |
| Including: More than 1 year | 1,615,831,265.65 | 1,818,403,889.22 |

26. Advanced receipts

| Item | Closing balance | Opening balance |
|-----------------------------|------------------|------------------|
| Advanced receipts | 4,412,999,077.66 | 4,815,134,276.38 |
| Including: More than 1 year | 979,049,085.06 | 1,070,079,739.06 |

27. Employee benefits payable

(1) Classification

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|-----------------------|-------------------------|-------------------------|-----------------------|
| Short-term remuneration | 471,484,703.21 | 1,518,477,939.69 | 1,670,609,385.07 | 319,353,257.83 |
| Post-employment welfare - defined contribution plan | 5,113,512.40 | 168,174,796.98 | 169,935,679.89 | 3,352,629.49 |
| Dismissal welfare | 108,107.00 | 5,765,245.66 | 5,629,937.66 | 243,415.00 |
| Total | 476,706,322.61 | 1,692,417,982.33 | 1,846,175,002.62 | 322,949,302.32 |

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From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Short-term remuneration

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|------------------------|-------------------------|-------------------------|------------------------|
| Salary, bonus, allowance and subsidy | 291,048,160.72 | 1,258,123,049.92 | 1,446,586,233.30 | 102,584,977.34 |
| Employee welfare expenses | 0.00 | 30,282,554.88 | 30,282,554.88 | 0.00 |
| Social insurance | 5,827,989.61 | 103,176,133.84 | 88,505,001.50 | 20,499,121.95 |
| Including: Medical insurance | 1,545,850.10 | 69,267,005.71 | 69,922,609.41 | 890,246.40 |
| Work-related injury insurance | 251,953.32 | 4,419,752.79 | 4,521,967.76 | 149,738.35 |
| Maternity insurance | 568,151.17 | 5,009,366.98 | 5,047,057.27 | 530,460.88 |
| Other social insurance premiums | 3,462,035.02 | 24,480,008.36 | 9,013,367.06 | 18,928,676.32 |
| Housing fund | 5,657,841.33 | 87,694,258.89 | 92,916,493.05 | 435,607.17 |
| Labor union expenditure & personnel education fund | 168,948,591.79 | 37,562,685.11 | 10,714,295.54 | 195,796,981.36 |
| Others | 2,119.76 | 1,639,257.05 | 1,604,806.80 | 36,570.01 |
| Total | 471,484,703.21 | 1,518,477,939.69 | 1,670,609,385.07 | 319,353,257.83 |

(3) Defined contribution plan

| Item | Opening balance | Increase | Decrease | Closing balance |
|---------------------------|------------------------|-----------------------|-----------------------|------------------------|
| Basic endowment insurance | 4,459,071.06 | 132,589,132.65 | 134,481,832.35 | 2,566,371.36 |
| Supplementary pension | 211,310.55 | 30,268,792.57 | 30,172,573.04 | 307,530.08 |
| Unemployment insurance | 443,130.79 | 5,316,871.76 | 5,281,274.50 | 478,728.05 |
| Total | 5,113,512.40 | 168,174,796.98 | 169,935,679.89 | 3,352,629.49 |

28. Taxes payable

| Item | Closing balance | Opening balance |
|---------------------------------------|------------------------|------------------------|
| Business tax | 0.00 | 193,826,639.43 |
| VAT | 42,463,436.57 | 129,127,387.32 |
| Company income tax | 38,277,675.22 | 96,219,366.92 |
| City maintenance and construction tax | 3,310,234.19 | 21,562,290.32 |
| Personal income tax | 14,913,534.04 | 17,736,344.59 |
| Educational surcharges | 2,721,518.97 | 16,736,026.07 |
| House property tax | 6,462,534.41 | 15,899,513.19 |
| Land use tax | 1,317,722.19 | 2,599,185.18 |
| Stamp tax | 265,438.39 | 382,363.54 |
| Others | 3,170,336.87 | 2,157,376.74 |
| Total | 112,902,430.85 | 496,246,493.30 |

29. Interests payable

| Item | Closing balance | Opening balance |
|-------------------------------------|------------------------|------------------------|
| Interest payable on corporate bonds | 86,879,352.07 | 94,819,898.20 |
| Long-term loan interest | 16,257,968.98 | 16,478,044.74 |
| Short-term loan interest | 2,269,385.79 | 3,191,654.47 |
| Total | 105,406,706.84 | 114,489,597.41 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

30. Dividends payable

| Item | Closing balance | Opening balance |
|--|-----------------------|----------------------|
| Tsinghua Holdings Co., Ltd. | 187,870,377.50 | 0.00 |
| Other minority shareholders' dividends of Company | 553,104,360.25 | 0.00 |
| Minority shareholders' dividends of Huai'an Tongfang Water Affairs Co., Ltd. | 13,621,500.00 | 13,621,500.00 |
| Minority shareholders' dividends of Beijing Tongfang Information Security Technology Co., Ltd. | 9,461.88 | 9,461.88 |
| Total | 754,605,699.63 | 13,630,961.88 |

31. Other payables

| Nature | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| Accrued expenses | 323,469,881.84 | 298,454,986.11 |
| Intercourse funds | 220,568,749.67 | 247,947,797.70 |
| Guarantee deposit and security deposit | 159,247,400.22 | 168,038,027.16 |
| Receipts for other entities | 34,856,071.63 | 40,419,491.34 |
| Subsidies that should be returned | 37,955,706.49 | 24,482,671.66 |
| Asset acquisition | 13,965,800.98 | 17,402,806.40 |
| Reimbursement | 15,747,176.27 | 6,924,730.15 |
| Rent and property charges | 6,715,794.66 | 5,399,468.71 |
| Others | 68,758,011.99 | 75,788,612.94 |
| Total | 881,284,593.75 | 884,858,592.17 |

32. Non-current liabilities due within one year

(1) Non-current liabilities due within one year

| Item | Closing balance | Opening balance |
|-------------------------------------|-------------------------|-------------------------|
| Long-term loans due within one year | 470,011,520.00 | 370,721,400.00 |
| Bonds payable due within one year | 700,000,000.00 | 700,000,000.00 |
| Total | 1,170,011,520.00 | 1,070,721,400.00 |

(2) Long-term loans due within one year

| Category | Closing balance | Opening balance |
|------------------|-----------------------|-----------------------|
| Guaranteed loans | 439,611,520.00 | 340,321,400.00 |
| Pledged loans | 30,400,000.00 | 30,400,000.00 |
| Total | 470,011,520.00 | 370,721,400.00 |

As at 30 June 2017, details of long-term guaranteed loans due within one year of the Company are set out in Note XI (II) 5.

As at 30 June 2017: the long-term pledged loans due within one year of the Company are as follows: borrowings of RMB 30,400,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (level 1 subsidiary of the Company), and guaranteed by the Company.

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33. Other current liabilities

(1) Classification

| Item | Closing balance | Opening balance |
|-----------------------------------|-------------------------|-------------------------|
| Super short-term commercial paper | 5,071,985,443.51 | 5,037,645,081.98 |
| Total | 5,071,985,443.51 | 5,037,645,081.98 |

(2) Other current liabilities

| Name of bonds | Face value | Date of issuance | Term | Issue amount |
|--------------------|-------------------------|------------------|----------|-------------------------|
| 16 Tongfang SCP003 | 1,000,000,000.00 | 2016-07-04 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP004 | 1,000,000,000.00 | 2016-09-23 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP005 | 1,000,000,000.00 | 2016-10-13 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP006 | 1,000,000,000.00 | 2016-10-26 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP007 | 1,000,000,000.00 | 2016-11-18 | 270 days | 1,000,000,000.00 |
| 17 Tongfang SCP001 | 1,000,000,000.00 | 2017-04-14 | 270 days | 1,000,000,000.00 |
| 17 Tongfang SCP002 | 1,000,000,000.00 | 2017-06-16 | 270 days | 1,000,000,000.00 |
| Total | 7,000,000,000.00 | — | — | 7,000,000,000.00 |

(Continued)

| Name of bonds | Opening balance | Issued in the current period | Accrued interests at face value | Premium and discount amortization | Repaid in the current period | Closing balance |
|--------------------|-------------------------|------------------------------|---------------------------------|-----------------------------------|------------------------------|-------------------------|
| 16 Tongfang SCP003 | 1,014,360,655.74 | 0.00 | 7,239,344.26 | 0.00 | 1,021,600,000.00 | 0.00 |
| 16 Tongfang SCP004 | 1,007,871,311.48 | 0.00 | 13,654,715.92 | 0.00 | 1,021,526,027.40 | 0.00 |
| 16 Tongfang SCP005 | 1,006,259,562.84 | 0.00 | 14,380,821.91 | 0.00 | 0.00 | 1,020,640,384.75 |
| 16 Tongfang SCP006 | 1,005,229,508.20 | 0.00 | 14,380,821.91 | 0.00 | 0.00 | 1,019,610,330.11 |
| 16 Tongfang SCP007 | 1,003,924,043.72 | 0.00 | 16,562,739.73 | 0.00 | 0.00 | 1,020,486,783.45 |
| 17 Tongfang SCP001 | 0.00 | 1,000,000,000.00 | 9,387,671.23 | 0.00 | 0.00 | 1,009,387,671.23 |
| 17 Tongfang SCP002 | 0.00 | 1,000,000,000.00 | 1,860,273.97 | 0.00 | 0.00 | 1,001,860,273.97 |
| Total | 5,037,645,081.98 | 2,000,000,000.00 | 77,466,388.93 | 0.00 | 2,043,126,027.40 | 5,071,985,443.51 |

34. Long-term loans

| Category | Closing balance | Opening balance |
|------------------|-------------------------|-------------------------|
| Mortgaged loans | 2,677,003.54 | 3,250,874.89 |
| Guaranteed loans | 981,390,695.59 | 893,159,328.77 |
| Pledged loans | 155,400,000.00 | 170,600,000.00 |
| Total | 1,139,467,699.13 | 1,067,010,203.66 |

As at 30 June 2017, the long-term mortgaged loans of the Company are as follows: borrowings of USD 395,164.67 (Equivalent to RMB 2,677,003.54) were secured by the mortgage of the NUCTECH PANAMA, S.A.'s (third-tier subsidiary of the Company) fixed assets with a carrying amount of RMB 6,746,893.23.

As at 30 June 2017, details of long-term guaranteed loans of the Company are set out in Note XI (II) 5.

As at 30 June 2017, the long-term pledged loans of the Company are as follows: borrowings of RMB 155,400,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (Level-1 subsidiary of the Company), and guaranteed by the Company.

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35. Bonds payable

(1) Classification

| Item | Closing balance | Opening balance |
|-----------------------------|-------------------------|-------------------------|
| Corporate medium-term notes | 3,500,000,000.00 | 2,800,000,000.00 |
| Total | 3,500,000,000.00 | 2,800,000,000.00 |

(2) Movements of bonds payable

| Name of bonds | Face value | Date of issuance | Term | Issue amount | Opening balance | Issued in the current period |
|--------------------|-------------------------|------------------|---------|-------------------------|-------------------------|------------------------------|
| 14 Tongfang MTN001 | 800,000,000.00 | 2014-03-21 | 5 years | 800,000,000.00 | 800,000,000.00 | 0.00 |
| 16 Tongfang MTN001 | 1,000,000,000.00 | 2016-01-14 | 5 years | 1,000,000,000.00 | 1,000,000,000.00 | 0.00 |
| 16 Tongfang MTN002 | 1,000,000,000.00 | 2016-07-15 | 5 years | 1,000,000,000.00 | 1,000,000,000.00 | 0.00 |
| 17 Tongfang MTN001 | 700,000,000.00 | 2017-06-23 | 5 years | 700,000,000.00 | 0.00 | 700,000,000.00 |
| Total | 3,500,000,000.00 | — | — | 3,500,000,000.00 | 2,800,000,000.00 | 700,000,000.00 |

(Continued)

| Name of bonds | Accrued interests at face value | Premium and discount amortization | Repaid in the current period | Transferred to non-current liabilities due within one year | Transferred to interests payable | Closing balance |
|--------------------|---------------------------------|-----------------------------------|------------------------------|--|----------------------------------|-------------------------|
| 14 Tongfang MTN001 | 26,183,013.70 | 0.00 | 0.00 | 0.00 | 26,183,013.70 | 800,000,000.00 |
| 16 Tongfang MTN001 | 16,066,849.31 | 0.00 | 0.00 | 0.00 | 16,066,849.31 | 1,000,000,000.00 |
| 16 Tongfang MTN002 | 17,157,808.24 | 0.00 | 0.00 | 0.00 | 17,157,808.24 | 1,000,000,000.00 |
| 17 Tongfang MTN001 | 672,575.34 | 0.00 | 0.00 | 0.00 | 672,575.34 | 700,000,000.00 |
| Total | 60,080,246.59 | 0.00 | 0.00 | 0.00 | 60,080,246.59 | 3,500,000,000.00 |

36. Long-term payables

| Nature | Closing balance | Opening balance |
|--------------|-------------------|-------------------|
| Others | 232,094.08 | 232,094.08 |
| Total | 232,094.08 | 232,094.08 |

37. Special payables

| Item | Opening balance | Increase | Decrease | Closing balance | Reasons for incurrence |
|--|---------------------|-------------|-------------|---------------------|--|
| Hebei Province information industry special fund project | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | Hebei Province information industry special fund project |
| High-tech achievement transformation project | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | Beijing high-tech achievement transformation project |
| Ice storage pool project | 100,000.00 | 0.00 | 0.00 | 100,000.00 | — |
| Total | 2,100,000.00 | 0.00 | 0.00 | 2,100,000.00 | — |

38. Provisions

| Item | Closing balance | Opening balance | Reasons for incurrence |
|------------------------|---------------------|---------------------|-----------------------------------|
| Product warranty costs | 3,465,043.04 | 6,356,662.80 | Provision of ship maintenance fee |
| Total | 3,465,043.04 | 6,356,662.80 | — |

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39. Deferred income

(1) (1) Classification

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------|-----------------------|---------------------|----------------------|-----------------------|
| Government grant | 389,203,869.68 | 1,629,710.55 | 31,018,228.32 | 359,815,351.91 |
| Total | 389,203,869.68 | 1,629,710.55 | 31,018,228.32 | 359,815,351.91 |

(2) Government grant projects

| Name of project | Opening balance | Newly increased amount of current period | Amount recognized as non-operating income of the current period | Other movements | Closing balance | Related to assets/related to income |
|--|-----------------------|--|---|-----------------|-----------------------|-------------------------------------|
| High-brightness light-emitting diode (LED) epitaxial wafers, chip industrialization project | 18,347,333.16 | 0.00 | 1,897,999.98 | 0.00 | 16,449,333.18 | Related to assets |
| Science and technology research and development special support funds | 69,120,000.00 | 0.00 | 8,640,000.00 | 0.00 | 60,480,000.00 | Related to assets |
| Car-type container security products industrial technology subsidies | 42,500,000.00 | 0.00 | 5,000,000.00 | 0.00 | 37,500,000.00 | Related to assets |
| Nantong Science and Technology Park project support funds | 92,332,000.00 | 0.00 | 1,778,000.00 | 0.00 | 90,554,000.00 | Related to assets |
| Digital Publishing Platform for Chinese Premium Academic Journals foreign language edition | 9,000,000.00 | 0.00 | 0.00 | 0.00 | 9,000,000.00 | Related to income |
| Statistical database of qualitative evaluation of world scientific literature | 10,000,000.00 | 0.00 | 0.00 | 0.00 | 10,000,000.00 | Related to income |
| Development and Industrialization Demonstration of Millimeter Wave Imaging Detector | 9,070,000.00 | 0.00 | 0.00 | 0.00 | 9,070,000.00 | Related to income |
| CT products industrialization subsidies | 36,000,000.00 | 0.00 | 4,000,000.00 | 0.00 | 32,000,000.00 | Related to assets |
| Three North Alpine subsidies of Friendship County centralized heating expansion construction project | 8,000,000.00 | 0.00 | 0.00 | 0.00 | 8,000,000.00 | Related to assets |
| Others | 94,834,536.52 | 1,629,710.55 | 9,702,228.34 | 0.00 | 86,762,018.73 | — |
| Total | 389,203,869.68 | 1,629,710.55 | 31,018,228.32 | 0.00 | 359,815,351.91 | — |

40. Share capital

| Item | Opening balance | Changes in the current year (+, -) | Closing balance |
|---------------------------|-------------------------|------------------------------------|-------------------------|
| Total share amount | 2,963,898,951.00 | 0.00 | 2,963,898,951.00 |

41. Capital surplus

| Item | Opening balance | Increase | Decrease | Closing balance |
|----------------------|-------------------------|----------------------|----------------------|-------------------------|
| Share premium | 9,177,595,496.36 | 46,320,828.07 | 48,396,762.02 | 9,175,519,562.41 |
| Other capitalsurplus | 153,837,640.32 | 1,715,984.47 | 0.00 | 155,553,624.79 |
| Total | 9,331,433,136.68 | 48,036,812.54 | 48,396,762.02 | 9,331,073,187.20 |

1) Reason for the changes of share premium: the subsidiaries' equity attributable to the parent company changes due to changes in ownership interests in a subsidiary that did not result

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in a loss of control, which is accounted as equity transaction, with a corresponding increase in share premium of RMB 46,320,828.07 and decrease in share premium of RMB 48,396,762.02.

2) Reasons for changes of other capital surplus: for transactions recognized directly in owner's equity other than net profit or loss and other comprehensive income occurred in the associates, that resulting in changes in the share of the associates' equity attributable to equity holders of the parent company, the Company shall recognize the proportionate amount according to the shareholding ratio using equity method, with a corresponding increase in other capital surplus of RMB 951,218.31.

For equity-settled share-based payment plan of Neo-Neon Holdings Limited for the period that resulting in changes in the share of the subsidiaries' equity attributable to equity holders of the parent company, the Company shall recognize the proportionate amount according to the shareholding ratio, with a corresponding increase in other capital surplus of RMB 764,766.16.

42. Other comprehensive incomes

| Item | Opening balance | Other comprehensive income before tax | Amount for the current period | | | | | Closing balance |
|--|-----------------------|---------------------------------------|--|---------------------|---|--|----------------------|-----------------|
| | | | Less: amount included in other comprehensive income in the prior years that is transferred to profit or loss | Less: Income tax | Attributable to the Parent Company, net of income tax | Attributable to non-controlling interests, net of income tax | | |
| I. Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | | | | |
| Including: Share of other comprehensive income of the invested entity that will be reclassified subsequently to profit or loss under the equity method | 19,965,852.34 | -180,838,734.18 | 0.00 | 0.00 | -180,334,579.79 | -504,154.39 | -200,300,432.13 | |
| Gains or losses from changes in fair value of available-for-sale financial assets | 332,157,194.27 | -37,636,766.81 | 0.00 | 7,941,295.85 | -42,867,417.09 | -2,710,645.57 | 289,289,777.18 | |
| Exchange differences on translating foreign currency financial statements | -29,495,589.16 | -38,620,221.80 | 0.00 | 0.00 | -24,307,012.25 | -14,313,209.55 | -53,802,601.41 | |
| Total other comprehensive incomes | 282,695,752.77 | -257,095,722.79 | 0.00 | 7,941,295.85 | -247,509,009.13 | -17,528,009.51 | 35,186,743.64 | |

43. Surplus reserves

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------------|--------------------------|-------------|-------------|-------------------------|
| Statutory reserves | surplus 1,246,866,609.79 | 0.00 | 0.00 | 1,246,866,609.79 |
| Discretionary reserves | surplus 67,644,490.85 | 0.00 | 0.00 | 67,644,490.85 |
| Total | 1,314,511,100.64 | 0.00 | 0.00 | 1,314,511,100.64 |

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44. Undistributed profits

| Item | Current period | Previous period |
|---|-------------------------|-------------------------|
| Closing balance of the preceding year | 7,897,458,148.30 | 4,410,668,665.65 |
| Add: Adjustment for closing balance of the proceeding year | 0.00 | 0.00 |
| Opening balance of current period | 7,897,458,148.30 | 4,410,668,665.65 |
| Add: Net profit attributable to shareholders of the parent company for the current period | -120,664,060.59 | 4,956,883,324.65 |
| Less: Appropriation to statutory surplus reserve | 0.00 | 0.00 |
| Declaration of dividends on ordinary shares | 740,974,737.75 | 385,306,863.63 |
| Closing balance of current period | 7,035,819,349.96 | 8,982,245,126.67 |

45. Revenue and costs

| Item | Current period | | Previous the same period | |
|----------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 9,993,715,722.64 | 8,021,182,157.45 | 10,576,533,354.48 | 8,894,633,731.51 |
| Other business | 19,868,682.77 | 7,292,656.49 | 78,955,164.61 | 38,348,170.55 |
| Total | 10,013,584,405.41 | 8,028,474,813.94 | 10,655,488,519.09 | 8,932,981,902.06 |

46. Taxes and surcharges

| Item | Current period | Previous the same period |
|---------------------------------------|----------------------|--------------------------|
| City maintenance and construction tax | 15,111,467.30 | 17,473,117.46 |
| Educational surcharges | 11,757,332.39 | 13,513,559.00 |
| House property tax | 20,936,153.10 | 0.00 |
| Business tax | 3,791,517.39 | 18,524,236.92 |
| Land use tax | 8,397,781.66 | 0.00 |
| Stamp tax | 6,783,666.63 | 0.00 |
| Vehicle usage tax | 154,239.49 | 0.00 |
| Others | 9,492,302.02 | 4,224,427.64 |
| Total | 76,424,459.98 | 53,735,341.02 |

47. Selling and distribution expenses

| Item | Current period | Previous the same period |
|--|----------------|--------------------------|
| Wages | 392,962,226.61 | 369,736,764.51 |
| Business promotion expenses, advertising costs, operating expenses, commission | 185,963,551.79 | 199,118,934.69 |
| Traveling, meeting, hospitality expenses | 102,573,502.84 | 99,736,204.15 |
| Transportation expenses (transportation costs, vehicle costs, etc.) | 49,766,128.88 | 47,950,174.95 |
| Agents, service fees, counseling and intermediary expenses | 60,544,827.77 | 89,236,911.12 |
| Office expenses, information fees, annual fees | 22,879,783.41 | 26,375,539.08 |
| Material consumption | 12,516,717.87 | 10,017,602.90 |
| Product maintenance fee | 8,846,674.45 | 10,733,644.28 |
| Foreign affairs expenses, export expenses | 18,176,120.93 | 22,116,828.88 |
| Warehousing, venues, booth fees, inspection, mold, rectification fee | 7,679,164.42 | 17,685,697.70 |
| Rent and property charges | 15,258,157.15 | 16,642,081.79 |
| Depreciation and amortization | 4,276,182.77 | 6,113,726.54 |

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| Item | Current period | Previous the same period |
|---|-----------------------|---------------------------------|
| Testing, processing and installation expenses | 3,222,323.26 | 2,846,605.78 |
| Insurance premium | 3,115,963.58 | 3,906,144.97 |
| Water and electricity charges, heating costs, steam charges | 1,137,830.64 | 1,527,321.58 |
| Others | 21,073,169.69 | 28,829,760.44 |
| Total | 909,992,326.06 | 952,573,943.36 |

48. General and administrative expenses

| Item | Current period | Previous the same period |
|--|-----------------------|---------------------------------|
| Wages | 355,270,848.16 | 359,483,479.73 |
| Research and development expenses | 266,035,815.63 | 433,857,949.32 |
| Depreciation and amortization | 159,640,312.22 | 172,796,803.67 |
| Consulting fees, service fees, intermediary fees | 64,392,997.25 | 57,475,065.31 |
| Traveling, meeting, hospitality expenses | 31,175,371.04 | 29,670,717.49 |
| Taxes | 0.00 | 38,066,412.34 |
| Office, information expenses | 20,090,208.62 | 18,883,323.48 |
| Trademark registration, patent application fee, start-up fee, annual fee | 14,981,880.87 | 14,027,348.09 |
| Rent and property charges | 12,704,309.50 | 12,755,478.04 |
| Miscellaneous transportation, transportation costs | 3,975,160.11 | 9,040,891.68 |
| Maintenance expenses | 4,929,263.29 | 5,904,481.17 |
| Insurance premium | 2,888,734.93 | 2,959,202.71 |
| Material consumption | 3,921,459.39 | 2,617,227.12 |
| Testing, processing and installation expenses | 19,878,591.62 | 4,485,218.48 |
| Water and electricity charges, steam charges, heating costs | 160,134.71 | 6,841,243.16 |
| Expenses of board of directors | 190,621.26 | 2,160,858.24 |
| Lease, storage expenses | 3,778,195.88 | 236,393.63 |
| Institutional management fees, administrative fees | 1,144,873.59 | 62,754.35 |
| Others | 7,580,793.84 | 8,636,691.27 |
| Total | 972,739,571.91 | 1,179,961,539.28 |

49. Financial expenses

| Item | Current period | Previous the same period |
|-----------------------|-----------------------|---------------------------------|
| Interest expense | 361,129,324.75 | 365,285,818.00 |
| Less: Interest income | 58,018,031.20 | 64,738,552.69 |
| Add: Exchange losses | -12,295,063.19 | -51,973,579.95 |
| Add: other expenses | 19,515,538.18 | 28,802,550.39 |
| Total | 310,331,768.54 | 277,376,235.75 |

50. Impairment losses on assets

| Item | Current period | Previous the same period |
|---|-----------------------|---------------------------------|
| Bad debt losses | 146,734,057.42 | 134,138,075.08 |
| Losses of decline in the value of inventories | 5,350,786.59 | 16,695,547.28 |
| Total | 152,084,844.01 | 150,833,622.36 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

51. Gains or losses from changes in fair values

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Financial assets at fair value through profit or loss | -80,592,143.91 | -352,859,228.73 |
| China Petrochemical Mixed Ownership Reform Project Equity Investment | 8,258.11 | 0.00 |
| Total | -80,583,885.80 | -352,859,228.73 |

52. Investment income

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Income from long-term equity investments under equity method | 330,588,834.69 | 306,064,796.60 |
| Investment income on disposal of long-term equity investments | -12,657,150.24 | 6,892,828,562.44 |
| Investment income on disposal of financial assets at fair value through profit or loss | 41,176,759.97 | 111,924.61 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 2,477,328.33 | 3,217,444.78 |
| Investment income on disposal of available-for-sale financial assets | 50,000.00 | 0.00 |
| Investment income during the holding period of available-for-sale financial assets | 56,848,540.66 | 2,263,660.32 |
| Total | 418,484,313.41 | 7,204,486,388.75 |

53. Other income

| Item | Current period | Previous the same period |
|-----------------------------|----------------------|--------------------------|
| Software VAT refund | 24,927,650.90 | 0.00 |
| Sewage treatment VAT refund | 5,206,758.14 | 0.00 |
| Total | 30,134,409.04 | 0.00 |

54. Non-operating income

(1) Details of non-operating income

| Item | Current period | Previous the same period | Recognized in non-recurring profit or loss |
|---|----------------------|--------------------------|--|
| Proceeds on disposal of non-current assets | 13,255,896.54 | 3,890,057.57 | 13,255,896.54 |
| Including: Proceeds on disposal of fixed assets | 13,255,896.54 | 3,890,057.57 | 13,255,896.54 |
| Government grants | 68,727,146.82 | 264,241,121.05 | 68,727,146.82 |
| Others | 4,651,526.18 | 2,712,647.03 | 4,651,526.18 |
| Total | 86,634,569.54 | 270,843,825.65 | 86,634,569.54 |

55. Non-operating expenses

| Item | Current period | Previous the same period | Recognized in non-recurring profit or loss |
|---|----------------------|--------------------------|--|
| Losses from disposal of non-current assets | 2,978,302.64 | 7,317,688.10 | 2,978,302.64 |
| Including: Losses on disposal of fixed assets | 2,978,302.64 | 1,141,860.95 | 2,978,302.64 |
| Losses on disposal of intangible assets | 0.00 | 6,175,827.15 | 0.00 |
| Donations | 3,625,299.15 | 4,953,600.00 | 3,625,299.15 |
| Others | 3,470,085.95 | 1,476,357.77 | 3,470,085.95 |
| Total | 10,073,687.74 | 13,747,645.87 | 10,073,687.74 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

56. Income tax expense

| Item | Current period | Previous the same period |
|--------------------------|----------------------|--------------------------|
| Current year tax expense | 91,652,445.37 | 1,033,590,255.84 |
| Deferred tax expenses | -74,897,655.82 | 125,092,781.76 |
| Total | 16,754,789.55 | 1,158,683,037.60 |

57. Other comprehensive incomes

See relevant contents of “VI 42. Other comprehensive income” in the Notes for details.

58. Items in the cash flow statement

(1) Cash received/paid relating to other operating/investment/financing activities

1) Cash received relating to other operating activities

| Item | Current period | Previous the same period |
|------------------------------|-----------------------|--------------------------|
| Government grants | 37,228,071.22 | 182,722,588.75 |
| Intercourse funds | 27,813,875.10 | 31,136,704.36 |
| Guarantee deposits | 224,012,159.83 | 141,321,046.51 |
| Receipts on behalf of others | 30,446,404.68 | 44,016,450.17 |
| Interest income | 45,136,702.82 | 58,454,242.05 |
| Petty cash | 14,844,108.66 | 9,356,253.55 |
| Others | 11,417,253.84 | 13,943,283.72 |
| Total | 390,898,576.15 | 480,950,569.11 |

2) Cash paid relating to other operating activities

| Item | Current period | Previous the same period |
|---|-------------------------|--------------------------|
| Selling and distribution expensed, general and administrative expenses etc. | 888,154,241.33 | 868,331,078.64 |
| Intercourse funds | 7,212,437.50 | 54,418,433.45 |
| Guarantee deposits | 251,997,452.71 | 208,435,412.57 |
| Payment on behalf of others | 20,186,423.50 | 60,053,494.83 |
| Petty cash | 56,672,854.94 | 58,916,763.83 |
| Others | 7,901,263.58 | 9,281,145.82 |
| Total | 1,232,124,673.56 | 1,259,436,329.14 |

3) Cash received relating to other investing activities

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Warranty Asset Management Co., Ltd. | 80,000,000.00 | 0.00 |
| Tongfang Cloud Computing Technology Co., Ltd. | 6,346,191.78 | 5,530,000.00 |
| Cash balance of subsidiaries acquired in the current year | 50,460,080.19 | 0.00 |
| The deposit recovered for subscription for shares of Unispplendour Corporation Limited | 0.00 | 8,000,000.00 |
| Construction project on behalf of others | 0.00 | 5,672,703.97 |
| Total | 136,806,271.97 | 19,202,703.97 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

4) Cash paid relating to other investing activities

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Deposit paid for subscription for shares of China Medical & HealthCare Group Limited (0383.HK) | 200,000,000.00 | 0.00 |
| Warranty Asset Management Co., Ltd. | 80,000,000.00 | 0.00 |
| NuRay Technology Co., Ltd. | 5,000,000.00 | 0.00 |
| Construction project on behalf of others | 0.00 | 5,704,805.19 |
| Total | 285,000,000.00 | 5,704,805.19 |

5) Cash received relating to other financing activities

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Restricted cash recovered | 37,648,187.77 | 74,149,501.38 |
| Jarun Investment Co., Ltd. | 50,000,000.00 | 0.00 |
| Borrowing from administrator of subsidiary | 39,200,000.00 | 0.00 |
| Total | 126,848,187.77 | 74,149,501.38 |

6) Cash paid relating to other financing activities

| Item | Current period | Previous the same period |
|--|-----------------------|--------------------------|
| Restricted cash | 67,935,641.32 | 63,421,641.49 |
| Cash paid by the subsidiaries to repurchase shares | 64,241,743.58 | 0.00 |
| Cash paid in purchasing non-controlling interests | 3,590,149.47 | 352,349,608.43 |
| Bond raising fees and intermediary fees | 3,285,541.57 | 6,323,653.52 |
| Jintan Economic Development Zone Economic Industry Co., Ltd. | 0.00 | 86,400,000.00 |
| Total | 139,053,075.94 | 508,494,903.44 |

(2) Supplementary information to the consolidated cash flow statement

| Item | Current period | Previous the same period |
|--|-------------------|--------------------------|
| 1. Reconciliation of net profit to net cash flows from operating activities: | | |
| Net profit | -8,622,450.13 | 5,058,066,237.46 |
| Add: Provision for asset impairment | 152,084,844.01 | 150,833,622.36 |
| Depreciation of fixed assets | 145,382,048.14 | 273,446,319.80 |
| Amortization of intangible assets | 128,278,237.24 | 162,612,042.38 |
| Amortization of long-term deferred expenses | 9,397,311.73 | 12,380,603.33 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains is denoted by “-”) | -10,344,665.01 | 3,330,094.68 |
| Losses on written-off of fixed assets (gains is denoted by “-”) | 67,071.11 | 97,535.85 |
| Losses on change in fair value (gains is denoted by “-”) | 80,583,885.80 | 352,859,228.73 |
| Financial expenses (gains is denoted by “-”) | 343,519,757.63 | 357,527,111.54 |
| Losses arising from investments (gains is denoted by “-”) | -418,484,313.41 | -6,194,525,516.79 |
| Decreases in deferred tax assets (increases is denoted by “-”) | -71,303,208.77 | 25,850,473.46 |
| Increases in deferred tax liabilities (decreases is denoted by “-”) | -3,594,447.05 | 99,242,308.30 |
| Decreases in inventories (increases is denoted by “-”) | -628,231,983.79 | -1,286,072,797.38 |
| Decreases in receivables from operating activities (increases is denoted by “-”) | -1,106,457,323.35 | -1,564,742,208.69 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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| Item | Current period | Previous the same period |
|---|--------------------------|--------------------------|
| Increases in payables from operating activities (decreases is denoted by “-”) | -1,945,408,188.07 | -1,107,814,536.76 |
| Others | 1,197,941.98 | 4,168,341.18 |
| Net cash flows from operating activities | -3,331,935,481.94 | -3,652,741,140.55 |
| 2. Significant non-cash investing and financing activities: | | |
| Conversion of debt into capital | 0.00 | 0.00 |
| Convertible company bonds due within one year | 0.00 | 0.00 |
| Fixed assets acquired under finance leases | 0.00 | 0.00 |
| 3. Net changes in cash and cash equivalents: | | |
| Cash balance at the end of the year | 8,552,540,990.84 | 6,458,529,622.01 |
| Less: Cash balance at the beginning of the year | 10,784,430,041.70 | 9,687,734,636.22 |
| Add: Cash equivalents balance at the end of the year | 0.00 | 0.00 |
| Less: Cash equivalents at the beginning of the year | 0.00 | 0.00 |
| Net increase in cash and cash equivalents | -2,231,889,050.86 | -3,229,205,014.21 |

(3) Cash and cash equivalents

| Item | Closing balance | Opening balance |
|---|------------------|-------------------|
| Cash | 8,552,540,990.84 | 10,784,430,041.70 |
| Including: Cash on hand | 9,467,056.32 | 10,596,075.47 |
| Bank deposits without restriction | 8,500,044,729.76 | 10,727,484,746.96 |
| Other cash balances without restriction | 43,029,204.76 | 46,349,219.27 |
| Cash equivalents | 0.00 | 0.00 |
| Including: bond investment due within 3 months | 0.00 | 0.00 |
| Closing balance of cash and cash equivalents | 8,552,540,990.84 | 10,784,430,041.70 |
| Including: Cash and cash equivalents of the parent company and subsidiaries in the group with restriction | 0.00 | 0.00 |

59. Monetary items denominated in foreign currency

(1) Foreign currency monetary items

| Item | Foreign currency at the end of the period | Exchange rate | RMB at the end of the period |
|---------------------------------|---|---------------|------------------------------|
| Cash at bank and on hand | | | |
| Including: USD | 282,565,907.75 | 6.7744 | 1,914,214,485.46 |
| HKD | 541,085,778.83 | 0.8679 | 469,619,169.16 |
| EUR | 18,834,083.13 | 7.7496 | 145,956,610.62 |
| CAD | 897,464.33 | 5.2144 | 4,679,738.00 |
| GBP | 3,823,337.48 | 8.8144 | 33,700,425.88 |
| JPY | 306,860.00 | 0.0605 | 18,560.43 |
| Others | — | — | 306,536,628.06 |
| Accounts receivable | | | |
| Including: USD | 465,082,305.02 | 6.7744 | 3,150,653,567.13 |
| HKD | 16,394,605.12 | 0.8679 | 14,229,205.68 |
| EUR | 8,700,213.28 | 7.7496 | 67,423,172.81 |
| CAD | 2,597,817.96 | 5.2144 | 13,546,061.97 |
| GBP | 4,267,920.40 | 8.8144 | 37,619,157.57 |
| Others | — | — | 133,464,867.93 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Foreign currency at the end of the period | Exchange rate | RMB at the end of the period |
|--|---|---------------|------------------------------|
| Other receivables | | | |
| Including: USD | 22,216,654.71 | 6.7744 | 150,504,505.69 |
| HKD | 39,938,688.26 | 0.8679 | 34,663,586.31 |
| EUR | 1,473,940.44 | 7.7496 | 11,422,448.83 |
| CAD | 15,108,400.00 | 5.2144 | 78,781,240.96 |
| GBP | 510,442.34 | 8.8144 | 4,499,242.96 |
| Others | — | — | 25,682,271.03 |
| Accounts payable | | | |
| Including: USD | 145,823,993.28 | 6.7744 | 987,870,060.11 |
| HKD | 4,588,316.62 | 0.8679 | 3,982,291.76 |
| EUR | 5,328,181.11 | 7.7496 | 41,291,272.30 |
| CAD | 17,328.69 | 5.2144 | 90,358.72 |
| GBP | 803,688.88 | 8.8144 | 7,084,035.30 |
| JPY | 6,700,000.00 | 0.0605 | 405,249.50 |
| Others | — | — | 107,566,568.96 |
| Other payables | | | |
| Including: USD | 4,811,701.24 | 6.7744 | 32,596,388.88 |
| HKD | 26,138,361.06 | 0.8679 | 22,686,006.33 |
| EUR | 1,382,066.42 | 7.7496 | 10,710,461.93 |
| CAD | 36,827.26 | 5.2144 | 192,032.06 |
| GBP | 1,131,705.11 | 8.8144 | 9,975,301.52 |
| Others | — | — | 31,848,707.44 |
| Short-term loans | | | |
| Including: USD | 481,539,290.14 | 6.7744 | 3,262,139,767.12 |
| HKD | 77,400,000.00 | 0.8679 | 67,177,008.00 |
| EUR | 15,900,000.00 | 7.7496 | 123,218,640.00 |
| Others | — | — | - |
| Long-term loans | | | |
| Including: USD | 96,019,972.12 | 6.7744 | 650,477,699.13 |
| Long-term loans due within one year | | | |
| Including: USD | 18,300,000.00 | 6.7744 | 123,971,520.00 |

(2) Oversea operating entity

Subsidiaries of the Company, TongFang HongKong Limited、TongFang Global Limited and THTF USA, Inc are important overseas operating entities with principal place of business in Hong Kong, North America and Europe respectively. The functional currency for the companies is US dollars.

60. Government grants

| Item | Current period | Presentation item | Amount recognized in profit or loss |
|-----------------------------|----------------------|----------------------|-------------------------------------|
| Fiscal subsidies | 68,727,146.82 | Non-operating income | 68,727,146.82 |
| Software VAT refund | 24,927,650.90 | Other income | 24,927,650.90 |
| Sewage treatment VAT refund | 5,206,758.14 | Other income | 5,206,758.14 |
| Total | 98,861,555.86 | | 98,861,555.86 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

VII. Changes in the scope of consolidation

The Company established a new level-1 wholly-owned subsidiary Huai'an Tongfang Pollutant Source Control Engineering Co., Ltd. by means of cash payment, with registered capital of RMB 519 million.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

VIII. Interests in other entities**1. Interests in subsidiaries****(1) Constitution of the Group**

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|-----------------------|---|
| TsingHua TongFang Artificial Environment Co., Ltd. | 1 | ¥35,358.00 | 100.00% | Haidian, Beijing | Central air conditioning units, air and water purification systems |
| Beijing Tongfang Clean Technology Co., Ltd. | 2 | ¥1,000.00 | 58.00% | Haidian, Beijing | Air and water purification systems |
| Hebei Tongfang Clean Technology Co., Ltd. | 3 | ¥500.00 | 100.00% | Cangzhou, Hebei | Technology development of clean equipment, technology development, sale and installment of air source heat pump, air cleaner, fan and refrigeration plant |
| Wuxi TongFang Artificial Environment Co., Ltd. | 2 | ¥12,000.00 | 100.00% | Wuxi, Jiangsu | Household air conditioning units |
| Tongfang Advanced Energy-saving Machine Co., Ltd. (formerly known as Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd.) | 2 | ¥21,870.62 | 90.00% | Langfang, Hebei | Absorption freezer series products |
| Nuctech Company Limited. | 1 | ¥16,500.00 | 69.09% | Haidian, Beijing | Nuclear radiation container/item inspection system, industrial ray device |
| Nuctech HongKong Company Limited | 2 | USD2,240.00 | 100.00% | Hong Kong, China | Container inspection system installation services and technical support |
| Nuctech Sydney Pty Ltd. | 3 | AUD7.50 | 90.00% | Sydney, Australia | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Warsaw Co., Limited. Sp.z.o.o. | 3 | PLN 2530.00 | 99.99% | Warsaw, Poland | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Ankara Güvenlik Sistemleri Sanayive Dis Ticaret Limited Sirketi NUCTECH SINGAPO REPRIVATE LIMITED | 3 | TRY65.00 | 80.00% | Ankara, Turkey | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH PANAMA,S.A. | 3 | USD151.00 | 100.00% | Panama | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH DOBRASIL TDA | 3 | USD1,040.00 | 100.00% | Brazil | Installation, distribution and maintenance of X-ray inspection equipment |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|-----------------------------|---|
| Nuctech Middle EastFZE | 3 | AED7,00 | 100.00% | Dubai, United Arab Emirates | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech South Africa(Pty)Ltd | 3 | ZAR0.10 | 100.00% | Gauteng, South Africa | Installation, distribution and maintenance of X-ray inspection equipment |
| CRESCENDO SPA | 3 | CLP500.00 | 100.00% | Chile | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH Tianjin Co.Ltd | 3 | USD15,00 | 100.00% | Tianjin, China | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuc&Tech S.A.de C.V. | 3 | MXN5,00 | 100.00% | Mexico City, Mexico | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Operation Company Limited | 3 | HKD3,920,00 | 100.00% | Hong Kong, China | Installation, distribution and maintenance of X-ray inspection equipment |
| GRANPECT COMPANY LIMITED | 2 | ¥7,000,00 | 100.00% | Haidian, Beijing | Sales and installation of industrial radiological equipment |
| Beijing Huaxing Sci-tech Development Co., Ltd. | 2 | ¥2,100,00 | 65.00% | Haidian, Beijing | Container inspection system installation services and technical support |
| Beijing Hanhong Investment Co., Ltd. | 2 | ¥10,250,00 | 100.00% | Haidian, Beijing | Industrial investment, investment consulting |
| Tongfang Nuctech Jiangsu Technology Co., Ltd. | 2 | ¥28,000,00 | 100.00% | Changzhou, Jiangsu | Research, development, production, sales and equipment installation services of nuclear instrumentation |
| LargeV Instrument Corporation Limited | 2 | ¥1,600,00 | 48.09% | Haidian, Beijing | Instrumentation, medical equipment manufacturing, repair and related four-technics service |
| Beijing Fang Hong Intelligent Technology Co., Ltd. | 2 | ¥1,200,00 | 70.00% | Miyun, Beijing | Technology extension services; engineering and technology research and experimental development and so on |
| Suzhou Weimu Intelligent System Co., Ltd. | 2 | ¥1,000,00 | 80.00% | Suzhou, Jiangsu | Instrumentation, electronic equipment, such as the development, production and sales; technical advice and technical services, etc. |
| Suzhou Shi Mai Scientific Instrument Co., Ltd. | 3 | ¥500,00 | 100.00% | Suzhou, Jiangsu | Instrumentation, electronic equipment, such as the development, production and sales; technical advice and technical services, etc. |
| Tongfang Financial Holding (Shenzhen) | 1 | ¥447,013,985 ⁸ | 100.00% | Futian, Shenzhen | Technology development, service and high technology investment |
| Beijing Tongfang Yiheng Asset Management Co., Ltd. | 2 | ¥1,000,00 | 70.00% | Haidian, Beijing | Investment management, asset management, investment consulting, project investment |

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From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|------------------------|--|
| Tongfang Financial Holding (Beijing) Venture Capital Investment Co., Ltd. (formerly known as Beijing ASK Tongfang Technology Co., Ltd.) | 2 | ¥2,884,32234 | 100.00% | Haidian, Beijing | High-tech investment, research and development, sales of non-contact paper card, electronic tags, electronic licenses and smart card |
| Shenzhen Tongfang Huijin Equity Investment Fund Management Co., Ltd. | 2 | ¥10,000,000 | 55.00% | Futian, Shenzhen | Venture Capital Business, Agency Venture Capital, Venture Capital Consulting and Management |
| Wuhan Tongfang Innovation Fund Management Co., Ltd. | 2 | ¥1,000,000 | 55.00% | Wuhan, Hubei | Management of equity investment and related consulting service |
| Tongfang Industrial Co., Ltd. | 1 | ¥40,000,000 | 100.00% | Haidian, Beijing | Military/civilian industrial project investment and management, goods, technology import and export |
| Tongfang JiangXin Shipbuilding Co., Ltd | 2 | ¥53,500,00 | 100.00% | Hukou Jiangxi | Ship manufacturing, repair, steel structure manufacturing |
| Tongfang Electronic Science & Technology Co., Ltd. | 2 | ¥16,000,00 | 100.00% | Jiujiang, Jiangxi | Military/civilian communications equipment, electronic products |
| Zhuhai Tongfang Aide Technology Co., Ltd. | 3 | ¥500,00 | 94.00% | Zhuhai, Guangdong | Electronic communications, wireless network development, etc |
| Jiujiang Tongfang Information Technology Co., Ltd. | 3 | ¥1,500,00 | 100.00% | Jiujiang, Jiangxi | Information technology services and sales; housing leasing |
| Tongfang Saiweixun Information Technology Co., Ltd. | 2 | ¥5,000,00 | 100.00% | Chengdu, Sichuan | Research & development and sales of information system, radio monitoring system, remote sensing data application system and its supporting equipment |
| Tongfang Industry Information Technology Co., Ltd. | 2 | ¥12,000,00 | 80.00% | Haidian, Beijing | Software development; sales of electronic products, communications equipment, computer, software and auxiliary equipment |
| Wuxi Tong Fang Zhibo Yuntian Industrial Technology Co., Ltd. | 3 | ¥500,00 | 60.00% | Wuxi, Jiangsu | Sales of electronic products, communications equipment, computer, software and auxiliary equipment |
| Tongfang Kebo Tianzhi Software Technology Wuxi Co., Ltd. | 3 | ¥500,00 | 51.00% | Wuxi, Jiangsu | Internet of things software, hardware product development and technical services, etc.; information systems integration research, development and services |
| Beijing Tongfang Electronic Payment Technology Co., Ltd. | 1 | ¥10,000,00 | 100.00% | Haidian, Beijing | Military-related business investment holding |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 2 | ¥600,00 | 100.00% | Jingdezhen, Jiangxi | Fire engines, fire fighting equipment, gasoline and diesel generating units distribution |
| Jiujiang Tongfang Industry Co., Ltd. | 2 | ¥8,000,00 | 100.00% | Jiujiang, Jiangxi | Processing, manufacturing, sales and service of electronic information products; housing leasing |

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From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholding ratio | Registration place | Main business |
|---|-------|--------------------------------|--------------------|--------------------|---|
| Nanjing Tongfang Beidou Technology Co., Ltd. | 2 | ¥500,00 | 100.00% | Nanjing, Jiangsu. | Satellite navigation and positioning, timing communication and application system development |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 1 | ¥8,000,00 | 97.00% | Yinan, Shandong | AC/DC ceramic capacitors, chip inductors and ceramic filters |
| YinanDor's Electronic Components Co., Ltd. | 2 | USD680,00 | 72.73% | Yinan, Shandong | Ceramic capacitors, AC capacitors, network capacitors |
| Tongfang Technology Park Co., Ltd. | 1 | ¥5,000,00 | 100.00% | Haidian, Beijing | Development and management of science and technology park |
| Beijing Tongfang Star City Real Estate Co., Ltd. | 2 | ¥5,800,00 | 100.00% | Haidian, Beijing | Real estate development and management |
| Jiujiang Tongfang Industry Co., Ltd. | 2 | ¥3,565.31 | 100.00% | Jiujiang, Jiangxi | Real estate development and management |
| Jiujiang Tongfang Property Management Co., Ltd | 3 | ¥50,00 | 98.00% | Jiujiang, Jiangxi | Property management |
| Tongfang Industry Nanjing Co., Ltd. | 2 | ¥5,000,00 | 100.00% | Nanjing, Jiangsu. | Research and development, production, marketing, services of communications equipment, Beidou terminal, electronic products |
| Shanghai Cui Neng Optoelectronics Technology Co., Ltd. | 2 | ¥411.546 | 100.00% | Minhang, Shanghai | Technology development and transfer of optronics industry, sale, import and export of lighting instruments and accessories |
| Tianjin Neo-Neon Optoelectronics Co., Ltd. | 2 | ¥3,000,00 | 100.00% | FTZ, Tianjin | Research & development, design, production and sales of LED lighting, lighting fixtures and lighting appliances |
| Yangzhou Tongfang Semiconductor Co., Ltd. | 2 | ¥34,914.3581 | 11 | Yangzhou, Jiangsu. | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip and LED epitaxial wafers, and so on |
| Beijing Tongfang Property Management Co., Ltd. | 1 | ¥950,00 | 100.00% | Haidian, Beijing | Property management |
| Beijing Huaqing Yudu Business Service Co., Ltd. | 2 | ¥500,00 | 100.00% | Haidian, Beijing | Catering, entertainment services |
| Tongfang Computer Co., Ltd. | 1 | ¥135,000,00 | 100.00% | Wuxi, Jiangsu | Production, sales and import and export of computer and related products; development and management of science and technology park and supporting facilities |
| Beijing Tongfang Information Security Technology Co., Ltd. | 2 | ¥3,375,00 | 51.00% | Haidian, Beijing | Network security products and technical services |
| Xi'an Qingfen Tingxiu Electronic Information Technology Co., Ltd. | 2 | ¥60,00 | 100.00% | Xi'an, Shaanxi | Computer information technology research and development, etc. |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|---|-------|--------------------------------|------------------------|-----------------------------------|--|
| Tongfang Computer (Beijing) Co., Ltd. | 2 | ¥1,000,00 | 100.00% | Haidian, Beijing | Sale of computer and related products, service of computer system and software |
| Resuccess Investments Limited | 1 | USD2,000.00 | 100.00% | Virgin Islands | Investment and management of science and technology projects |
| Know China International Holdings Limited | 2 | USD5,00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tsinghua Tongfang Knowledge Network Technology Co., Ltd. (Beijing) | 3 | USD100,00 | 100.00% | Haidian, Beijing | Network knowledge storage and information retrieval |
| CNKI Inc. | 4 | USD100,00 | 100.00% | United States | Digital publishing products international content sales |
| TF-EPI Co., Limited | 2 | USD5,00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tongfang Capital Management Co., Ltd. | 3 | USD5,000,00 | 100.00% | Qianhai, Shenzhen | Initiated the establishment of equity investment enterprises; entrusted to manage the investment business of equity investment enterprises and provide related services; equity investment consulting |
| THTF Energy-Saving Holdings Limited | 2 | USD5,00 | 100.00% | Cayman Islands | Investment holding |
| Neo-Neon Holdings Limited | 3 | HKD50,000,0 0 | 63.96% | Cayman Islands | Investment holding |
| Capital Legend Enterprises Limited | 4 | USD5,00 | 100.00% | Virgin Islands | Investment holding |
| Tongfang Securities Limited | 5 | HKD41,000,0 0 | 100.00% | Hong Kong, China | Security investment |
| Tongfang Asset Management (Cayman) Company Limited | 6 | USD0.01 | 100.00% | Cayman Islands | Asset management |
| Tongfang Capital Limited | 6 | HKD2,000,00 | 100.00% | Hong Kong, China | Security investment |
| THTF Lighting Group Limited | 4 | USD1,000,00 | 100.00% | Virgin Islands | Investment holding |
| Maincharm International Limited | 5 | USD5,00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon (Vietnam) Development Company Limited | 6 | USD2,800,00 | 100.00% | Thai Binh Province, Vietnam | Production and sales of LED lighting, decorative lights series products; rice bubble decorative lights production and decorative lighting accessories production and sales; production and sales of stage lights series products |
| Neo-Neon Development Co.,Ltd. | 5 | USD5,00 | 100.00% | Virgin Islands | Investment holding |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|------------------------------------|---|
| LED House Limited | 6 | HKD1,00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Neo-Neon Enterprises Limited | 5 | HKD1,00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Creation Lighting Co., Ltd. | 5 | TWD8,000.00 | 100.00% | Taiwan, China | Real estate investment |
| Neo-Neon LED Lighting International Limited | 5 | USD1,00 | 100.00% | Western Samoa Islands | Sales of decorative light products |
| Richmax Enterprises Ltd | 6 | USD5,00 | 100.00% | Virgin Islands | Investment holding |
| Star Bright International (Macao Commercial offshore) Ltd. | 7 | MOP10,00 | 100.00% | Macau, China | Sales of decorative light products |
| Neo-Neon LED M&A Holdings Limited | 5 | USD5,00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon LED USA Holdings Limited | 6 | USD5,00 | 100.00% | Virgin Islands | Sales of decorative light products |
| American Lighting INC. | 7 | USD794,45 | 100.00% | Colorado, USA | Sales of decorative light products |
| TIVOLI, LLC | 8 | USD450,00 | 100.00% | California, USA | Sales of decorative light products |
| Neo-Neon LED Europe Holdings Limited | 6 | USD5,00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon Europe GmbH | 7 | EUR32,50 | 100.00% | North Rhine-Westphalia, Germany | Sales of decorative light products |
| Neo-Neon LED Asia Holdings Limited | 6 | USD5,00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Power (HK) Limited | 7 | HKD1,00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Mitcham Profits Ltd. | 5 | USD5,00 | 100.00% | Virgin Islands | Product marketing management services |
| Cashware Technology Ltd. | 5 | USD5,00 | 100.00% | Virgin Islands | Product research services |
| Neo-Neon China Limited | 5 | USD5,00 | 100.00% | Virgin Islands | Investment holding |
| Heshan Tongfang Lighting Technology Co., Ltd. | 6 | USD30,000,00 | 100.00% 0 | Jiangmen, Guangdong | Research & development and manufacturing of LED optoelectronic devices, optoelectronic special materials, optical fiber, new display and photoelectric installation; design and manufacture of metal and non-metal products mold; production of various lighting and accessories; manufacture and sales of light emitting diode (LED) chip; production and sales of PVC rubber particles, wire and cable; research & development, production and sales of audio and video products; product after-sales maintenance services. |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|-----------------------|---|
| HongKong Lide Electronic Company Limited | 7 | HKD1,00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Guangdong Neo-Neon Green Light Technology Business Incubator Co., Ltd. | 7 | ¥1,000,00 | 100.00% | Jiangmen, Guangdong | Investment promotion; provide business counseling, technology research and development, industrial design, financing, government project approval intermediary technology services for green light, optoelectronics and semiconductor-related areas |
| Heshan City Yinyu Lighting Co., Ltd. | 7 | ¥5,000,00 | 100.00% | Jiangmen, Guangdong | Production, processing, marketing of various lighting and accessories |
| Jiangmen Ante Force Standard Testing Co., Ltd. | 8 | ¥300,00 | 100.00% | Jiangmen, Guangdong | Electronic product safety, electromagnetic compatibility, physical and chemical technology testing services; detection services and sales of equipment, instrumentation, test sequence equipment; development and sales of electronic products and accessories, microelectronics products, electronic components, mechanical and electrical products; import and export of goods and technology; patent agents, trademark agents, standard test information consultation |
| Jiangmen Yinyu Energy Saving Investment Service Co., Ltd. | 8 | ¥1,000,00 | 100.00% | Jiangmen, Guangdong | Energy-saving project investment, sales of lamps and accessories products; LED energy-saving technical services |
| Shenzhen Ming Li Audio and Video Technology Development Co., Ltd. | 8 | ¥903,00 | 85.00% | Shenzhen, Guangdong | Sales of audio equipment; production and sales of LED display screen, LED lighting and LED lighting;; engineering installation; computer information system integration and software development; development and sales of electronic products; development and sales of hardware and software of LED optoelectronic applications; establishment of industries; domestic business, material supply and marketing industry, operating import and export business, sales of own products and provide installation services. |
| Heshan City Fung Choi Optoelectronics Technology Co., Ltd. | 8 | ¥509,5314 | 100.00% | Jiangmen, Guangdong | Production, research & development and sales of LED bulb series products |
| Beijing Neo-Neon Optoelectronics Technology Co., Ltd. | 8 | ¥2,000,00 | 51.00% | Shijingshan, Beijing | Technology development, technology promotion, technology transfer, technical advice; marketing planning; investment management; product design; sales of machinery and electrical equipment, special equipment, lamps, building materials, etc. |
| Shenzhen Tongfang Yiheng Fund Management Co., Ltd. | 7 | ¥1,000,00 | 100.00% | Shenzhen, Guangdong | Investment management, asset management, investment consulting, project investment |
| Heshan Mingji Co., Ltd. | 6 | USD42,00 | 51.00% | Jiangmen, Guangdong | Research and development, design, production and operation of stage lighting products |
| Heshan Jinyu Lighting Engineering Co., Ltd. | 6 | USD150,00 | 100.00% | Jiangmen, Guangdong | Engaged in indoor and outdoor lighting design and installation |
| Mentle International Limited | 5 | USD5,00 | 100.00% | Virgin Islands | Sales of decorative light products |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|----------------------------|---|
| Neo-Neon Trading Co.,Ltd. | 5 | USD100.00 | 100.00% | Western Samoa Islands | Investment holding |
| Total Contribution Development Limited | 6 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Success Link Investments Limited | 7 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Melrose Holdings Limited | 8 | HKD1.00 | 100.00% | Hong Kong, China | Investment holding |
| Max Choice International Limited | 7 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Geni Electronics Company Ltd | 7 | HKD1.00 | 51.00% | Hong Kong, China | Investment holding |
| Billion Choice Trading Limited | 7 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Guangdong Yinyu Chip Semiconductor Co., Ltd. | 8 | USD3,000.00 | 100.00% | Jiangmen, Guangdong | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip, LED epitaxial wafers, LED package and so on |
| Ritelight Overseas Limited | 8 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Lide Trade Co., Ltd. | 6 | MOP2.50 | 100.00% | Macau, China | Related trade activities |
| Neo-Neon Venture (BVI) Ltd. | 5 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Ever Green Illumination B.V. | 6 | EUR9.00 | 51.00% | Noord Brabant, Netherlands | Sales of decorative light products |
| Neo Neon UKPLC | 6 | GBP5.00 | 90.00% | Buckinghamshire, UK | Sales of decorative light products |
| Choicelord Limited | 5 | HKD1.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Mentle International Limited | 5 | HKD1.00 | 100.00% | Hong Kong, China | Investment holding |
| Neo-Neon UK Investment Limited | 6 | GBP100.00 | 100.00% | Buckinghamshire, UK | Investment holding |
| Jade Power Development Limited | 5 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon Lighting Design & Engineering Ltd. | 5 | HKD100.00 | 100.00% | Hong Kong, China | Design of decorative light products |
| THTF MACAO Co., Ltd. | 2 | MOP2.50 | 100.00% | Macau, China | Information technology, environmental protection consultants, sales of information electronic products and environmental protection products |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|---|-------|--------------------------------|------------------------|--------------------------|--|
| Beijing Tongfang Electronic Commerce Co., Ltd. | 3 | ¥13,500.00 | 100.00% | Haidian, Beijing | E-commerce project investment |
| Huai'an Airport Tongfang Water Co., Ltd. | 3 | USD1,000.00 | 100.00% | Huai'an, Jiangsu | Water sector construction, operation, new technology development, research, production and sales of new water products |
| TF Lighting Engineering Limited | 2 | USD5.00 | 100.00% | Cayman Islands | Investment holding |
| Beijing Tongfang Optoelectronic Environment Co., Ltd. | 3 | USD75.00 | 100.00% | Haidian, Beijing | Research & development and production of energy-saving LED lighting products |
| Tongfang Roadway Lighting Singapore Pte.Ltd. | 3 | SGD0.00 | 100.00% | Singapore | Investment holding |
| Cool Clouds Limited | 2 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Universal Axis Limited | 2 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Tongfang Aqua 2017 Limited | 2 | USD5.00 | 100.00% | Virgin Islands | Investment holding |
| Technovator International Limited | 1 | Note 1 | 35.05% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| DISTECH CONTROL SPTE LTD (Technovator South East Asia Pte Ltd) | 2 | USD100.00 | 100.00% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| Tongfang Technovator Int. (Beijing) Co., Ltd. | 2 | USD2,000.00 | 100.00% | Huairou, Beijing | Design, manufacture and sales of building automation solutions |
| Tongfang Technovator Intelligence Technology (Shanghai) Co., Ltd. | 3 | ¥1,000.00 | 40.00% | Putuo, Shanghai | Sales of building automation solutions |
| Shanghai JDJ Technology Co., Ltd. | 4 | ¥300.00 | 70.00% | Xuhui, Shanghai | Sales of computer information technology, computer hardware and software technology |
| TongFang Technovator Software (Beijing) Co., Ltd. | 3 | ¥1,000.00 | 100.00% | Huairou, Beijing | Software development, information systems integration services, sales of machinery and equipment, electronic products, computers, software and auxiliary equipment, etc. |
| Tongfang Technovator Int (Chongqing) Co., Ltd. | 3 | ¥1,825.00 | 52.00% | New North ZoneChongqi ng | Weak and energy-saving project implementation and product sales |
| Chongqing Hongyi Daoyuan New Energy Co., Ltd. | 4 | ¥2,000.00 | 60.00% | New North ZoneChongqi ng | Technology development, consulting and transfer of energy-saving and environmental protection technology and product, Contract Management Contract project |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|---|-------|--------------------------------|------------------------|----------------------------|---|
| Tongfang Technovator (MACAO) Co., Ltd. | 3 | MOP2,60 | 65.00% | Macau, China | Independent design, development, production, installation and sales of Intelligent control system supporting software and hardware products |
| TFRH Investments Limited | 2 | USD1,249.99 99 | 100.00% | Cayman Islands | Investment holding |
| Tongfang Energy Saving Engineering Technology Co., Ltd. | 3 | ¥23,181,2167 | 100.00% | Haidian, Beijing | Energy Management Contract project, absorption heat pump engineering and related projects investment business |
| Friendship Heating Company | 4 | ¥3,000,00 | 100.00% | Shuangyashan, Heilongjiang | Heat recovery and so on |
| Excel Perfect Investments Limited | 2 | HKD2,389.31 | 100.00% | Hong Kong, China | Investment holding |
| Tong Fang Global Limited | 1 | USD1,000,00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| Tong Fang Global (Germany) GmbH | 2 | EUR202.50 | 100.00% | Frankfurt, Germany | Digital TV and other consumer electronics products distribution |
| Tongfang Optoelectronics (Shenyang) Co., Ltd. | 2 | HKD2,000,00 | 100.00% | Shenyang, Liaoning | Production and sales of liquid crystal display and related modules |
| Westing house Electronics Limited | 2 | USD100,00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| Tongfang Global Technology (Shenzhen) Co., Ltd. | 2 | USD160,00 | 100.00% | Shenzhen, Guangdong | Digital TV and other consumer electronics products distribution |
| Tongfang Hong Kong Limited | 1 | USD800,00 | 100.00% | Hong Kong, China | Computer product development and sales |
| Tongfang HongKong (Shenzhen) Co., Ltd. | 2 | ¥1,000,00 | 100.00% | Shenzhen, Guangdong | Computer product development and sales |
| Tongfang Computer (Suzhou) Co., Ltd. | 3 | ¥500,00 | 100.00% | Suzhou, Jiangsu, | Computer product development and production |
| Tongfang HongKong (Suzhou) Co., Ltd. | 2 | ¥1,000,00 | 100.00% | Suzhou, Jiangsu, | Production and sales of computer and related products |
| THTF U.S.A. Inc. | 1 | USD249,00 | 100.00% | California, USA | Investment and management of science and technology projects |
| Maxgrain Global Investments Limited | 2 | USD5,00 | 100.00% | Virgin Islands | Investment holding |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholdi ng ratio | Registration place | Main business |
|--|-------|--------------------------------|------------------------|-----------------------|--|
| Tong Fang Global Inc. | 3 | USD100.00 | 100.00% | California, USA | Digital TV and other consumer electronics products distribution |
| TongFang Global (UK) Co.,Limited | 3 | GBP1.00 | 100.00% | Welsh, UK | Digital TV and other consumer electronics products distribution |
| TongFang Global (Canada) Inc. | 3 | CAD0.01 | 100.00% | Ontario, Canada | Digital TV and other consumer electronics products distribution |
| TongFang Asia Pacific (R&D Center) Pe Ltd. | 1 | USD300.00 | 100.00% | Singapore | Intelligent building engineering technology research and development |
| Tongfang R.I.A. Company Limited. | 1 | ¥7,058.00 | 85.00% | Haidian, Beijing | Card base storage, radio frequency identification technology and application; import and export business |
| Beijing Tongfang Software Co., Ltd. | 1 | ¥4,100.00 | 90.24% | Haidian, Beijing | Internet of Things applications, support and process control software and related hardware, value-added telecommunications services |
| Wuxi Tongfang Rongda Information Technology Co., Ltd. | 2 | ¥1,900.00 | 57.89% | Wuxi, Jiangsu | Internet of things software development and system integration |
| Chongqing Tongfang Rongda Information Technology Co., Ltd. | 2 | ¥2,000.00 | 100.00% | Beixin, Chongqing | Internet of things software development and system integration |
| Luzhou Tong Fang Wisdom Longcheng Technology Co., Ltd. | 3 | ¥1,000.00 | 90.00% | Luzhou, Sichuan | Smart city planning, design, investment, construction and operation |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 1 | ¥8,000.00 | 100.00% | Haidian, Beijing | Network information services, electronic publications and database development and sales |
| Shanxi Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 2 | ¥5,000.00 | 100.00% | Taiyuan, Shanxi | Development of databases, computer hardware and software, computer network system; sales of database, computer hardware and software, computer network system; electronic technology development, technology transfer, technical advice. |
| Shanxi Tongfang Knowledge Network Printing Co., Ltd. | 2 | ¥2,000.00 | 100.00% | Taiyuan, Shanxi | Publications, other prints. Advertising production; packaging binding; import and export business |
| Beijing Tongfang Compact Disc Co., Ltd. | 1 | ¥4,000.00 | 100.00% | Haidian, Beijing | Electronic communication equipment, network system equipment, CD-ROM audio-visual equipment and CD-ROM materials |
| Beijing Tongfang Biochip Technology Co., Ltd. | 2 | ¥2,200.00 | 100.00% | Miyun, Beijing | Technology development, consultation, communication, promotion, diffusion, transfer; application software services; sales of computers, software and auxiliary equipment, instrumentation; import and export of agents, import and export of goods |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 1 | ¥31,800.00 | 100.00% | Shenyang, Liaoning | Development and production of digital television and digital audio and video products, LCD module product |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholding ratio | Registration place | Main business |
|--|-------|--------------------------------|--------------------|----------------------|--|
| Shenyang Tongzhen Precision Electronic Technology Co., Ltd. | 2 | ¥1,800,00 | 100.00% | Shenyang, Liaoning | Wire and connector development and production |
| Tongfang Optoelectronic (HK) Limited | 1 | USD2,000,00 | 45.00% | Hong Kong, China | LCD module products, LED chip and light bar, light guide plate and optical materials development, production, technical services |
| Guangdong Tongfang Lighting Co., Ltd. | 2 | ¥4,050,00 | 100.00% | Guangzhou, Guangdong | Semiconductor application technology development; semiconductor devices, electronic components, lighting electrical equipment, electronic display, lighting manufacturing and installation |
| Shenzhen Tongfang Optoelectronics Technology Co., Ltd. | 2 | HKD2,800,00 | 100.00% | Shenzhen, Guangdong | LED LCD module production and operation, research and development of LCD, LED chips and light bar, light guide plate, optical materials, etc; technical advisory services |
| Shenyang Tongfang Technology Park Co., Ltd. | 1 | ¥16,000,00 | 100.00% | Shenyang, Liaoning | Construction, development and management of supporting facilities of science and technology park; project investment; housing leasing; property management |
| Liaoning Tongfang Yinzhou Science and Technology Parks Co., Ltd. | 2 | ¥3,000,00 | 100.00% | Shenyang, Liaoning | Science and technology park and supporting facilities development and management |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 1 | ¥25,000,00 | 94.48% | Haidian, Beijing | Microelectronics integrated circuits, radio and television, information appliances |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1 | ¥23,070,00 | 100.00% | Haidian, Beijing | Radio and television transmission, communication channels and industrial control equipment |
| Anshan Tongfang Jizhao Radio and Television Equipment Co., Ltd. | 2 | ¥600,00 | 100.00% | Anshan, Liaoning | Radio and television transmission and differential transmission equipment |
| Beijing Tongfang Jizhao Radio and Television Equipment Co., Ltd | 2 | ¥200,00 | 100.00% | Miyun, Beijing | TV transmitter, FM transmitter production |
| Beijing ERENEBEN Information Technology Co., Ltd. | 1 | ¥10,000,00 | 100.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Beijing Everest Mobile Communications Co., Ltd. | 2 | ¥5,000,00 | 60.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Tongfang Health Technology (Beijing) Co., Ltd. | 1 | ¥5,280,00 | 78.48% | Haidian, Beijing | Sports technology products, sports competition management system; import and export of technology goods |
| Beijing Tongfang Education and Training School | 1 | ¥100,00 | 100.00% | Haidian, Beijing | Education and training |
| Huai'an Tongfang Water Affairs Co., Ltd. | 1 | ¥11,000,00 | 49.55% | Huai'an, Jiangsu | Water project investment, construction, operation |
| Wuhu Tongfang Water Affairs Co., Ltd. | 2 | ¥1,000,00 | 100.00% | Wuhu, Anhui | Sewage treatment plant construction, operation |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of subsidiaries | Level | Registered capital RMB'0000 | Shareholding ratio | Registration place | Main business |
|--|-------|--------------------------------|--------------------|--------------------|--|
| Yangzhou Tongfang Water Affairs Co., Ltd. (formerly known as Yangzhou Huajian Tongfang Water Affairs Co., Ltd.) | 2 | ¥700,00 | 100.00% | Yangzhou, Jiangsu | Water project investment, construction, operation |
| Wenzhou Tongfang Water Affairs Co., Ltd. | 2 | ¥1,244,00 | 100.00% | Wenzhou, Zhejiang | Water project investment, construction, operation |
| Huizhou Tongfang Water Affairs Co., Ltd. | 1 | ¥3,600,00 | 100.00% | Huizhou, Guangdong | Water project investment, construction, operation |
| Nantong Tongfang Technology Park Co., Ltd. | 1 | ¥20,000,00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Nantong Tongjing Property Co., Ltd. | 2 | ¥17,000,00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Qingxin Optoelectronics Co., Ltd. | 1 | USD1,000,00 | 55.00% | Langfang, Hebei | Development, production and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Liaoning Tongfang Security Technology Co., Ltd. | 1 | ¥400,00 | 100.00% | Shenyang, Liaoning | Production and sales of fire detectors and other products |
| Tongfang Media (Beijing) Co., Ltd. | 1 | ¥110,00 | 100.00% | Haidian, Beijing | Advertising agency and distribution |
| Beijing Tongfang Television Media Technology Co., Ltd. | 1 | ¥500,00 | 60.00% | Haidian, Beijing | Research, development and sales of digital film playback server; digital film advertising services |
| Beijing Tongfang Jiaying Digital Cinema Line Co., Ltd. | 2 | ¥10,00 | 100.00% | Haidian, Beijing | Film screenings; production, agency and releasing of advertisement |
| Huai'an Tongfang Pollutant Source Control Engineering Co., Ltd. | 1 | ¥51,927,00 | 100.00% | Huai'an, Jiangsu | Construction and operation of municipal drain system, sewage networks, sewage pumping station, municipal rain and sewage networks management platform and river pollutant prevention project |

Note 1: the registered capital of Technovator International Limited, which is level-1 subsidiary of the Company, is in total of 24,1981 million US dollars and 1,378,7144 million HK dollars.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Important non-wholly-owned subsidiaries

| Name of subsidiary | NCI shareholding ratio | Profit or loss attributable to NCI in the current period | Declaration of cash dividends to non-controlling shareholders | Non-controlling interests at the end of the period |
|-----------------------------------|------------------------|--|---|--|
| Technovator International Limited | 64.95% | 38,936,587.02 | 0.00 | 1,425,138,318.40 |
| Neo-Neon Holdings Limited | 36.04% | 455,696.63 | 0.00 | 530,028,536.71 |
| Nuctech Company Limited. | 30.91% | 45,649,602.11 | 51,000,000.00 | 653,100,953.36 |

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

| Name of subsidiary | Closing balance | | | | | |
|-----------------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Technovator International Limited | 2,760,326,838.60 | 858,088,551.91 | 3,618,415,390.51 | 1,390,303,342.03 | 28,152,305.52 | 1,418,455,647.55 |
| Neo-Neon Holdings Limited | 1,040,320,315.33 | 797,462,764.73 | 1,837,783,080.06 | 360,780,760.17 | 7,475,256.00 | 368,256,016.17 |
| Nuctech Company Limited. | 6,915,958,151.68 | 1,534,878,199.17 | 8,450,836,350.85 | 6,121,794,333.87 | 365,579,799.24 | 6,487,374,133.11 |

(Continued 1)

| Name of subsidiary | Opening balance | | | | | |
|-----------------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Technovator International Limited | 3,045,477,321.35 | 833,562,594.34 | 3,879,039,915.69 | 1,661,250,365.80 | 27,425,830.26 | 1,688,676,196.06 |
| Neo-Neon Holdings Limited | 1,058,544,847.85 | 424,690,937.35 | 1,483,235,785.20 | 259,507,204.45 | 13,836,839.09 | 273,344,043.54 |
| Nuctech Company Limited. | 6,416,820,208.23 | 1,466,774,562.74 | 7,883,594,770.97 | 5,706,966,530.80 | 180,050,873.03 | 5,887,017,403.83 |

(Continued 2)

| Name of the subsidiary | Current period | | |
|-----------------------------------|--------------------------|-----------------------|--------------------------|
| | Revenue of main business | Cost of main business | Profit before income tax |
| Technovator International Limited | 685,986,855.86 | 523,146,952.36 | 71,362,821.71 |
| Neo-Neon Holdings Limited | 321,090,878.74 | 219,438,670.20 | 7,687,034.00 |
| Nuctech Company Limited. | 1,497,006,907.68 | 892,748,769.05 | 158,046,653.41 |

(Continued 3)

| Name of the subsidiary | Previous the same period | | |
|-----------------------------------|--------------------------|-----------------------|--------------------------|
| | Revenue of main business | Cost of main business | Profit before income tax |
| Technovator International Limited | 555,878,136.23 | 419,941,513.65 | 65,857,681.90 |
| Neo-Neon Holdings Limited | 285,716,235.18 | 196,244,396.67 | 11,801,563.69 |
| Nuctech Company Limited. | 720,746,105.10 | 475,594,064.72 | 80,937,857.82 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

2. Interests in joint ventures and associates

(1) Joint ventures and associates

| Investee | Shareholding ratio | Voting right ratio | Registration place | Main business |
|---|--------------------|--------------------|----------------------|---|
| Aegon THTF Life Insurance Co., Ltd. | 50.00% | 50.00% | Pudong, Shanghai | Life insurance, health insurance and accident insurance and other insurance business and its reinsurance business |
| Tongfang Rass Pharmaceutical Industry Investment (Guangdong) Co. Ltd. | 51.00% | 51.00% | Guangzhou, Guangdong | Investment of biotechnology and medical technology, etc. |
| NuRay Technology Co., Ltd. | 70.00% | 70.00% | Changzhou, Jiangsu | Research & development, design, production of nano-materials field emission multi-point (including single point) X-ray light source products and their components, sales of own products, and provide after-sale machine-related technical services |
| Tong Wei Jin Fu Technology (Tianjin) Co., Ltd. | 51.00% | 51.00% | Nankai, Tianjin | Scientific research and technical services; software and information technology services; installation and leasing of machinery and equipment, electronic products, instrumentation, computer |
| Tongfang Guo Xin Investment Holding Co., Ltd.(formerly known as Chongqing Guo Xin Investment Holding Co., Ltd.) | 26.32% | 26.32% | Yubei, Chongqing | Investment holding and provide related services to its invested enterprises |
| Warranty Asset Management Co., Ltd. | 48.00% | 48.00% | Shenzhen, Guangdong | Equity investment, asset management |
| Tellhow Sci-Tech Co., Ltd. | 15.82% | 15.82% | Nanchang, Jiangxi | Intelligent building electrics, generators and units, equipment, information products |
| Tongfang Investment Co., Ltd. | 45.45% | 45.45% | Weifang, Shandong | Equity investment, asset management |
| Jarun Investment Co., Ltd. | 50.00% | 50.00% | Pudong, Shanghai | Equity investment, asset management |
| Yuxi City Huakong Environmental Sponge City Construction Co., Ltd. | 39.00% | 39.00% | Yuxi, Yunnan | Planning, design, project construction and operation management and related technology consulting service of sponge city |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 40.00% | 40.00% | Nanchang, Jiangxi | Development, production and operation of animation image and related derivative products |
| Tongfang Environment Co., Ltd. | 31.50% | 31.50% | Haidian, Beijing | Environmental engineering consulting, design, construction; general construction contractor; clean new energy power generation and environmental protection technology, engineering research, design, development, transfer, consultation, introduction and service |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Shareholding ratio | Voting right ratio | Registration place | Main business |
|---|--------------------|--------------------|-------------------------|---|
| Easyway Technology Co., Ltd. | 28.80% | 28.80% | Haidian, Beijing | Railway passenger dedicated line information service system, ticket system |
| Tongfang Holch Investment Group Co., Ltd. | 45.00% | 45.00% | Haidian, Beijing | Investment management, investment consulting |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 27.20% | 27.20% | Qian'an, Hebei | Public infrastructure investment, construction, operation and management; production, supply and sales of tap water; sewage treatment recycling |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 37.50% | 37.50% | Kunming, Yunnan | IT and power high-tech products |
| Beijing Global Safety Technology Co., Ltd. | 8.44% | 8.44% | Haidian, Beijing | Research and development, production and sales of public safety emergency equipment, radiation detection instrumentation and related computer hardware and software |
| Advanced Systems Development Co., Ltd. | 20.00% | 20.00% | Haidian, Beijing | Computer hardware and software products, application services, labor dispatch, production of Class II medical devices |
| Shenzhen Qianhai HT Capital Co., Ltd. | 40.00% | 40.00% | Shenzhen, Guangdong | Equity investment, asset management |
| Tianjin Enorth Netnews Co., Ltd. | 49.00% | 49.00% | Hedong, Tianjin | Construction and management of wireless digital terrestrial broadcasting system |
| Hefei Jarun Kangze Investment Limited Partnership | 33.33% | 33.33% | Hefei, Anhui | Equity investment, asset management |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 35.00% | 35.00% | Zuoyun, Shanxi | Coal gangue power generation |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Quanzhou, Fujian | Construction and management of wireless digital terrestrial broadcasting system |
| Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 40.00% | 40.00% | Xi'an, Shanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Tongfang Refine Energy Saving Technology Co., Ltd. | 25.00% | 25.00% | Guangzhou, Guangdong | Refrigeration and air conditioning equipment manufacturing, etc. |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 49.00% | 49.00% | Shangqiu, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| China Railway Capital (Tianjin) Equity Investment Fund Management Co., Ltd. | 25.00% | 25.00% | Tianjin Free Trade Zone | Entrusted management of equity investment enterprises, engaged in investment management and related advisory services |
| Tongfang Cloud Computing Technology Co., Ltd. | 26.25% | 26.25% | Shenzhen, Guangdong | Cloud computing technology development; computer hardware and software technology development consulting |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 49.00% | 49.00% | Puyang, Henan | Construction and management of wireless digital terrestrial broadcasting system |

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From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | | Shareholding ratio | Voting right ratio | Registration place | Main business |
|--|---------------|--------------------|--------------------|---------------------|---|
| Xuchang Tongfang Television Co., Ltd. | BC&TV Digital | 49.00% | 49.00% | Xuchang, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | | 49.00% | 49.00% | Rizhao, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Beijing Tongfang Time Link Electronic Co., Ltd. | | 30.00% | 30.00% | Haidian, Beijing | Military electronic label |
| Nanyang Tongfang Television Co., Ltd | BC&TV Digital | 49.00% | 49.00% | Nanyang, Henan | Digital TV technology consultation, sales of electronic products, communications products; design, production, agency and releasing of advertisement |
| Zhangjiakou TV Culture Media Co., Ltd. | | 49.00% | 49.00% | Zhangjiakou, Hebei | Investment, development, construction, management of terrestrial digital TV, mobile multimedia radio and television, pay TV; research and development, production and sales of electronic products; design, production, agency and releasing of advertisement |
| Kaifeng Tongfang Digital Television Co., Ltd | BC&TV Digital | 49.00% | 49.00% | Kaifeng, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Beijing Maxin Litong Technology Co., Ltd. | | 15.00% | 15.00% | Haidian, Beijing | Purchase and sale of communications equipment, computer, software and auxiliary equipment |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | | 49.00% | 49.00% | Yuncheng, Shanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Tianmen Tongfang Digital Television Co., Ltd. | BC&TV Digital | 49.00% | 49.00% | Tianmen, Hubei | Construction and management of wireless digital terrestrial broadcasting system |
| Shenzhen Beice Technology Co.,Ltd. | Beice | 21.00% | 21.00% | Longhua, Shenzhen | Electromagnetic compatibility testing, safety testing, energy saving and environmental protection and performance testing technical services and technical consultation of electronic, electrical and electrical products |
| CINTS Company Limited | | 50.00% | 50.00% | Haidian, Beijing | Research and development, production and sales of instrumentation and complete sets of facilities and equipment; insecticide treatment; import or export of goods or technology |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | | 49.00% | 49.00% | Dazhou, Sichuan | Construction and management of wireless digital terrestrial broadcasting system |
| Tongfang (Shenzhen) Zhiyuan Investment Management Co., Ltd. | Equity Fund | 45.00% | 45.00% | Shenzhen, Guangdong | Equity investment, etc. |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Shareholding ratio | Voting right ratio | Registration place | Main business |
|---|--------------------|--------------------|------------------------|---|
| Luoyang Tongfang Digital Television Co., Ltd | 41.00% | 41.00% | Luoyang, Henan | Development, application, maintenance, technical consulting and service of wireless digital television network; sales and maintenance of terrestrial digital TV receiving terminal products (excluding satellite ground receiving facilities) |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Control system software development |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 46.00% | 46.00% | Changchun, Jilin | Computer and information products, artificial environment control device, instrumentation |
| LimePC Multimedia Technologies Co., Limited | 50.00% | 50.00% | Hong Kong, China | Computers, digital TV and other consumer electronics products distribution |
| Inner Mongolia Olefinic Carbon Energy Technology Development Co. Ltd. | 20.00% | 20.00% | Baotou, Inner Mongolia | Technology development, technical advisory of graphene, carbon materials and energy storage device, etc. |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Binzhou, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Technovator Qatar | 49.00% | 49.00% | Qatar | ----- |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 40.00% | 40.00% | Beixin, Chongqing | Communications equipment, embedded electronic systems, computer hardware and software development, production and marketing and technical services |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 50.00% | 50.00% | Changping, Beijing | Audio and video products, digital multimedia, broadband network multimedia |
| Beijing Haishian Data Technology Co., Ltd | 27.69% | 27.69% | Haidian, Beijing | Network storage, data security, disaster recovery backup solution |
| Beijing Wenlu Laser Technology Co., Ltd. | 20.00% | 20.00% | Changping, Beijing | Laser digital storage electronic disk copy |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | General construction contractor of chemical engineering projects (polysilicon, coal chemical, etc.) |
| Guangzhou Thomee Lighting Co., Ltd. | 39.00% | 39.00% | Guangzhou, Guangdong | Research and development, production and sales of lighting equipment research and development, production and sales |

(2) Summarized financial information of important joint ventures

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|--------------------------|--|--|
| | Aegon THTF Life Insurance Co., Ltd. | |
| Current assets | 713,881,228.93 | 576,020,724.00 |
| Non-current assets | 10,950,438,466.06 | 10,513,508,821.00 |
| Total assets | 11,664,319,694.99 | 11,089,529,545.00 |
| Current liabilities | 9,520,859,220.84 | 9,135,598,848.00 |
| Non-current liabilities | 1,100,852,598.21 | 794,742,448.00 |
| Total liabilities | 10,621,711,819.05 | 9,930,341,296.00 |
| Non-controlling interest | 0.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|--|--|
| | Aegon THTF Life Insurance Co., Ltd. | |
| Total shareholders' equity attributable to shareholders of the parent company | 1,042,607,875.94 | 1,159,188,249.00 |
| Revenue | 1,598,357,361.81 | 3,082,401,091.00 |
| Net profit attributable to shareholders of the parent company | -29,631,987.23 | 27,671,688.00 |
| Other comprehensive income attributable to shareholders of the parent company | -86,948,386.17 | 61,103.00 |
| Total comprehensive income attributable to shareholders of the parent company | -116,580,373.40 | 27,732,791.00 |

(Continued 1)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|--|--|
| | Tongfang Rass Pharmaceutical Industry Investment (Guangdong) Co. Ltd. | |
| Current assets | 2,031,297,068.92 | 0.00 |
| Non-current assets | 0.00 | 0.00 |
| Total assets | 2,031,297,068.92 | 0.00 |
| Current liabilities | 7,514,915.70 | 0.00 |
| Non-current liabilities | 0.00 | 0.00 |
| Total liabilities | 7,514,915.70 | 0.00 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 2,023,782,153.22 | 0.00 |
| Revenue | 0.00 | 0.00 |
| Net profit attributable to shareholders of the parent company | 23,782,153.22 | 0.00 |
| Other comprehensive income attributable to shareholders of the parent company | 0.00 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | 23,782,153.22 | 0.00 |

(3) Summarized financial information of important associates

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|--|--|
| | Tongfang Guo Xin Investment Holding Co., Ltd. | |
| Current assets | 62,207,415,916.66 | 60,223,334,087.92 |
| Non-current assets | 190,937,549,580.57 | 184,528,889,067.83 |
| Total assets | 253,144,965,497.23 | 244,752,223,155.75 |
| Current liabilities | 182,748,448,039.65 | 177,921,281,134.55 |
| Non-current liabilities | 27,170,772,466.32 | 23,786,001,087.01 |
| Total liabilities | 209,919,220,505.97 | 201,707,282,221.56 |
| Non-controlling interest | 19,191,882,001.94 | 18,703,763,576.96 |
| Total shareholders' equity attributable to shareholders of the parent company | 24,033,862,989.32 | 24,341,177,357.23 |
| Revenue | 5,763,807,589.14 | 5,768,482,117.88 |
| Net profit attributable to shareholders of the parent company | 1,409,541,866.09 | 1,002,958,081.52 |
| Other comprehensive income attributable to shareholders of the parent company | -429,774,984.00 | -45,914,686.53 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|--|---|
| | Tongfang Guo Xin Investment Holding Co., Ltd. | |
| Total comprehensive income attributable to shareholders of the parent company | 979,766,882.09 | 957,043,394.99 |

(Continued 1)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|---|---|
| | Warranty Asset Management Co., Ltd. | |
| Current assets | 3,360,816,919.01 | 3,032,596,239.34 |
| Non-current assets | 3,860,180,095.44 | 3,700,194,886.98 |
| Total assets | 7,220,997,014.45 | 6,732,791,126.32 |
| Current liabilities | 3,676,255,871.18 | 4,472,946,373.14 |
| Non-current liabilities | 1,968,339,336.15 | 805,514,882.04 |
| Total liabilities | 5,644,595,207.33 | 5,278,461,255.18 |
| Non-controlling interest | 1,649,151,837.15 | 1,307,730,665.40 |
| Total shareholders' equity attributable to shareholders of the parent company | -72,750,030.03 | 146,599,205.74 |
| Revenue | 640,557,159.83 | 214,840,845.78 |
| Net profit attributable to shareholders of the parent company | -141,817,049.03 | -62,751,257.70 |
| Other comprehensive income attributable to shareholders of the parent company | -33,485,686.74 | 21,027,979.44 |
| Total comprehensive income attributable to shareholders of the parent company | -175,302,735.77 | -41,723,278.26 |

(Continued 2)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|---|---|
| | Tellhow Sci-Tech Co., Ltd. | |
| Current assets | 5,091,792,451.99 | 5,435,578,332.72 |
| Non-current assets | 2,979,851,156.24 | 3,152,129,946.33 |
| Total assets | 8,071,643,608.23 | 8,587,708,279.05 |
| Current liabilities | 2,763,211,138.86 | 3,288,836,281.49 |
| Non-current liabilities | 1,370,197,228.87 | 1,369,499,725.06 |
| Total liabilities | 4,133,408,367.73 | 4,658,336,006.55 |
| Non-controlling interest | 136,522,162.28 | 121,400,087.38 |
| Total shareholders' equity attributable to shareholders of the parent company | 3,801,713,078.22 | 3,807,972,185.12 |
| Revenue | 1,357,541,430.61 | 1,206,316,114.65 |
| Net profit attributable to shareholders of the parent company | 67,573,110.88 | 36,769,495.03 |
| Other comprehensive income attributable to shareholders of the parent company | 120,813.29 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | 67,693,924.17 | 36,769,495.03 |

(Continued 3)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|----------------|---|---|
| | Tongfang Investment Co., Ltd. | |
| Current assets | 630,383,656.07 | 669,581,855.65 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|---|---|
| | Tongfang Investment Co., Ltd. | |
| Non-current assets | 817,721,712.63 | 788,858,862.15 |
| Total assets | 1,448,105,368.70 | 1,458,440,717.80 |
| Current liabilities | 232,677,261.51 | 267,837,518.88 |
| Non-current liabilities | 11,440,702.58 | 6,423,562.66 |
| Total liabilities | 244,117,964.09 | 274,261,081.54 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 1,203,987,404.61 | 1,184,179,636.26 |
| Revenue | 2,088,212.38 | 2,090,798.40 |
| Net profit attributable to shareholders of the parent company | 37,530,478.79 | 7,188,535.97 |
| Other comprehensive income attributable to shareholders of the parent company | -17,722,710.44 | -7,557,851.26 |
| Total comprehensive income attributable to shareholders of the parent company | 19,807,768.35 | -369,315.29 |

(Continued 4)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|---|---|---|
| | Jarun Investment Co., Ltd. | |
| Current assets | 107,253,623.59 | 65,656,521.83 |
| Non-current assets | 531,678,436.91 | 556,121,441.90 |
| Total assets | 638,932,060.50 | 621,777,963.73 |
| Current liabilities | 20,615,595.56 | 16,249,134.09 |
| Non-current liabilities | 0.00 | 0.00 |
| Total liabilities | 20,615,595.56 | 16,249,134.09 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 618,316,464.94 | 605,528,829.64 |
| Revenue | 0.00 | 0.00 |
| Net profit attributable to shareholders of the parent company | 12,787,635.30 | 10,222,664.93 |
| Other comprehensive income attributable to shareholders of the parent company | 0.00 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | 12,787,635.30 | 10,222,664.93 |

(4) Summarized financial information of non-important joint ventures and associates

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|--|---|---|
| Joint ventures: | | |
| Total carrying amount of investment | 23,570,694.78 | 26,928,276.17 |
| The Company's share of the following items | | |
| - Net profit | -3,357,581.39 | -11,238,699.64 |
| - Other comprehensive incomes | 0.00 | 0.00 |
| - Total comprehensive income | -3,357,581.39 | -11,238,699.64 |
| Associates: | | |
| Total carrying amount of investment | 1,295,780,076.50 | 1,048,241,104.44 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance/Amount in current period | Opening balance/Amount in previous the same period |
|--|---|---|
| The Company's share of the following items | | |
| - Net profit | -185,636.13 | 4,297,749.03 |
| - Other comprehensive incomes | -137,543.97 | 26,093.75 |
| - Total comprehensive income | -323,180.10 | 4,323,842.78 |

IX. Risks related to financial instruments

Major financial instruments of the Company include bank borrowings (including short-term loans and long-term loans), bonds payable (including medium-term notes, super short-term commercial paper and short-term commercial paper listed in other current liabilities), account receivables, account payables, long-term account receivables, long-term account payables, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, etc. See Note VI for more details about each financial instrument. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows. The management of the Company manages and monitors the risk exposure, to ensure that the risks mentioned above are controlled to the extent limited.

1. Objectives and policies of various risk management

The objective of the risk management activities of the Company is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the operational performance of the Company and to maximize interest of shareholders and other equity investors. Based on this objective of risk management, the basic strategy of risk management of the Company is to identify and analyze the risks of all kinds the Company faces, so as to set a proper bottom line of risk tolerance for risk management, and to supervise the risks of all kinds in a timely and reliable way, so as to control the risks to the limited range.

(1) Market risk

1) Foreign exchange risks

The Company's foreign exchange risk is mainly related to USD, EUR, HKD and other currencies. Subsidiaries of the Company: Nuctech Company Limited., Tongfang HongKong Limited, Neo-Neon Holdings Limited, Tongfang Optoelectronic (HK) Limited, TongFang Global Limited, THTF USA, Inc., Shenyang Tongfang Multimedia Technology Co., Ltd. and other holding subsidiaries carrying out product purchase and sale and technical services business in international markets that settled in foreign currency. Most of the transactions for business units other than the above-mentioned subsidiaries are settled in RMB. As of 30 June 2017, except for assets and liabilities denominated in foreign currency set out in Note VI 59, all other assets and liabilities of the Company are reported in RMB. The risk associated with the assets and liabilities denominated in foreign currency may have influence on the Company's business performance.

The Company will pay close attention to the impact of exchange rate fluctuation on the Company. With the overseas business development and changes in market share, if RMB appreciation or depreciation occurred, which are beyond the Company's control, the Company will implement measures such as procurement and sales strategy adjustment, RMB cross-border

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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settlement and concentration and rational use of exchange rate swap tools towards effective prevention and control RMB appreciation or depreciation.

2) Interest rate risk

The Company's interest rate risk arises from bank borrowings, bonds payable and other interest-bearing debts. The Company is exposed to cash flow interest rate risk in relation to variable-rate bearing financial liabilities, and fair value interest rate risk in relation to fixed-rate bearing financial liabilities. The Company chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions.

As a non-financial enterprise, the interest rate risks currently faced by the Company are mainly from the existence of medium and long-term variable-rate debts. Under the situation of the rate hike contemplation being explicit or rate hike having occurred, drawing upon its overall strengths and advantages in corporate credit rating and multiple financing methods, the Company will substitute variable-rate debts exposed to high rate hike risk with other medium and long-term financing instruments bearing lower interest rate (including but not limited to medium-term notes or corporate bonds issued by the Company).

3) Price risk

The selling prices of the Company are based on the market prices. The Company, therefore, is influenced by the variation of market prices.

(2) Credit risk

As at 30 June 2017, maximum credit risk exposure which may cause financial loss to the Company is mainly because the counterparties of an economic contract fail to perform their obligations so as to lead to losses of financial assets to the Company, including:

The carrying amounts of the financial assets that have been recognized in the consolidated balance sheet; for any financial instrument measured at the fair value, the carrying amount indicates its risk exposure, but not its maximum risk exposure, which will change along with the fluctuation in the fair value in the future.

In order to minimize the credit risk, the Company has set up a special department responsible for the determination of credit limits, credit approval and other monitoring procedures, to ensure that follow-up action is taken to recover due or overdue debts. In addition, the Company will review the recoverable amount of each receivable on each balance sheet date, to ensure that adequate bad debt provision is made for the unrecoverable amount. In view of this, the Company's management believes that the Company's credit risk has been effectively controlled.

(3) Liquidity risk

Liquidity risk is a risk that the Company cannot perform its financial obligations till the due date. For management of the Company's liquidity risk, enough financial liquidity shall be guaranteed to perform the matured obligation and thus to avoid unacceptable losses or damages to the Company's credit. The Company will analyze the debts structure and duration regularly so as to make sure sufficient liquidity. The management of the Company monitors the utilization condition of bank borrowings, and ensures adherence to loan agreements. Meanwhile,

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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the Company will maintain close collaboration with financial institutions to keep a certain credit line and reduce the liquidity risk.

2. Sensitivity analysis

The Company adopts sensitivity analysis method to analyze the potential impact of reasonable possible change in risk variables on current profits & losses or the shareholders' equity. As any risk variable seldom changes alone and correlation between variables greatly accounts for the final amount influenced by change of a certain risk variable, the following content is conducted under the assumption that change of each variable is independent.

(1) Sensitivity analysis of foreign exchange risk

Assumption for sensitivity analysis of foreign exchange risk: all cash flow hedges and hedges of a net investment in a foreign operation (if any) are highly effective.

Based on the assumption above, if other variables stay the same, pre-tax impact of reasonable potential fluctuation of exchange rate on the current profits & losses and equity is shown as follows:

| Item | Fluctuation of exchange rate | Impact on comprehensive income for the current period |
|--------------------------|------------------------------|---|
| For monetary assets | 5% appreciated against RMB | 329,860,747.32 |
| For monetary liabilities | 5% appreciated against RMB | -274,164,168.45 |
| For monetary assets | 5% depreciated against RMB | -329,860,747.32 |
| For monetary liabilities | 5% depreciated against RMB | 274,164,168.45 |

(2) Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumption:

Fluctuation of market interest rate influences interest income or expense of variable-rate bearing financial instrument;

As for fixed-rate bearing financial instrument measured in the fair value, market interest rate only influences its interest income or expense;

Based on the assumption above, if other variables remain same, pre-tax impact of reasonable potential fluctuation of interest rate on the current profits or losses and equity is shown as follows:

| Item | Changes in interest rate | Current period | | Year 2016 | |
|----------------------------------|--------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| | | Impact on net profit | Impact on the shareholders' equity | Impact on net profit | Impact on the shareholders' equity |
| Variable-rate bearing borrowings | Increase by 1% | -7,674,692.40 | -7,674,692.40 | -30,330,394.63 | -30,330,394.63 |
| Variable-rate bearing borrowings | Decrease by 1% | 7,674,692.40 | 7,674,692.40 | 30,330,394.63 | 30,330,394.63 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

X. Fair value

1. The value of assets and liabilities measured at fair value at the end of the period and fair value hierarchy

| Item | Fair value at the end of the period | | | |
|---|-------------------------------------|-----------------------|---------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| I. Recurring fair value measurement | | | | |
| (I) Financial assets at fair value through profit or loss | | | | |
| 1. Financial assets held for trading | | | | |
| Equity instruments investment | 145,754,415.83 | | 0.00 | 0.00 |
| 2. Financial assets designated as measured at fair value through profit or loss | | | | |
| Equity instruments investment measured at fair value | 613,776,337.86 | 15,000,000.00 | | 0.00 |
| (II) Available-for-sale financial assets | | | | |
| Equity instruments investment | 2,893,256,030.28 | 338,190,449.90 | | 0.00 |
| (III) Investment properties | | | | |
| Rented buildings | 0.00 | 14,700,000.00 | | 0.00 |
| (IV) Other non-current assets | | | | |
| Unlisted asset management plan and investment fund | 0.00 | 613,853,217.83 | | 0.00 |
| Total assets that are measured at fair value | 3,652,786,783.97 | 981,743,667.73 | | 0.00 |
| | | | | 4,634,530,451.70 |

2. The basis of prices determined for recurring and non-recurring fair value measurements of Level 1 of fair value hierarchy

At the Level 1 inputs are unadjusted quoted prices in active markets

3. Qualitative and quantitative information of valuation techniques and key inputs for recurring and non-recurring fair value measurements of Level 2 of fair value hierarchy.

The Company estimates future cash flows at the expected rate of return, and discounts it by a discount rate that can reflect the credit risk of counterparties as the fair value measurement of financial assets, non-listed asset management plan and investment fund. The fair value of investment properties is on the basis of a valuation. The valuation is made on the assumption that the seller sells the property interests in the market, and is determined based on direct comparison approach by reference to recent market prices for similar properties in the similar locations and conditions.

XI. Related parties and transactions

(I) Relationships of related parties

1. Controlling shareholder

1. Controlling shareholder

| Name | Registration place | Business | Registered capital | Shareholding ratio | Voting right ratio |
|--------------------|---------------------------|------------------|----------------------|--------------------|--------------------|
| Tsinghua Co., Ltd. | Holdings Haidian, Beijing | Asset management | RMB 2,500,000,000.00 | 25.42% | 25.42% |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Registered capital of the controlling shareholder and changes

| Controlling shareholder | Opening balance RMB,0000 | Increase | Decrease | Closing balance RMB,0000 |
|-----------------------------|-----------------------------|----------|----------|-----------------------------|
| Tsinghua Holdings Co., Ltd. | 250,000.00 | 0.00 | 0.00 | 250,000.00 |

(3) Shares held by controlling shareholders and changes

| Controlling shareholder | Amount of shareholding | | Shareholding ratio | |
|-----------------------------|------------------------|-----------------|-------------------------|--------------------------|
| | Closing balance | Opening balance | Ratio of current period | Ratio of previous period |
| Tsinghua Holdings Co., Ltd. | 753,310,910.00 | 753,310,910.00 | 25.42% | 25.42% |

2. Subsidiaries

See relevant contents of “VIII 1(1) Constitution of the Group” in the Notes for details.

3. Joint ventures and associates

See relevant contents of “VIII 2(1) Joint ventures and associates” in the Notes for details of joint ventures and associates of the Company. Joint ventures and associates entered into transactions with the Company during the period, or during the prior period and those with remaining closing balance were as follows:

| Name | Relationship |
|---|---------------|
| Aegon THTF Life Insurance Co., Ltd. | Joint venture |
| NuRay Technology Co., Ltd. | Joint venture |
| Beijing Global Safety Technology Co., Ltd. | Associate |
| Beijing Haishian Data Technology Co., Ltd. | Associate |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | Associate |
| Tongfang Holch Investment Group Co., Ltd. | Associate |
| Beijing Tongfang Time Link Electronic Co., Ltd. | Associate |
| Beijing Wenlu Laser Technology Co., Ltd. | Associate |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | Associate |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | Associate |
| Tongfang Refine Energy Saving Techonology Co., Ltd | Associate |
| Guangzhou Thomee Lighting Co., Ltd. | Associate |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | Associate |
| Jarun Investment Co., Ltd. | Associate |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Luoyang Tongfang Digital Television Co., Ltd | Associate |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Qian'an City Huakong Environmental Investment Co., Ltd. | Associate |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | Associate |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | Associate |
| Warranty Asset Management Co., Ltd. | Associate |
| Tellhow Sci-Tech Co.,Ltd | Associate |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name | Relationship |
|---|-------------------------|
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Tongfang Cloud Computing Technology Co., Ltd. | Associate |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | Associate |
| Advanced Systems Development Co., Ltd. | Associate |
| Tongfang Guo Xin Investment Holding Co., Ltd.(formerly known as Chongqing Guo Xin Investment Holding Co., Ltd.) | Associate |
| Tongfang Environment Co., Ltd. | Associate |
| Tongfang Investment Co., Ltd. | Associate |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Easyway Technology Co., Ltd. | Associate |
| Yunnan Yundian Tongfang Technology Co., Ltd. | Associate |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Zhangjiakou TV Culture Media Co., Ltd. | Associate |
| CINTS Company Limited | Associate |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | Associate |
| Tongfang Kontafarma Holdings Limited | Subsidiary of associate |
| Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | Subsidiary of associate |
| Beijing Holch Investment Management Company Limited | Subsidiary of associate |
| Beijing Huakong Kangtai Healthcare Management Co., Ltd. | Subsidiary of associate |
| Tsinghua Holdings Human Settlements Environment Institute | Subsidiary of associate |
| Beijing Easyway Huachuang System Engineering Co., Ltd. | Subsidiary of associate |
| Beijing Zhonghuan Shiji Engineering&Design Co., Ltd | Subsidiary of associate |
| Beijing Ziguang Pharmaceutical Co., Ltd. | Subsidiary of associate |
| Changchun Tellhow Electronic Equipment Co., Ltd | Subsidiary of associate |
| Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Subsidiary of associate |
| Warranty Hong Kong Asset Management Co., Ltd. | Subsidiary of associate |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | Subsidiary of associate |
| Jiangxi Tellhow Military Industry Group Co., Ltd. | Subsidiary of associate |
| Shenzhen Huakong Seg Co., Ltd. | Subsidiary of associate |
| Shenzhen Tongfang Information Technologies Co.,Ltd. | Subsidiary of associate |
| Suzhou Yitong Chengda Property Management Co., Ltd. | Subsidiary of associate |
| Tellhow (Shenzhen) Electric Technologies Co.,Ltd. | Subsidiary of associate |
| Tellhow Software Co., Ltd. | Subsidiary of associate |
| Tongfang Ecological (Macau) One-person Ltd. | Subsidiary of associate |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | Subsidiary of associate |
| Easyway (Suzhou) Software Co., Ltd. | Subsidiary of associate |
| Easyway (Suzhou) New Technology Co., Ltd. | Subsidiary of associate |
| Chongqing International Trust Inc. | Subsidiary of associate |
| Chongqing Three Gorges Bank Co., Ltd. | Subsidiary of associate |

4. Other related parties

| Name | Relationship |
|--|--|
| Tsinghua University | De facto controller of the controlling shareholder |
| Beijing Tsinghua Industrial Development Research Institute | Tsinghua University subordinate unit |
| Beijing Tsinghua Changgung Hospital | Tsinghua University subordinate unit |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name | Relationship |
|--|---|
| Beijing Tongli Huaqing Technology Co., Ltd. | Tsinghua University subordinate unit |
| Hebei Huakong Hongyi Technology Co., Ltd. | Tsinghua University subordinate unit |
| Tsinghua University High School | Tsinghua University subordinate unit |
| Tsinghua University Library | Tsinghua University subordinate unit |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing CapitalBio Technology Co., Ltd | Company controlled by the controlling shareholder |
| Beijing CapitalBio Medical Laboratory Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Lihua Technology Development Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Yinghua Biotechnology Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Yongchang Chemicals Co., Ltd | Company controlled by the controlling shareholder |
| Beijing Guohuan Tsinghua Environmental Engineering Design&Research Institute Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Huahuan Electronics Co.,Ltd. | Company controlled by the controlling shareholder |
| Beijing Huahuan Electronic Equipment Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Huaqing Property Management Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Huaye Solar New Energy Company Limited | Company controlled by the controlling shareholder |
| Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Qingshang Architectural Ornamental Engineering Co.,Ltd. | Company controlled by the controlling shareholder |
| Tongfang Microelectronics Company | Company controlled by the controlling shareholder |
| CapitalBio Corporation | Company controlled by the controlling shareholder |
| Tsinghua Science Park (Jiangxi) | Company controlled by the controlling shareholder |
| Tuspark Ventures | Company controlled by the controlling shareholder |
| Tsinghua University Press | Company controlled by the controlling shareholder |
| Architectural Design and Research Institute of Tsinghua University | Company controlled by the controlling shareholder |
| Tsinghua Holdings Group Finance Co., Ltd. | Company controlled by the controlling shareholder |
| Tsinghua Tongfang Optical Disc Electronic Press | Company controlled by the controlling shareholder |
| Tsinghua Holdings SDX Joint Venture Capital (Beijing) Co., Ltd. | Company controlled by the controlling shareholder |
| Shaoxing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Company controlled by the controlling shareholder |
| Suzhou Unisplendour Chuangxin Education Development Co., Ltd. | Company controlled by the controlling shareholder |
| Unisplendour Supply-Chain Management Co., Ltd. | Company controlled by the controlling shareholder |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name | Relationship |
|--|---|
| Unispellour Corporation Limited | Company controlled by the controlling shareholder |
| Unigroup Guoxin Co., Ltd. | Company controlled by the controlling shareholder |
| Unispellour Software Systems Co., Ltd. | Company controlled by the controlling shareholder |
| Unispellour Digital Group | Company controlled by the controlling shareholder |

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

(1) Purchase of goods and receiving of services

| Related party | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 12,717,278.54 | 11,741,509.45 |
| Beijing Tongli Huqing Technology Co., Ltd. | 5,264,991.64 | 1,701,662.37 |
| Controlling shareholder and companies controlled by the controlling shareholder: | | |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 29,843,007.16 | 28,367,568.09 |
| Beijing Huahuan Electronic Equipment Co., Ltd. | 1,155,173.82 | 2,928,828.95 |
| Tongfang Microelectronics Company | 588,139.31 | 721,769.23 |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | 444,962.26 | 0.00 |
| Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 0.00 | 1,210,000.00 |
| Tsinghua Tongfang Optical Disc Electronic Press | 0.00 | 2,688.00 |
| Joint ventures and associates: | | |
| Easyway Technology Co., Ltd. | 17,321,782.36 | 0.00 |
| Shenzhen Huakong Seg Co., Ltd. | 3,293,436.75 | 0.00 |
| Tongfang Refine Energy Saving Technology Co., Ltd | 3,091,918.87 | 5,371,690.86 |
| Beijing Zhonghuan Shiji Engineering & Design Co., Ltd | 1,452,274.44 | 0.00 |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 1,134,000.00 | 0.00 |
| Tsinghua Holdings Human Settlements Environment Institute | 1,028,383.07 | 0.00 |
| Advanced Systems Development Co., Ltd. | 909,431.76 | 499,305.65 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 428,642.07 | 0.00 |
| Aegon THTF Life Insurance Co., Ltd. | 90,192.24 | 145,620.00 |
| Tongfang Environment Co., Ltd. | 66,078.81 | 14,436,150.00 |
| Tongfang Investment Co., Ltd. | 2,836.72 | 0.00 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | 1,500.00 | 0.00 |
| Beijing Haishian Data Technology Co., Ltd. | 0.00 | 7,801,247.86 |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 0.00 | 1,265,779.68 |
| Shenzhen Tongfang Information Technologies Co.,Ltd. | 0.00 | 752,230.77 |
| Tongfang Advanced Energy-saving Machine Co., Ltd. (formerly known as Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd.) | 0.00 | 3,769.23 |
| Total | 78,834,029.82 | 76,949,820.14 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Sale of goods and rendering of services

| Related parties | Amount for the current period | Amount for the previous period |
|---|--------------------------------------|---------------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 847,087.65 | 2,134,937.92 |
| Beijing Tsinghua Changgung Hospital | 124,135.60 | 40,467.66 |
| Tsinghua University Library | 103,310.60 | 0.00 |
| Tsinghua University High School | 5,873.50 | 0.00 |
| Controlling shareholder and companies controlled by the controlling shareholder: | | |
| Unisplendour Digital Group | 15,853,997.44 | 15,359,306.88 |
| Unisplendour Supply-Chain Management Co., Ltd. | 9,929,384.60 | 0.00 |
| Suzhou Unisplendour Chuangxin Education Development Co., Ltd. | 2,678,009.91 | 0.00 |
| Tongfang Microelectronics Company | 616,298.50 | 283,878.61 |
| Unigroup Guoxin Co., Ltd. | 457,559.77 | 0.00 |
| Unisplendour Software Systems Co., Ltd. | 213,533.34 | 0.00 |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 97,940.17 | 0.00 |
| Tsinghua University Press | 81,389.93 | 53,586.33 |
| Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 78,345.63 | 221,002.95 |
| Beijing Chengzhi Lihua Technology Development Co., Ltd. | 42,909.49 | 32,669.73 |
| Tsinghua Holdings Group Finance Co., Ltd. | 25,384.62 | 0.00 |
| Beijing Chengzhi Lihua Technology Development Co., Ltd. | 10,109.56 | 22,914.14 |
| Architectural Design and Research Institute of Tsinghua University | 2,675.21 | 0.00 |
| Beijing CapitalBio Technology Co., Ltd | 1,235.04 | 0.00 |
| Unigroup Guoxin Co., Ltd. | 0.00 | 214,077.36 |
| Beijing CapitalBio Medical Laboratory Co., Ltd. | 0.00 | 28,205.12 |
| Beijing Chengzhi Yongchang Chemicals Co., Ltd | 0.00 | 9,236.70 |
| Tsinghua Holdings Co., Ltd | 0.00 | 7,726.48 |
| Tsinghua Tongfang Optical Disc Electronic Press | 0.00 | 6,720.00 |
| CapitalBio Corporation | 0.00 | 4,769.23 |
| Joint ventures and associates: | | |
| Tongfang Environment Co., Ltd. | 3,717,512.41 | 86,332.86 |
| Tongfang Refine Energy Saving Technology Co., Ltd | 3,000,147.54 | 2,445,557.26 |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 1,911,779.99 | 2,996,827.33 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 885,606.83 | 794,162.80 |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 861,540.58 | 1,062,832.88 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 849,410.68 | 512,657.64 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 816,392.75 | 1,045,275.20 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | 779,003.96 | 586,175.61 |
| Easyway Technology Co., Ltd. | 724,725.40 | 452,736.98 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | 707,858.07 | 577,385.46 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 541,226.31 | 790,157.06 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 488,382.06 | 292,884.37 |
| CINTS Company Limited | 485,470.08 | 824,191.45 |
| Beijing Global Safety Technology Co., Ltd. | 373,371.29 | 0.00 |
| Zhangjiakou TV Culture Media Co., Ltd. | 330,374.69 | 122,572.65 |
| Tongfang Cloud Computing Technology Co., Ltd. | 326,596.02 | 9,059.83 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Related parties | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Beijing Ziguang Pharmaceutical Co., Ltd. | 310,218.60 | 154,786.23 |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | 283,333.33 | 1,316,239.34 |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 227,354.45 | 429,395.83 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 136,370.87 | 8,700.85 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 113,789.58 | 234,582.55 |
| Jiangxi Tellhow Military Industry Group Co., Ltd. | 91,438.66 | 156,893.14 |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 38,641.04 | 0.00 |
| Luoyang Tongfang Digital Television Co., Ltd | 25,042.74 | 54,188.03 |
| Warranty Asset Management Co., Ltd. | 10,529.91 | 0.00 |
| Aegon THTF Life Insurance Co., Ltd. | 9,662.76 | 0.00 |
| Beijing Huakong Kangtai Healthcare Management Co., Ltd. | 7,529.93 | 0.00 |
| Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | 2,401.71 | 0.00 |
| Tongfang Holch Investment Group Co., Ltd. | 509.43 | 0.00 |
| Tongfang Advanced Energy-saving Machine Co., Ltd. (formerly Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd.) | 0.00 | 971,490.60 |
| Tongfang Investment Co., Ltd. | 0.00 | 106,338.42 |
| Changchun Tellhow Electronic Equipment Co., Ltd | 0.00 | 49,584.60 |
| Shenzhen Tongfang Information Technologies Co.,Ltd. | 0.00 | -3,063,587.74 |
| Total | 49,225,402.23 | 31,436,920.34 |

2. Transfer of assets with related parties

| Name of related parties | Transaction content | Amount for the current period | Amount for the previous period |
|---|---|-------------------------------|--------------------------------|
| Tsinghua Holdings Co., Ltd. | Acquisition of 40% equity in Warranty Asset Management Co Ltd. | 0.00 | 1,013,617,600.00 |
| Shenzhen Ao Rong Xin Investment Development Co., Ltd. | Acquisition of 4% equity in Warranty Asset Management Co Ltd. | 0.00 | 101,361,760.00 |
| Tibet Ziguang Chunhua Investment Co., Ltd. | Disposition of 36.39% equity in Unigroup Guoxin Co., Ltd., See note VII 1 for details | 0.00 | 7,011,511,250.00 |

3. Entrusted managementfor related party

| Name of Trustor | Name of Trustee | Entrustment type | start date | termination date | Basis for trust income | Trust income recognized for current period |
|-----------------------------|--|------------------|------------|------------------|------------------------|--|
| Tsinghua Holdings Co., Ltd. | Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Asset management | 2014-4-1 | 2024-4-1 | — | None |

Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. agreed to accept the condition that it would exercise the management and decision-making rights as the agent for transferring 100% equity in “China Academic Journal (CD)” Electronic Magazine Co., Ltd. to Tsinghua Holdings Co., Ltd..

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

4. Lease

(1) As lessor

| Name of lessor | Name of lessee | Type of leased assets | Leasing income recognized in the current period | Leasing income recognized in the previous period |
|---|---|-----------------------|---|--|
| Tsinghua Co., Ltd. | Tongfang Microelectronics Company | Office place | 3,335,943.96 | 1,363,705.35 |
| Tsinghua Co., Ltd. | Unigroup Guoxin Co., Ltd. | Office place | 3,299,372.52 | 1,341,710.10 |
| Tsinghua Co., Ltd. | Tsinghua Holdings Human Settlements Environment Institute | Office place | 3,151,912.50 | 0.00 |
| Tsinghua Co., Ltd. | Beijing Tongfang Time Link Electronic Co., Ltd. | Office place | 1,909,264.24 | 526,262.46 |
| Tsinghua Co., Ltd. | Beijing Ziguang Pharmaceutical Co., Ltd. | Office place | 1,400,456.28 | 439,166.50 |
| Tsinghua Co., Ltd. | Easyway Technology Co., Ltd. | Office place | 1,324,150.38 | 1,778,687.07 |
| Tsinghua Co., Ltd. | Aegon THTF Life Insurance Co., Ltd. | Office place | 727,363.92 | 0.00 |
| Tsinghua Co., Ltd. | Tongfang Investment Co., Ltd. | Office place | 702,985.14 | 363,307.44 |
| Tsinghua Co., Ltd. | Tongfang Holch Investment Group Co., Ltd. | Office place | 608,700.17 | 0.00 |
| Tsinghua Co., Ltd. | Yunnan Yundian Tongfang Technology Co., Ltd. | Office place | 120,105.42 | 0.00 |
| Tsinghua Co., Ltd. | Advanced Systems Development Co., Ltd. | Office place | 73,683.58 | 42,949.74 |
| Beijing Tongfang Compact Disc Co., Ltd. | Tsinghua Holdings SDX Joint Venture Capital (Beijing) Co., Ltd. | Office place | 65,178.57 | 0.00 |
| Beijing Tongfang Compact Disc Co., Ltd. | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | Office place | 56,326.27 | 0.00 |
| Tsinghua Co., Ltd. | Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Office place | 0.00 | 232,757.33 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Advanced Systems Development Co., Ltd. | Office place | 0.00 | 226,525.71 |
| Tsinghua Co., Ltd. | Tongfang Environment Co., Ltd. | Office place | 0.00 | 92,889.70 |
| Total | | | 16,775,442.95 | 6,407,961.40 |

(2) As lessee

| Name of lessor | Name of lessee | Type of leased assets | Leasing expense recognized in the current period | Leasing expense recognized in the previous period |
|---------------------------|---|-----------------------|--|---|
| Tsinghua University | Nuctech Company Limited. | Office place | 77,052.53 | 72,815.52 |
| Tsinghua University Press | Nuctech Company Limited. | Office place | 11,428.57 | 0.00 |
| Tsinghua University | Beijing Tongfang Compact Disc Co., Ltd. | Office place | 0.00 | 1,904.76 |
| Total | 88,481.10 | | | 74,720.28 |

5. Guarantees between related parties

(1) Guarantees provided for subsidiaries by the Company

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

As at 30 June 2017, the Company has provided joint and several liability guarantees of bank loans, letters of credit, and bank acceptance notes and letters of guarantee for the following subsidiaries:

1) Loans

a) General loans (working capital loans, long-term loans)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|---|---------------------|-----------------------|-----------------------|
| Beijing Gigamega Technology Co., Ltd. | Tongfang Bank of Beijing, Tsinghua Garden sub-branch | RMB1,000.00 | 2016.07.28-2017.07.28 | 2016.07.28-2019.07.28 |
| Huai'an Tongfang Water Affairs Co., Ltd. | Agricultural Bank of China, Huai'an agricultural development sub office | RMB18,580.00 | 2015.04.28-2023.04.28 | 2015.04.28-2025.04.28 |
| Huizhou Tongfang Water Affairs Co., Ltd. | Construction Bank, Beijing Tsinghua Garden sub branch | RMB 3,633.00 | 2009.11.10-2020.09.18 | 2009.11.10-2022.09.18 |
| Tongfang Science & Technology Co., Ltd. | Electronic Bank of China, Jiujiang City Xunzhong sub branch | RMB2,850.00 | 2016.12.19-2017.12.18 | 2016.12.19-2019.12.18 |
| Shandong Tongfang Electronic Co., Ltd. | Tsinghua Luying Commercial Bank of China, Yinan County sub branch | RMB1,800.00 | 2016.12.30-2017.09.29 | 2016.12.30-2019.09.29 |
| Shandong Tongfang Electronic Co., Ltd. | Tsinghua Luying Bank of China, Yinan County sub branch | RMB1,200.00 | 2017.02.13-2018.02.10 | 2017.02.13-2020.02.10 |
| Shenyang Tongfang Multimedia Co., Ltd. | Tongfang Construction Technology Bank, Shenyang Chengnei sub branch | Appr. RMB 30,894.34 | 2016.08.10-2018.06.04 | 2016.08.10-2020.06.04 |
| Shenyang Tongfang Multimedia Co., Ltd. | Tongfang China Minsheng Technology banking, Shenyang branch | USD 4,560.45 | | |
| Shenyang Tongfang Multimedia Co., Ltd. | Tongfang China Minsheng Technology banking, Shenyang branch | USD 200.00 | 2017.03.30-2017.09.25 | 2017.03.30-2019.09.25 |
| Shenyang Tongfang Multimedia Co., Ltd. | Tongfang China Minsheng Technology banking, Shenyang branch | Appr. RMB 1,354.88 | | |
| Tongfang Industry Co., Ltd. | China Merchants Bank, Beijing Branch | RMB 1,000.00 | 2017.01.12-2018.01.04 | 2017.01.12-2020.01.04 |
| Tongfang Jiangxin Shipbuilding Co., Ltd. | Jiangxin Bank of Jiujiang, hukou sub branch | RMB4,788.90 | 2017.05.12-2018.04.11 | 2017.05.12-2020.04.11 |
| Tongfang Global Limited | Hong Kong DBS Bank | USD 4,500.00 | 2016.07.25-2017.08.01 | 2016.07.25-2019.08.01 |
| Tongfang Global Limited | Singapore OCBC Bank | Appr. RMB 30,484.80 | USD 5,000.00 | 2016.11.21-2018.03.05 |
| Tongfang Global Limited | Bank of China, branch of Perth | Appr. RMB 54,195.20 | USD 8,000.00 | 2017.06.28-2017.12.27 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|--|--------------------------------------|-----------------------|-----------------------|
| Tongfang Energy Saving Bank of Beijing, Engineering Technology Tsinghua Garden Co., Ltd. | sub branch | RMB 1,800.00 | 2016.08.24-2017.09.29 | 2016.08.24-2019.09.29 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 2,000.00 | 2016.11.25-2017.11.25 | 2016.11.25-2019.11.25 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Communications, Lin Cui Road sub branch | RMB2,000.00 | 2016.11.07-2017.08.22 | 2016.11.07-2019.08.22 |
| Wuxi Tongfang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 480.00 | 2017.03.29-2018.03.29 | 2017.03.29-2020.03.29 |
| Nuctech Limited. | The Export-Import Bank of China | RMB 40,000.00 | 2015.09.28-2018.12.30 | 2015.09.28-2020.12.30 |
| Nantong Tongfang Technology Park Co., Ltd. | Bank of Jiangsu Province Branch | RMB 11,750.00 | 2011.04.28-2023.04.24 | 2011.04.28-2025.04.24 |
| Resuccess Investments Limited | Bank of China, Macau Branch | USD 11,590.00 Appr. RMB 78,515.30 | 2014.07.17-2019.07.16 | 2014.07.17-2021.07.16 |
| Beijing Tongfang Software Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 3,190.00 | 2016.10.20-2018.06.30 | 2016.10.20-2020.06.30 |
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Xishan Branch | RMB10,000.00 | 2016.11.18-2018.04.11 | 2016.11.18-2020.04.11 |
| Tongfang Computer Co., Ltd. | China Merchants Bank, Wuxi branch | RMB 1,357.45 | 2017.02.09-2017.12.21 | 2017.02.09-2019.12.21 |
| Tongfang Computer (Suzhou) Co., Ltd. | China Construction Bank, Suzhou Industrial Park sub branch | USD 998.07 Appr. RMB 6,761.30 | 2017.05.04-2017.09.24 | 2017.05.04-2019.09.24 |
| Tongfang Computer (Suzhou) Co., Ltd. | China Merchants Bank, Wuxi Branch | RMB 6,000.00 | 2016.10.14-2017.10.13 | 2016.10.14-2019.10.13 |
| Tongfang Computer (Suzhou) Co., Ltd. | Bank of China, Wuxi Xishan Branch | RMB 5,000.00 | 2017.02.27-2017.09.18 | 2017.02.27-2019.09.18 |
| Tongfang Computer (Suzhou) Co., Ltd. | China CITIC Bank, Suzhou Park sub branch | USD 1,131.77 Appr. RMB 7,667.06 | 2017.02.23-2017.11.22 | 2017.02.23-2017.11.22 |
| Heshan Tongfang Lighting Technology Co., Ltd. | Construction Bank, Heshan sub-branch | RMB3,500.00 | 2016.10.18-2017.10.17 | 2016.10.18-2019.10.17 |
| Total | | Appr. RMB 368,674.23 | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

b) Trade financing loans

| Guaranteed party | Loan bank | Loan amount(,000) | Loan term | Trade financing category |
|---|--|------------------------------------|-----------------------|--------------------------|
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang Chengneisub branch | USD248.58 Appr. RMB 1,683.99 | 2017.05.31-2017.11.27 | Risk participation |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang Chengneisub branch | USD2,987.59 Appr. RMB 20,239.16 | 2016.10.19-2018.03.26 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC, branch | USD 292.41 Appr. RMB 1,980.87 | 2017.05.19-2017.08.23 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC, branch | USD2,343.51 Appr. RMB 15,875.86 | 2017.02.04-2017.11.03 | Documentary bills |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China CITIC Bank, Shenyang branch | USD1,094.26 Appr. RMB 7,412.92 | 2017.01.05-2017.12.22 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China CITIC Bank, Shenyang branch | USD330.67 Appr. RMB 2,240.09 | 2017.01.12-2017.09.27 | Documentary bills |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Minsheng Banking, Shenyang branch | USD1,251.29 Appr. RMB 8,476.71 | 2017.02.10-2017.12.15 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Minsheng Banking, Shenyang branch | USD297.13 Appr. RMB 2,012.90 | 2017.03.03-2017.12.18 | Documentary bills |
| Tongfang Global Limited | HSBC branch | USD 925.11 Appr. RMB 6,267.08 | 2017.04.26-2017.09.14 | Documentary bills |
| Total | | Appr. RMB 66,189.58 | | |

2) Letters of credit

| Guaranteed party | Loan bank | Amount of letter of credit(,000) | Term of letter of credit |
|---|---|----------------------------------|--------------------------|
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC Shenyang branch | USD 204.72 Appr. RMB 1,386.86 | 2016.12.23-2017.10.26 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Minsheng Banking, Shenyang branch | USD31.07 Appr. RMB210.48 | 2017.03.20-2017.10.12 |
| TongFang Global Limited | HSBC Hongkong branch | USD604.19 Appr. RMB 4,093.06 | 2017.05.18-2017.08.26 |
| Total | Appr. RMB 5,690.40 | | |

3) Bank acceptance notes

| Guaranteed party | Loan bank | Amount of bank acceptance note(,000) | Term of bank acceptance note |
|--|---|--------------------------------------|------------------------------|
| TsingHua TongFang Artificial Environment Co., Ltd. | China Minsheng Banking, Shenyang branch | RMB 13,563.95 | 2017.01.05-2017.12.27 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB1,924.00 | 2017.01.06-2017.12.23 |
| Wuxi Tongfang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB814.64 | 2017.06.01-2017.12.27 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Guaranteed party | Loan bank | Amount of bank acceptance note,(0000) | Term of bank acceptance note |
|-----------------------------|---|---------------------------------------|------------------------------|
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Branch Xishan sub branch | RMB2,586.54 | 2017.04.24- 2017.09.19 |
| Total | Appr. Ten 18,889.13 | | |

4) Letters of guarantee

| Name of the subsidiary | Loan bank | Amount of letter of guarantee,(0000) | Term of letter of guarantee |
|--|--|--------------------------------------|-----------------------------|
| Tongfang Jiangxin Shipbuilding Co., Ltd. | Bank of Jiujiang, Hukou sub branch | RMB2,335.41 | 2015.12.14- 2018.07.31 |
| TsingHua TongFang Environment Co., Ltd. | Artificial Bank of Beijing, Tsinghua Garden sub branch | RMB49.00 | 2017.06.08- 2018.05.31 |
| TsingHua TongFang Environment Co., Ltd. | Artificial Bank of Communications, Lin Cui Road sub branch | RMB6.30 | 2016.11.17- 2017.11.03 |
| Nuctech Company Limited | Bank of China, Beijing Branch | EUR58.33 Appr. RMB 452.02 | 2009.06.19- 2017.12.31 |
| Nuctech Company Limited | Bank of China, Beijing Branch | ILS 20.00 Appr. RMB38.83 | 2011.02.25- 2018.02.28 |
| Nuctech Company Limited | Bank of China, Beijing Branch | HKD496.98 Appr. RMB 431.34 | 2012.06.08-Open |
| Beijing Tongfang Software Co., Ltd. | China Merchants Bank, Beijing Branch | RMB 64.40 | 2015.12.30- 2017.12.31 |
| Beijing Tongfang Software Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB99.87 | 2016.05.10- 2019.06.01 |
| Total | | Appr. RMB3,477.17 | |

(2) Guarantees among the subsidiaries

1) As at 30 June 2017, Shandong Tsinghua Tongfang Luying Electronics Co., Ltd, in which the Company holds 97% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary Yinan Don's Electronic Components Co., Ltd. with 72.73% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|--|---------------------|---------------------------|---------------------------|
| Agricultural Bank of China, Yinan sub branch | RMB 1,800.00 | 2017.02.01- 2018.01.24 | 2017.02.01- 2020.01.24 |
| Total | RMB 1,800.00 | | |

2) As at 30 June 2017, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary Nuctech Warsaw Co., Limited Sp. z o.o. with 99.99% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|--|-----------------------------------|---------------------------|---------------------------|
| Industrial and Commercial Bank of China, Warsaw branch | EUR1,000.00 Appr. RMB 7,731.33 | 2017.05.25- 2018.05.24 | 2017.05.25- 2020.05.24 |
| Bank of China, Warsaw branch | EUR 490.00 Appr. RMB 3,788.35 | 2017.05.10- 2018.04.24 | 2017.05.10- 2020.04.24 |
| Total | Appr. RMB 11,519.68 | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

3) As at 30 June 2017, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary GRANPECT COMPANY LIMITED with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|---|--------------------|-----------------------|-----------------------|
| Bank of Beijing, Tsinghua Garden sub branch | RMB 10.00 | 2017.01.26-2018.01.26 | 2017.01.26-2020.01.26 |
| Total | RMB 10.00 | | |

4) As at 30 June 2017, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loans for its subsidiary Tongfang Nuctech Jiangsu Technology Co., Ltd. with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|----------------------------------|----------------------|-----------------------|-----------------------|
| Huaxia Bank, Jintan sub branch | RMB 5,000.00 | 2016.10.12-2017.10.12 | 2016.10.12-2019.10.12 |
| Bank of China, Jintan sub branch | RMB 19,540.00 | 2016.11.25-2018.12.31 | 2016.11.25-2020.12.31 |
| Total | RMB 24,540.00 | | |

5) As at 30 June 2017, Neo-Neon Holdings Limited, in which the Company holds 63.84% of the share capital, has provided joint and several liability guarantee for the following bank loan of its subsidiary Neo-Neon LED Lighting International Limited with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|--|------------------------------------|-----------------------|-----------------------|
| Taishin International Bank, Hong Kong Branch | HKD 7,740.00 Appr. RMB 6,717.70 | 2017.04.26-2017.07.26 | 2017.04.26-2019.07.26 |
| Total | Appr. RMB 6,717.70 | | |

6) As at 30 June 2017, Neo-Neon Holdings Limited, in which the Company holds 63.84% of the share capital, has provided joint and several liability guarantee for the following bank loan of its subsidiary Heshan Tongfang Lighting Technology Co., Ltd. with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|--|----------------------------------|-----------------------|-----------------------|
| China Everbright Bank, Jiangmen branch | USD 500.00 Appr. RMB 3,387.20 | 2017.06.01-2018.06.01 | 2017.06.01-2020.06.01 |
| Total | Appr. RMB 3,387.20 | | |

7) As at 30 June 2017, Neo-Neon Holdings Limited, in which the Company holds 63.84% of the share capital, has provided joint and several liability guarantee for the following bank acceptance notes of its subsidiary Heshan Tongfang Lighting Technology Co., Ltd. with 100.00% of shares held:

| Loan bank | Bank acceptance notes amount(,0000) | Bank acceptance notes term | Guarantee period |
|--|-------------------------------------|----------------------------|-----------------------|
| China Everbright Bank, Jiangmen branch | RMB 692.17 | 2017.05.16-2017.12.22 | 2017.05.16-2019.12.22 |
| Total | RMB 692.17 | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

8) As at 30 June 2017, Beijing ERENEBEN Information Technology Co., Ltd., in which the Company holds 100.00% of the share capital, has provided joint and several liability guarantee for the following bank loan of its subsidiary Beijing Everest Mobile Communications Co., Ltd. with 60.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|---|--------------------|-----------------------|-----------------------|
| Bank of Beijing, Tsinghua Garden sub branch | RMB 10.00 | 2017.06.30-2018.06.30 | 2017.06.30-2020.06.30 |
| Total | RMB 10.00 | | |

(3) Guarantees provided for other related parties by the Company

As at 30 June 2017, the Company has provided joint and several liability guarantee of the borrowing provided by shareholder mentioned below for Tongfang Investment Co., Ltd.: the Company's associates Tongfang Investment Co., Ltd. lended RMB 22,900.00 ten thousand to Chengdu Yuanhong Innovation Investment Co., Ltd., the borrowing period is 15 December 2016-15 July 2018. The Company has provided joint and several liability guarantees for this loan, and the guarantee period is 15 December 2016-15 July 2018. Tongfang Investment Co., Ltd. has provided counter-guarantee pledge to the Company with its shares in Chengdu Yuanhong Innovation Investment Co., Ltd.

6. Borrowings between related parties

(1) Borrowings from related parties in the current period

| Name of related party | Opening balance | Borrowings received in the current period | Interests recognized in current period | Repayments in current period | Closing balance |
|---|-----------------|---|--|------------------------------|----------------------|
| Jarun Investment Co., Ltd. | 0.00 | 50,000,000.00 | 0.00 | 0.00 | 50,000,000.00 |
| Tongfang Kontafarma Holdings Limited | 0.00 | 105,745,800.00 | 708,778.65 | 105,745,800.00 | 708,778.65 |
| Warranty Hong Kong Asset Management Co., Ltd. | 0.00 | 55,340,302.00 | 370,927.49 | 55,340,302.00 | 370,927.49 |
| Total | 0.00 | 211,086,102.00 | 1,079,706.14 | 161,086,102.00 | 51,079,706.14 |

(2) Lendings to related parties in the current period

| Name of related party | Opening balance | Lendings launched in the current period | Interests recognized in current period | Repayments in current period | Closing balance |
|-------------------------------------|-----------------|---|--|------------------------------|---------------------|
| NuRay Technology Co., Ltd. | 0.00 | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 |
| Warranty Asset Management Co., Ltd. | 0.00 | 80,000,000.00 | 222,333.33 | 80,000,000.00 | 222,333.33 |
| Total | 0.00 | 85,000,000.00 | 222,333.33 | 80,000,000.00 | 5,222,333.33 |

7. Joint research and development

| Name of related party | Amount for the current period | Amount for the previous period |
|-----------------------|-------------------------------|--------------------------------|
| Tsinghua University | 5,000,000.00 | 0.00 |
| Total | 5,000,000.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

8. Financial services

| Item | Name of related party | Open balance | Increases for current period | Decreases for current period | Closing balance |
|-------------------------------------|---------------------------------------|-------------------------|------------------------------|------------------------------|-------------------------|
| Purchase of collective trust scheme | Chongqing International Trust Inc. | 2,000,000,000.00 | 0.00 | 0.00 | 2,000,000,000.00 |
| Deposits in financial institutions | Chongqing Three Gorges Bank Co., Ltd. | 847,200,000.00 | 964,937,778.65 | 1,412,000,200.00 | 400,137,578.65 |
| Total | | 2,847,200,000.00 | 964,937,778.65 | 1,412,000,200.00 | 2,400,137,578.65 |

9. Donations

| Name of related party | Amount incurred in this period | Amount incurred in the previous period |
|-------------------------------------|--------------------------------|--|
| Beijing Tsinghua Changgung Hospital | 2,500,000.00 | 0.00 |
| Tsinghua University | 306,068.68 | 900,000.00 |
| Total | 2,806,068.68 | 900,000.00 |

(III) Balance of transactions with related parties

1. Receivables

| Item | Related party | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts receivable | Tsinghua University | 10,785,970.19 | 11,695,043.29 |
| Accounts receivable | Beijing Tsinghua Changgung Hospital | 132,340.13 | 0.00 |
| Accounts receivable | Tsinghua University Library | 108,000.00 | 0.00 |
| Accounts receivable | Tsinghua University High School | 6,872.00 | 0.00 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Accounts receivable | Suzhou Unisplendour Chuangxin Education Development Co., Ltd. | 445,888.30 | 0.00 |
| Accounts receivable | Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 180,400.00 | 180,400.00 |
| Accounts receivable | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 54,590.93 | 0.00 |
| Accounts receivable | Tsinghua Tongfang Optical Disc Electronic Press | 48,891.27 | 48,891.27 |
| Accounts receivable | Tsinghua University Press | 33,119.10 | 11,689.40 |
| Accounts receivable | Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 12,880.00 | 12,880.00 |
| Accounts receivable | Tsinghua Science Park (Jiangxi) | 10,000.00 | 10,000.00 |
| Accounts receivable | Architectural Design and Research Institute of Tsinghua University | 7,218.00 | 5,518.00 |
| Accounts receivable | Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 198.00 | 198.00 |
| Accounts receivable | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 0.00 | 55,545.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---------------------------------------|---|-----------------|-----------------|
| Joint ventures and associates: | | | |
| Accounts receivable | Easyway Technology Co., Ltd. | 30,205,068.00 | 63,897,589.00 |
| Accounts receivable | CINTS Company Limited | 21,638,917.65 | 71,017,925.65 |
| Accounts receivable | Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 11,386,920.00 | 10,658,920.00 |
| Accounts receivable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 6,904,929.95 | 6,904,929.95 |
| Accounts receivable | Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 5,480,896.00 | 5,480,896.00 |
| Accounts receivable | Tongfang Environment Co., Ltd. | 3,607,434.00 | 6,041,741.93 |
| Accounts receivable | Luoyang Tongfang Digital Television Co., Ltd | 2,322,280.53 | 2,761,930.53 |
| Accounts receivable | Zhangjiakou TV Culture Media Co., Ltd. | 1,500,156.40 | 1,145,256.40 |
| Accounts receivable | Easyway (Suzhou) Software Co., Ltd. | 1,008,000.00 | 1,008,000.00 |
| Accounts receivable | Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 963,116.73 | 963,116.73 |
| Accounts receivable | Nanyang BC&TV Tongfang Digital Television Co., Ltd | 496,200.00 | 0.00 |
| Accounts receivable | Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 409,900.00 | 609,900.00 |
| Accounts receivable | Easyway (Suzhou) New Technology Co., Ltd. | 402,781.50 | 402,781.50 |
| Accounts receivable | Tongfang Refine Energy Saving Techonology Co., Ltd | 383,964.01 | 638,218.00 |
| Accounts receivable | Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 364,590.00 | 370,000.00 |
| Accounts receivable | Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 330,500.00 | 200,000.00 |
| Accounts receivable | Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 330,370.00 | 291,000.00 |
| Accounts receivable | Puyang BC&TV Tongfang Digital Television Co., Ltd | 309,240.00 | 30,260.00 |
| Accounts receivable | Tellhow Software Co., Ltd. | 235,000.00 | 235,000.00 |
| Accounts receivable | Easyway (Suzhou) Electronic Technology Co., Ltd. | 219,740.00 | 219,740.00 |
| Accounts receivable | Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 137,410.00 | 138,110.00 |
| Accounts receivable | Rizhao BC&TV Tongfang Digital Television Co., Ltd | 106,395.00 | 49,000.00 |
| Accounts receivable | Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 90,107.50 | 90,107.50 |
| Accounts receivable | Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | 52,820.00 | 164,400.00 |
| Accounts receivable | Tellhow Sci-Tech Co., Ltd | 36,268.00 | 36,268.00 |
| Accounts receivable | Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 4,400.00 | 4,400.00 |
| Accounts receivable | Tongfang Investment Co., Ltd. | 110.00 | 110.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Other receivables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 577,678.26 | 1,200.93 |
| Other receivables | Tsinghua Tongfang Optical Disc Electronic Press | 57,320.23 | 57,320.23 |
| Other receivables | Beijing Chengzhi Yongchang Chemicals Co., Ltd | 25,015.28 | 25,015.28 |
| Other receivables | Beijing Huaqing Property Management Co., Ltd. | 3,236.59 | 3,236.59 |
| Joint ventures and associates: | | | |
| Other receivables | NuRay Technology Co., Ltd. | 5,000,000.00 | 0.00 |
| Other receivables | Beijing Haishian Data Technology Co., Ltd. | 4,911,783.12 | 4,911,783.12 |
| Other receivables | Tellhow Sci-Tech Co.,Ltd | 3,250,000.00 | 3,250,000.00 |
| Other receivables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,108,656.15 | 2,108,656.15 |
| Other receivables | Chongqing Tongfang Hezhi Technology Co., Ltd. | 846,661.64 | 858,040.43 |
| Other receivables | Easyway Technology Co., Ltd. | 304,337.33 | 223,795.12 |
| Other receivables | Warranty Asset Management Co., Ltd. | 222,333.33 | 0.00 |
| Other receivables | Advanced Systems Development Co., Ltd. | 27,513.56 | 13,634.92 |
| Other receivables | Aegon THTF Life Insurance Co., Ltd. | 48.86 | 0.00 |
| Other receivables | Tongfang Cloud Computing Technology Co., Ltd. | 0.00 | 6,000,000.00 |
| Tsinghua University and its subordinate units: | | | |
| Advance payments | Beijing Tongli Huaqing Technology Co., Ltd. | 4,597,998.53 | 5,181,666.71 |
| Advance payments | Hebei Huakong Hongyi Technology Co., Ltd. | 300,000.00 | 300,000.00 |
| Advance payments | Tsinghua University | 75,820.22 | 75,820.22 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Advance payments | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 18,041,242.57 | 5,962,883.40 |
| Advance payments | Beijing Huaye Solar New Energy Company Limited | 1,040,012.00 | 0.00 |
| Advance payments | Beijing Huahuan Electronic Equipment Co., Ltd. | 138,264.50 | 0.00 |
| Advance payments | Unisplendour Software Systems Co., Ltd. | 5,000.00 | 5,000.00 |
| Advance payments | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 0.00 | 261,000.00 |
| Joint ventures and associates: | | | |
| Advance payments | Tongfang Environment Co., Ltd. | 7,797,368.00 | 2,604,000.00 |
| Advance payments | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,210,219.17 | 2,206,284.17 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---------------------------------------|--|-----------------|-----------------|
| Advance payments | Beijing Tongfang Time Link Electronic Co., Ltd. | 1,389,029.94 | 323,086.09 |
| Advance payments | Beijing Zhonghuan Shiji Engineering&Design Co., Ltd | 553,870.00 | 0.00 |
| Advance payments | Tongfang Refine Energy Saving Technology Co., Ltd. | 199,388.00 | 397,908.00 |
| Advance payments | Tellhow (Shenzhen) Electric Technologies Co.,Ltd. | 191,550.00 | 0.00 |
| Advance payments | Shenzhen Tongfang Information Technology Co., Ltd. | 45,000.00 | 45,000.00 |
| Advance payments | Tellhow Sci-Tech Co., Ltd. | 44,433.35 | 44,433.35 |
| Advance payments | Beijing Wenlu Laser Technology Co., Ltd. | 28,000.00 | 28,000.00 |
| Advance payments | Easyway Technology Co., Ltd. | 0.00 | 10,029,874.50 |
| Joint ventures and associates: | | | |
| Dividends receivable | Tongfang Guo Xin Investment Holding Co., Ltd. (formerly Chongqing Guo Xin Investment Holding Co., Ltd.) | 338,775,000.00 | 0.00 |
| Dividends receivable | Tongfang Environment Co., Ltd. | 29,423,520.00 | 16,813,440.00 |
| Dividends receivable | Easyway Technology Co., Ltd. | 13,229,229.00 | 0.00 |
| Dividends receivable | Advanced Systems Development Co., Ltd. | 1,100,000.00 | 3,964,000.00 |

2. Payables

| Item | Related parties | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts payable | Tsinghua University | 146,801,815.14 | 157,269,739.67 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Accounts payable | Unisplendour Corporation Limited. | 556,250.00 | 556,250.00 |
| Accounts payable | Architectural Design and Research Institute of Tsinghua University | 550,000.00 | 550,000.00 |
| Accounts payable | Beijing Huahuan Electronics Co., Ltd. | 510,025.88 | 164,544.89 |
| Accounts payable | Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 450,000.00 | 450,000.00 |
| Accounts payable | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 195,000.00 | 0.00 |
| Accounts payable | Tongfang Microelectronics Company | 1,500.02 | 60,345.91 |
| Joint ventures and associates: | | | |
| Accounts payable | Beijing Zhonghuan Shiji Engineering&Design Co., Ltd | 10,419,961.82 | 13,586,696.82 |
| Accounts payable | Tongfang Environment Co., Ltd. | 10,392,115.59 | 10,392,115.59 |
| Accounts payable | Beijing Tongfang Time Link Electronic Co., Ltd. | 2,367,590.00 | 1,920,000.00 |
| Accounts payable | Beijing Tsinghua Holdings Human Settlements Environment Institute | 2,366,814.33 | 3,766,360.65 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Accounts payable | Shenzhen Huakong Seg Co., Ltd. | 2,333,040.33 | 3,297,164.37 |
| Accounts payable | Tongfang Refine Energy Saving Technology Co., Ltd. | 1,992,401.00 | 2,992,401.00 |
| Accounts payable | Tongfang Holch Investment Group Co., Ltd. | 1,500,000.00 | 0.00 |
| Accounts payable | Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 1,042,200.00 | 987,550.00 |
| Accounts payable | Guangzhou Thomee Lighting Co., Ltd. | 184,480.00 | 1,023,478.36 |
| Accounts payable | Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | 80,000.00 | 80,000.00 |
| Accounts payable | Beijing Haishian Data Technology Co., Ltd | 56,295.29 | 48,822.00 |
| Accounts payable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 36,684.00 | 36,684.00 |
| Accounts payable | Easyway Technology Co., Ltd. | 21,000.00 | 21,000.00 |
| Accounts payable | Tellhow Sci-Tech Co., Ltd. | 14,656.81 | 20,506.81 |
| Accounts payable | Tongfang Cloud Computing Technology Co., Ltd. | 11,000.00 | 11,000.00 |
| Accounts payable | Advanced Systems Development Co., Ltd. | 0.00 | 1,342,069.50 |
| Tsinghua University and its subordinate units: | | | |
| Other payables | Tsinghua University | 3,703,256.68 | 3,703,256.68 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Other payables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 3,419,740.04 | 2,998,273.78 |
| Other payables | Tsinghua Tongfang Optical Disc Electronic Press | 261,355.38 | 261,355.38 |
| Other payables | Tsinghua Holdings SDX joint Venture Capital (Beijing) Co., Ltd. | 0.00 | 50,000.00 |
| Other payables | Beijing Qingshang Architectural Ornamental Engineering Co.,Ltd. | 37,000.00 | 0.00 |
| Other payables | Beijing Huaqing Property Management Co., Ltd. | 14,400.00 | 14,400.00 |
| Other payables | Tongfang Microelectronics Company | 2,100.00 | 5,400.00 |
| Other payables | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 1,000.00 | 0.00 |
| Other payables | Tsinghua Holdings SDX Joint Venture Capital (Beijing) Co., Ltd. | 0.00 | 50,000.00 |
| Other payables | Unisplendour Software Systems Co., Ltd. | 0.00 | 20,000.00 |
| Joint ventures and associates: | | | |
| Other payables | Jarun Investment Co., Ltd. | 50,000,000.00 | 0.00 |
| Other payables | Tongfang Kontafarma Holdings Limited | 708,778.65 | 0.00 |
| Other payables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 538,000.00 | 538,000.00 |
| Other payables | Aegon THTF Life Insurance Co., Ltd. | 421,869.69 | 404,078.91 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Other payables | Tsinghua Holdings Human Settlements Environment Institute | 418,490.00 | 371,790.00 |
| Other payables | Warranty Hong Kong Asset Management Co., Ltd. | 370,927.49 | 0.00 |
| Other payables | Beijing Zhonghuan Shiji Engineering&Design Co., Ltd | 341,509.44 | 0.00 |
| Other payables | Beijing Tongfang Time Link Electronic Co., Ltd. | 200,000.00 | 200,000.00 |
| Other payables | Easyway Technology Co., Ltd. | 146,041.75 | 446,041.75 |
| Other payables | Beijing Global Safety Technology Co., Ltd. | 138,330.50 | 136,930.50 |
| Other payables | Yunnan Yundian Tongfang Technology Co., Ltd. | 63,055.35 | 0.00 |
| Other payables | Tongfang Investment Co., Ltd. | 57,648.75 | 57,648.75 |
| Other payables | Tellhow Sci-Tech Co., Ltd. | 45,572.00 | 45,572.00 |
| Other payables | Suzhou Yitong Chengda Property Management Co., Ltd. | 18,078.29 | 0.00 |
| Other payables | Tongfang Environment Co., Ltd. | 14,814.00 | 576,570.43 |
| Other payables | Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 5,727.10 | 1,368.38 |
| Other payables | Rizhao BC&TV Tongfang Digital Television Co., Ltd | 1,056.00 | 528.00 |
| Other payables | Beijing Ziguang Pharmaceutical Co., Ltd. | 1,030.00 | 1,030.00 |
| Other payables | Tongfang Ecological (Macau) One-person Ltd. | 47.07 | 0.00 |
| Other payables | Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00 | 30.00 |
| Other payables | Beijing Easyway Huachuang System Engineering Co., Ltd. | 0.00 | 300.00 |
| Other payables | Tongfang Cloud Computing Technology Co., Ltd. | 0.00 | 39.96 |
| Tsinghua University and its subordinate units: | | | |
| Advance receipts | Tsinghua University | 2,134,043.64 | 676,605.76 |
| Advance receipts | Tsinghua University Library | 41,766.76 | 0.00 |
| Advance receipts | Beijing TongliHuaqing Technology Co., Ltd. | 33,000.00 | 33,000.00 |
| Advance receipts | Beijing Tsinghua Industrial Development Research Institute | 2,432.40 | 2,432.40 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Advance receipts | Unisplendour Digital Group | 3,468,000.00 | 1,617,957.70 |
| Advance receipts | Unisplendour Supply-Chain Management Co., Ltd. | 211,200.00 | 0.00 |
| Advance receipts | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 168,978.83 | 0.00 |
| Advance receipts | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 81,336.72 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|-----------------|-----------------|
| Advance receipts | Tsinghua Holdings Co., Ltd. | 9,820.00 | 9,820.00 |
| Advance receipts | Capital Bio Corporation | 3,200.00 | 3,200.00 |
| Advance receipts | TusPark Ventures | 200.00 | 200.00 |
| Advance receipts | Tsinghua Holdings SDX joint Venture Capital (Beijing) Co., Ltd. | 0.00 | 65,178.57 |
| Joint ventures and associates: | | | |
| Advance receipts | CINTS Company Limited | 3,529,299.70 | 3,476,307.70 |
| Advance receipts | Beijing Ziguang Pharmaceutical Co., Ltd. | 431,392.32 | 7,128.98 |
| Advance receipts | Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 205,128.21 | 0.00 |
| Advance receipts | Easyway Technology Co., Ltd. | 169,068.56 | 127,024.04 |
| Advance receipts | Tongfang Holch Investment Group Co., Ltd. | 88,288.50 | 0.00 |
| Advance receipts | Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 76,100.00 | 76,100.00 |
| Advance receipts | Tellhow Software Co., Ltd. | 64,400.00 | 64,400.00 |
| Advance receipts | Jilin Tongfang Science and Technology Trade Co., Ltd. | 53,280.00 | 53,280.00 |
| Advance receipts | Beijing Tongfang Time Link Electronic Co., Ltd. | 28,087.82 | 895.00 |
| Advance receipts | Tongfang Environment Co., Ltd. | 3,758.30 | 3,758.30 |
| Advance receipts | Nanyang BC&TV Tongfang Digital Television Co., Ltd | 0.00 | 200,000.00 |
| Advance receipts | Beijing Global Safety Technology Co., Ltd. | 0.00 | 117,431.00 |
| Advance receipts | Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | 0.00 | 2,810.00 |
| Advance receipts | Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 0.00 | 1,800.00 |
| Advance receipts | Aegon THTF Life Insurance Co., Ltd. | 0.00 | 450.00 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Dividends payable | Tsinghua Holdings Co., Ltd | 187,870,377.50 | 0.00 |
| Joint ventures and associates: | | | |
| Dividends payable | Tongfang Investment Co., Ltd. | 10,216,800.00 | 10,216,800.00 |

XII. Contingencies

As at 30 June 2017, there is nothing significant to be disclosed.

XIII. Commitments

As at 30 June 2017, there is nothing significant to be disclosed.

XIV. Events after the balance sheet date

The Company has no significant event after balance sheet date to be disclosed.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

XV. Other significant matters

1. Segment information

(1) Recognition basis and accounting policies of segments report

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

- 1) that engaged in business activities from which it may earn revenues and incur expenses;
- 2) whose operating results are regularly reviewed by the Company's management to make decisions about the resources to be allocated to the segment and assess its performance; and
- 3) for which discrete information on financial position, operating results and cash flows is available for the Company.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and the segments are similar in each of the following aspects:

- 1) the nature of each product and service;
- 2) the nature of production process;
- 3) the type of customers for their products and services;
- 4) the methods used to distribute the products or provide their services;
- 5) the influence of legislations, administrative regulations on production of goods and rendering of services.

Based on operating segments, considering the principle of importance, comparability and consistency of the information of different accounting periods, the Company finalized the report segments as "public safety", "Internet service and terminal", "Smart city", "Energy saving and environmental protection", "science and technology park", "headquarters and investment".

Accounting policies adopted for the segment report are consistent with those for the consolidated financial statements.

(2) Financial information of reporting segment for current period

| Reporting segment | 30 June 2017 | | January-June 2017 | | |
|--|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Total assets | Total liabilities | Revenue of main business | Cost of main business | Profit before income tax |
| Public safety | 10,167,268,141.37 | 7,366,255,969.64 | 1,958,107,641.34 | 1,293,980,558.45 | 96,993,766.38 |
| Internet service and terminal | 12,831,214,657.78 | 7,878,111,606.64 | 5,188,918,133.15 | 4,490,399,955.21 | -213,239,694.40 |
| Smart City | 3,917,637,994.48 | 2,959,950,298.86 | 728,585,429.23 | 590,008,167.30 | -52,118,577.58 |
| Energy saving and environmental protection | 9,917,405,149.22 | 4,996,836,301.30 | 1,639,548,382.81 | 1,230,556,870.72 | 106,283,270.72 |
| Science and Technology Park | 3,300,675,602.76 | 2,154,312,578.65 | 584,894,519.34 | 498,298,451.80 | 39,364,345.29 |
| Headquarters and investment | 18,715,562,256.58 | 9,813,859,321.32 | 3,926,425.65 | 1,476,841.03 | 30,849,229.01 |
| Sub-total | 58,849,763,802.19 | 35,169,326,076.41 | 10,103,980,531.52 | 8,104,720,844.51 | 8,132,339.42 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Reporting segment | 30 June 2017 | | January-June 2017 | | |
|------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Total assets | Total liabilities | Revenue of main business | Cost of main business | Profit before income tax |
| Elimination between segments | -178,525,036.00 | -140,572,628.13 | -110,264,808.88 | -83,538,687.06 | 0.00 |
| Total | 58,671,238,766.19 | 35,028,753,448.28 | 9,993,715,722.64 | 8,021,182,157.45 | 8,132,339.42 |

(Continued)

| Reporting segment | 31 December 2016 | | January-June 2016 | | |
|--|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Total assets | Total liabilities | Revenue of main business | Cost of main business | Profit before income tax |
| Public safety | 9,541,153,928.79 | 6,658,305,795.35 | 954,858,539.38 | 656,121,672.91 | 31,279,675.63 |
| Internet service and terminal | 12,384,251,361.96 | 7,731,127,035.60 | 6,286,416,309.18 | 5,550,521,260.60 | 6,631,610,938.11 |
| Smart City | 4,068,237,623.51 | 3,170,177,131.95 | 1,482,091,214.25 | 1,298,320,515.60 | 6,483,492.63 |
| Energy saving and environmental protection | 9,433,981,640.56 | 5,069,937,829.79 | 1,843,993,555.76 | 1,393,746,596.79 | 2,925,751.26 |
| Science and Technology Park | 3,395,425,068.37 | 2,092,123,180.80 | 52,781,897.39 | 42,269,076.13 | 28,939,307.31 |
| Headquarters and investment | 19,241,552,501.82 | 8,786,360,568.97 | | 0.00 | 0.00 |
| Sub-total | 58,064,602,125.01 | 33,508,031,542.46 | 10,620,141,515.96 | 8,940,979,122.03 | 6,216,749,275.06 |
| Elimination between segments | -452,310,972.45 | -452,087,222.81 | -43,608,161.48 | -46,345,390.52 | 0.00 |
| Total | 57,612,291,152.56 | 33,055,944,319.65 | 10,576,533,354.48 | 8,894,633,731.51 | 6,216,749,275.06 |

XVI. Notes to significant items in the parent company's financial statements

1. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision ratio | Carrying amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 2,087,930,224.53 | 100.00% | 390,765,422.62 | 18.72% | 1,697,164,801.91 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 2,087,930,224.53 | 100.00% | 390,765,422.62 | 18.72% | 1,697,164,801.91 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(Continued)

| Type | Opening balance | | | | | Carrying amount | |
|---|-------------------------|-------------------|------------------------|---------------|-----------------|-------------------------|--|
| | Book balance | | Provision for bad debt | | Provision ratio | | |
| | Amount | % of total amount | Amount | | | | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 2,053,720,795.72 | 100.00% | 369,440,682.81 | 17.99% | 17.99% | 1,684,280,112.91 | |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Total | 2,053,720,795.72 | 100.00% | 369,440,682.81 | 17.99% | | 1,684,280,112.91 | |

2. Aging portfolios

| Account age | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Accounts receivable | % of total amount | Provision for bad debt |
| Within 1 year | 1,245,051,381.44 | 60.19% | 12,450,513.81 |
| 1-2 years | 307,286,257.36 | 14.85% | 15,364,312.86 |
| 2-3 years | 107,753,035.25 | 5.21% | 16,162,955.30 |
| 3-4 years | 53,287,245.89 | 2.58% | 15,986,173.78 |
| 4-5 years | 48,516,061.81 | 2.35% | 24,258,030.94 |
| More than 5 years | 306,543,435.93 | 14.82% | 306,543,435.93 |
| Total | 2,068,437,417.68 | 100.00% | 390,765,422.62 |

1) Related party portfolios:

| Item | Closing balance | | |
|--------------------------|----------------------|------------------------|-----------------|
| | Accounts receivable | Provision for bad debt | Provision ratio |
| Related party portfolios | 19,492,806.85 | 0.00 | 0.00% |
| Total | 19,492,806.85 | 0.00 | — |

(2) The top 5 largest accounts receivable at the end of the period is RMB 525,615,501.35, making up of 25.17% of the total balance, provision for bad debts at the end of the period is RMB 7,931,542.03.

3. Other receivables

(1) Classification of other receivables

| Type | Closing balance | | | | |
|---|-----------------|-------------------|------------------------|-----------------|-----------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Type | Closing balance | | | | |
|---|--------------------------|-------------------|------------------------|-----------------|--------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision ratio | Carrying amount |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 12,163,423,622.53 | 100.00% | 173,907,014.47 | 1.43% | 11,989,516,608.06 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 12,163,423,622.53 | 100.00% | 173,907,014.47 | 1.43% | 11,989,516,608.06 |

(Continued)

| Type | Opening balance | | | | |
|---|--------------------------|-------------------|------------------------|-----------------|--------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision ratio | Carrying amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 10,350,327,066.01 | 100.00% | 175,416,071.66 | 1.69% | 10,174,910,994.35 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 10,350,327,066.01 | 100.00% | 175,416,071.66 | 1.69% | 10,174,910,994.35 |

1) Aging portfolios

| Account age | Closing balance | | |
|-------------------|-----------------------|-------------------|------------------------|
| | Other receivables | % of total amount | Provision for bad debt |
| Within 1 year | 275,947,363.76 | 52.32% | 2,759,473.64 |
| 1-2 years | 49,999,474.01 | 9.48% | 2,499,973.71 |
| 2-3 years | 21,641,563.12 | 4.10% | 3,246,234.47 |
| 3-4 years | 13,984,737.18 | 2.65% | 4,195,421.16 |
| 4-5 years | 9,243,557.20 | 1.75% | 4,621,778.60 |
| More than 5 years | 156,584,132.89 | 29.70% | 156,584,132.89 |
| Total | 527,400,828.16 | 100.00% | 173,907,014.47 |

2) Related party portfolios

| Item | Closing balance | | |
|--------------------------|--------------------------|------------------------|-----------------|
| | Other receivables | Provision for bad debt | Provision ratio |
| Related party portfolios | 11,636,022,794.37 | 0.00 | 0.00 |
| Total | 11,636,022,794.37 | 0.00 | — |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Classification of other receivables by nature

| Nature | Closing balance | Opening balance |
|--|--------------------------|--------------------------|
| Intercourse funds | 11,790,454,808.72 | 9,576,915,114.19 |
| Guarantee deposit and security deposit | 349,098,369.01 | 166,529,926.99 |
| Petty cash | 7,293,603.35 | 33,516,816.16 |
| Payments for other entities | 6,620,863.67 | 5,371,087.25 |
| Equity transfer price | 0.00 | 564,800,000.00 |
| Others | 9,955,977.78 | 3,194,121.42 |
| Total | 12,163,423,622.53 | 10,350,327,066.01 |

(3) The top 5 largest other receivables at the end of the period is RMB 9,710,859,850.68, making up of 79.84% of the total balance, provision for bad debts at the end of the period is RMB 0.00.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

4. Long-term equity investments

(1) Long-term equity investments by category

| Item | Closing balance | | | Opening balance | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment |
| Investment in subsidiaries | 10,305,250,193.63 | 45,757,599.40 | 10,259,492,594.23 | 9,303,747,174.52 | 45,757,599.40 |
| Investments in joint venture or associates | 2,897,771,644.63 | 0.00 | 2,897,771,644.63 | 3,512,766,112.67 | 0.00 |
| Total | 13,203,021,838.26 | 45,757,599.40 | 13,157,264,238.86 | 12,816,513,287.19 | 45,757,599.40 |

(2) Investment in subsidiaries

| Investee | Opening balance | Increase in current period | Decrease in current period | Closing balance | Provision for impairment for the current period | Provision for impairment Ending Balance | |
|--|------------------|----------------------------|----------------------------|------------------|---|---|----------------------------|
| | | | | | | Opening balance | Decrease in current period |
| Tongfang Financial Holding (Shenzhen) Co., Ltd. | 3,769,666,900.00 | 770,803,019.11 | 0.00 | 4,540,469,919.11 | 0.00 | 0.00 | 0.00 |
| Tongfang Computer Co., Ltd. | 1,349,910,000.00 | 0.00 | 0.00 | 1,349,910,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing ERENEBEN Information Technology Co., Ltd. | 1,213,925,700.00 | 0.00 | 0.00 | 1,213,925,700.00 | 0.00 | 0.00 | 0.00 |
| TsingHua TongFang Artificial Environment Co., Ltd. | 456,314,441.73 | 0.00 | 0.00 | 456,314,441.73 | 0.00 | 0.00 | 0.00 |
| Tongfang Industry Co., Ltd. | 400,000,000.00 | 0.00 | 0.00 | 400,000,000.00 | 0.00 | 0.00 | 0.00 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 315,870,970.73 | 0.00 | 0.00 | 315,870,970.73 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 247,000,000.00 | 0.00 | 0.00 | 247,000,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 121,261,654.00 | 110,700,000.00 | 0.00 | 231,961,654.00 | 0.00 | 0.00 | 0.00 |
| Nantong Tongfang Technology Park Co., Ltd. | 200,000,000.00 | 0.00 | 0.00 | 200,000,000.00 | 0.00 | 0.00 | 0.00 |
| Shenyang Tongfang Technology Park Co., Ltd. | 155,271,232.65 | 0.00 | 0.00 | 155,271,232.65 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increase in current period | Decrease in current period | Closing balance | Provision for impairment for the current period | Provision for impairment Ending Balance |
|--|-----------------|----------------------------|----------------------------|-----------------|---|---|
| Resuccess Investments Limited | 140,504,808.10 | 0.00 | 0.00 | 140,504,808.10 | 0.00 | 0.00 |
| Huai'an Tongfang Pollutant Source Control Engineering Co., Ltd. | 0.00 | 120,000,000.00 | 0.00 | 120,000,000.00 | 0.00 | 0.00 |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 100,054,351.74 | 0.00 | 0.00 | 100,054,351.74 | 0.00 | 0.00 |
| Beijing Tongfang Electronic Payment Technology Co., Ltd. | 100,000,000.00 | 0.00 | 0.00 | 100,000,000.00 | 0.00 | 0.00 |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 98,742,430.66 | 0.00 | 0.00 | 98,742,430.66 | 0.00 | 0.00 |
| Tongfang Global Limited | 65,228,000.00 | 0.00 | 0.00 | 65,228,000.00 | 0.00 | 0.00 |
| Tongfang R.I.A. Company Limited. | 60,000,000.00 | 0.00 | 0.00 | 60,000,000.00 | 0.00 | 0.00 |
| Huai'an Tongfang Water Affairs Co., Ltd. | 57,260,000.00 | 0.00 | 0.00 | 57,260,000.00 | 0.00 | 0.00 |
| Nuctech Company Limited. | 57,000,000.00 | 0.00 | 0.00 | 57,000,000.00 | 0.00 | 0.00 |
| Tongfang HongKong Limited | 52,708,800.00 | 0.00 | 0.00 | 52,708,800.00 | 0.00 | 0.00 |
| Tongfang Technology Park Co., Ltd. | 51,640,000.00 | 0.00 | 0.00 | 51,640,000.00 | 0.00 | 0.00 |
| Qinxin Optoelectronics Co., Ltd. | 45,757,599.40 | 0.00 | 0.00 | 45,757,599.40 | 0.00 | 45,757,599.40 |
| Technovator International Limited | 43,363,900.00 | 0.00 | 0.00 | 43,363,900.00 | 0.00 | 0.00 |
| Tongfang Optoelectronic (HK) Limited | 39,478,529.25 | 0.00 | 0.00 | 39,478,529.25 | 0.00 | 0.00 |
| Huizhou Tongfang Water Affairs Co., Ltd. | 36,000,000.00 | 0.00 | 0.00 | 36,000,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Software Co., Ltd. | 34,864,600.00 | 0.00 | 0.00 | 34,864,600.00 | 0.00 | 0.00 |
| Tongfang Asia Pacific (R&D Center) Pte. Ltd. | 21,772,500.00 | 0.00 | 0.00 | 21,772,500.00 | 0.00 | 0.00 |
| Beijing Tongfang Compact Disc Co., Ltd. | 21,479,648.26 | 0.00 | 0.00 | 21,479,648.26 | 0.00 | 0.00 |
| THTF USA, Inc. | 20,641,105.00 | 0.00 | 0.00 | 20,641,105.00 | 0.00 | 0.00 |
| Tongfang Health Technology (Beijing) Co., Ltd. | 17,500,000.00 | 0.00 | 0.00 | 17,500,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Property Management Co., Ltd. | 9,530,000.00 | 0.00 | 0.00 | 9,530,000.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increase in current period | Decrease in current period | Closing balance | Provision for impairment for the current period | | Provision for impairment Ending Balance |
|--|-------------------------|----------------------------|----------------------------|--------------------------|---|----------------------|---|
| | | | | | Current period | Ending Balance | |
| Beijing Tongfang Education and Training School | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Media (Beijing) Co., Ltd. | 1.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| Liaoning Tongfang Security Technology Co., Ltd. | 1.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Television Media Technology Co., Ltd. | 1.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| Total | 9,303,747,174.52 | 1,001,503,019.11 | 0.00 | 10,305,250,193.63 | 0.00 | 45,757,599.40 | |

(3) Investments in joint venture or associates

| Investee | Opening balance | Increasing investment | Decreasing investment | Net profit or loss recognized under the equity method | Movements during the current period | | Provision for impairment Ending Balance |
|--|------------------|-----------------------|-----------------------|---|---------------------------------------|-------------------------|---|
| | | | | | Other comprehensive income adjustment | Cash dividends declared | |
| I. Joint ventures | | | | | | | |
| Aegon THTF Life Insurance Co., Ltd. | 1,246,756,037.49 | 0.00 | 0.00 | -14,815,993.62 | -43,474,193.09 | 0.00 | 0.00 |
| II. Associates | | | | | | | |
| Tellhow Sci-Tech Co., Ltd. | 608,327,346.53 | 39,912,955.28 | 0.00 | 10,446,802.94 | 18,677.73 | 940,314.15 | 13,270,610.40 |
| Tongfang Jiangxin Shipbuilding Co., Ltd | 308,448,549.86 | 0.00 | 0.00 | -2,041,695.41 | 0.00 | 0.00 | 0.00 |
| Yuxi City Huakong Environmental Sponge City Construction Co., Ltd. | 0.00 | 165,010,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 165,010,000.00 |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 157,696,621.94 | 0.00 | 0.00 | -514,963.78 | 0.00 | 0.00 | 0.00 |
| Tongfang Environment Co., Ltd. | 143,216,918.90 | 0.00 | 0.00 | 4,346,915.38 | -129,141.19 | 10,904.16 | 12,610,080.00 |
| | | | | | | | 134,835,517.25 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Movements during the current period | | | | | Closing balance | Provision for impairment Ending Balance |
|--|-------------------------|-------------------------------------|-----------------------|---|---------------------------------------|-------------------------|----------------------|---|
| | | Increasing investment | Decreasing investment | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Cash dividends declared | | |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 73,048,769.34 | 18,271,328.00 | 0.00 | -219.26 | 0.00 | 0.00 | 0.00 | 91,319,878.08 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 85,198,941.00 | 0.00 | 0.00 | 231,069.50 | 0.00 | 0.00 | 0.00 | 85,430,010.50 |
| Beijing Global Safety Technology Co., Ltd. | 75,760,668.32 | 0.00 | 0.00 | -546,833.08 | 3,053.62 | 0.00 | 1,350,000.00 | 73,866,888.86 |
| Advanced Systems Development Co., Ltd. | 25,503,280.23 | 0.00 | 0.00 | 1,513,657.67 | 3,178.68 | 0.00 | 1,100,000.00 | 25,920,116.58 |
| Beijing Tongfang Electronic Commerce Co., Ltd. | 29,977,221.37 | 0.00 | 0.00 | -671,627.38 | 0.00 | 0.00 | 7,600,456.83 | 0.00 |
| Jin Tongfang Science and Technology Trade Co., Ltd. | 1,262,413.55 | 0.00 | 0.00 | -8,166.97 | 0.00 | 0.00 | 0.00 | 1,254,246.58 |
| Beijing ASK Tongfang Technology Co., Ltd. | 389,531.63 | 0.00 | 0.00 | -12,167.69 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Investment Co., Ltd. | 430,610,273.48 | 0.00 | 0.00 | 10,373,189.71 | -1,826,373.32 | 0.00 | 0.00 | -377,363.94 |
| Jiarun Investment Co., Ltd. | 326,569,539.03 | 0.00 | 0.00 | 4,699,026.27 | 0.00 | 0.00 | 0.00 | 0.00 |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Zhonggu TongFang Culture & Communication Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 3,512,766,112.67 | 223,194,283.28 | 0.00 | 12,998,994.28 | -4,404,797.57 | 951,218.31 | 35,931,147.23 | -770,803,019.11 |
| | | | | | | | | 2,897,771,644.63 |
| | | | | | | | | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

5. Revenue and costs

| Item | Amount for the current period | | Amount for the previous period | |
|----------------|-------------------------------|-------------------------|--------------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 1,291,285,830.92 | 1,087,214,443.47 | 2,484,062,831.24 | 2,310,145,694.05 |
| Other business | 838,276.69 | 0.00 | 70,626,236.52 | 25,299,883.95 |
| Total | 1,292,124,107.61 | 1,087,214,443.47 | 2,554,689,067.76 | 2,335,445,578.00 |

6. Investment income

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Investment income on disposal of financial assets at fair value through profit or loss | 34,988,273.75 | 111,924.61 |
| Income from long-term equity investments under cost method | 114,000,000.00 | 123,200,000.00 |
| Income from long-term equity investments under equity method | 12,998,994.28 | 32,861,569.72 |
| Investment income on disposal of long-term equity investments | -13,019,642.23 | 7,963,170,898.16 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 608,123.95 | 184,830.57 |
| Entrusted loan income | 0.00 | 459,135.00 |
| Investment income during the holding period of available-for-sale financial assets | 12,815,214.21 | 1,695,693.66 |
| Total | 162,390,963.96 | 8,121,684,051.72 |

XVII. Approval of financial reports

Approved and authorized for issue by the board of directors on 28 August 2017.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

Supplementary information to financial statements

1. Statement of non-recurring profit or loss for current period

(1) Under the requirements in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Their Securities to the Public - Non-recurring Profit or Loss (2008) issued by CSRC, the non-recurring profit or loss for the Company in 2016 is listed below:

| Item | Amount for the current period |
|--|-------------------------------|
| Profit or loss on disposal of non-current assets | -2,379,556.34 |
| Government grants recognized in current profit or loss | 68,727,146.82 |
| Gain/loss from Changes in fair value arising from holding financial assets (liabilities) at fair value through profit or loss and investment gains/loss arising from disposal of financial assets (liabilities) at fair value through profit or loss and available-for-sale financial assets, except for the effective hedging activities related to the company's ordinary activities | 19,968,743.16 |
| Other non-operating income or expenses other than the above items | -2,443,858.92 |
| Sub-total | 83,872,474.72 |
| Effect on income tax | -15,459,558.77 |
| Effect of non-controlling interests (after tax) | -11,708,419.35 |
| Total | 56,704,496.60 |

2. Return on net assets and earnings per share

Under the requirements in Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No.9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 revision) issued by the CSRC, the weighted average return on net assets, basic earnings per share and diluted earnings per share for the Company in 2016 is listed below:

| Profit during the reporting period | Weighted average return on net assets | Earnings per share | |
|---|---------------------------------------|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to shareholders of the parent company | -0.56% | -0.04 | -0.04 |
| Net profit attributable to shareholders of the parent company after deducting non-recurring profits or losses | -0.83% | -0.06 | -0.06 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

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Tsinghua Tongfang Co., Ltd.

28 August 2017



信永中和会计师事务所

ShineWing
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Audit report

XYZH/ 2017BJA80198

To The Shareholders of Tongfang Co., Ltd:

We have audited the financial statements of Tongfang Co.,Ltd. (hereinafter referred to as "Tongfang") enclosed which include the consolidated balance sheet and balance sheet of the parent company dated 31 December 2016, the consolidated income statement and the income statement of the parent company of year 2016 and the consolidated cash flow statement and the cash flow statement of the parent company, consolidated statement of changes in shareholders'equity and the statement of changes in shareholders' equity of the parent company and notes to the financial statements.

A. Management's Responsibility for the Financial Statements

The management of Tongfang is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (i) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises, and fairly reflecting the financial statements; (ii) designing, implementing and maintaining the necessary internal control, so that the financial statements are free of any material misstatement due to fraud or error.

B. Responsibility of Certified Public Accountant

It is our responsibility to express our audit opinions, based on the implementation of our audit work, on these financial statements. We have conducted our audit in accordance with the Chinese CPA Standards on Auditing. The audit standards require that we follow the Code of Professional Ethics to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit includes implementation of audit procedures to obtain evidence relevant to the amounts and disclosures in the financial statements. The chosen audit procedures depend on the judgments of Certified Public Accountants, which include an assessment of the material misstatement in the financial statements due to fraud and errors. When making the assessment,

CPA needs to design appropriate audit procedures according to the internal controls related to the preparation and fair presentation of the financial statements. Our audit also includes an assessment on the appropriateness of accounting policies, reasonableness of accounting assumptions used by the management, and the overall presentations of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

C. Audit Opinion

We believe that accounting statements of the Tongfang are in accordance with Accounting Standard for Business Enterprises and Enterprise Accounting System in all major aspects and truly reflect financial standing of the consolidated and parent companies as of December 31, 2016 and business performance and cash flow of the consolidated and parent companies in 2016.

ShineWing Certified Public Accountants



Beijing, China

Certified Public Accountant:

Certified Public Accountant:

16 April 2017

Consolidated Balance Sheet

2016-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2016/12/31 | 2015/12/31 |
|---|--------|-------------------|-------------------|
| Current assets: | | | |
| Cash at bank and on hand | VI. 1 | 10,958,180,121.53 | 9,859,562,531.60 |
| Financial assets at fair value through profit or loss | VI. 2 | 864,994,753.09 | 1,233,687,014.15 |
| Notes receivable | VI. 3 | 89,024,500.29 | 285,472,593.45 |
| Accounts receivable | VI. 4 | 7,115,732,144.17 | 8,008,046,816.82 |
| Prepayments | VI. 5 | 1,050,557,527.45 | 1,203,273,891.79 |
| Interests receivable | | 0.00 | 134,514.92 |
| Dividends receivable | VI. 6 | 22,041,113.97 | 107,977,090.91 |
| Other receivables | VI. 7 | 1,271,659,662.12 | 953,854,194.17 |
| Inventories | VI. 8 | 9,256,404,728.06 | 9,168,374,867.43 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | VI. 9 | 3,096,887,049.00 | 0.00 |
| Total current assets | | 33,725,481,599.68 | 30,820,383,515.24 |
| Non-current assets: | | | |
| Available-for-sale financial assets | VI. 10 | 3,020,578,817.78 | 158,215,044.75 |
| Held-to-maturity investments | | 0.00 | 0.00 |
| Long-term receivables | VI. 11 | 908,285,567.16 | 3,859,957,171.15 |
| Long-term equity investments | VI. 12 | 12,156,644,248.13 | 9,489,774,271.84 |
| Investment properties | VI. 13 | 14,700,000.00 | 14,700,000.00 |
| Fixed assets | VI. 14 | 3,292,441,420.70 | 5,297,775,933.06 |
| Construction in progress | VI. 15 | 592,410,463.69 | 639,135,932.62 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | VI. 16 | 1,332,467,485.71 | 2,845,937,526.38 |
| Development expenditure | VI. 17 | 740,111,883.31 | 908,729,223.42 |
| Goodwill | VI. 18 | 1,060,128,754.25 | 2,064,049,695.08 |
| Long-term deferred expenses | VI. 19 | 45,480,498.28 | 86,330,225.26 |
| Deferred tax assets | VI. 20 | 207,487,014.65 | 227,650,030.13 |
| Other non-current assets | VI. 21 | 516,073,399.22 | 448,197,303.66 |
| Non-current assets | | 23,886,809,552.88 | 26,040,452,357.35 |
| Total assets | | 57,612,291,152.56 | 56,860,835,872.59 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Balance Sheet (Continued)

2016-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Liabilities and equity | Note | 2016/12/31 | 2015/12/31 |
|--|--------|--------------------------|--------------------------|
| Current liabilities: | | | |
| Short-term loans | VI. 23 | 7,928,914,235.02 | 7,381,530,048.58 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | VI. 24 | 433,090,726.38 | 707,564,087.82 |
| Accounts payable | VI. 25 | 7,237,904,788.49 | 8,167,839,518.21 |
| Advances receipts | VI. 26 | 4,815,134,276.38 | 4,603,960,489.78 |
| Employee benefits payable | VI. 27 | 476,706,322.61 | 462,416,146.22 |
| Taxes payable | VI. 28 | 496,246,493.30 | 187,129,298.62 |
| Interests payable | VI. 29 | 114,489,597.41 | 75,756,755.59 |
| Dividends payable | VI. 30 | 13,630,961.88 | 73,895,834.68 |
| Other payables | VI. 31 | 884,858,592.17 | 2,958,592,096.96 |
| Non-current liabilities due within one year | VI. 32 | 1,070,721,400.00 | 1,154,589,981.72 |
| Other current liabilities | VI. 33 | 5,037,645,081.98 | 2,019,407,123.29 |
| Total current liabilities | | 28,509,342,475.62 | 27,792,681,381.47 |
| Non-current liabilities: | | | |
| Long-term loans | VI. 34 | 1,067,010,203.66 | 3,541,088,094.61 |
| Bonds payable | VI. 35 | 2,800,000,000.00 | 1,500,000,000.00 |
| Long-term payables | VI. 36 | 232,094.08 | 322,104,274.81 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | VI. 37 | 2,100,000.00 | 11,359,992.00 |
| Provisions | VI. 38 | 6,356,662.80 | 2,915,029.01 |
| Deferred income | VI. 39 | 389,203,869.68 | 919,937,970.33 |
| Deferred tax liabilities | VI. 20 | 281,699,013.81 | 114,912,656.61 |
| Other non-current liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 4,546,601,844.03 | 6,412,318,017.37 |
| Total liabilities | | 33,055,944,319.65 | 34,204,999,398.84 |
| Shareholders' equity: | | | |
| Share capital | VI. 40 | 2,963,898,951.00 | 2,963,898,951.00 |
| Capital surplus | VI. 41 | 9,331,433,136.68 | 9,454,639,314.91 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | VI. 42 | 282,695,752.77 | -62,042,717.52 |
| Special reserve | | 0.00 | 0.00 |
| Surplus reserve | VI. 43 | 1,314,511,100.64 | 884,278,173.27 |
| Undistributed profits | VI. 44 | 7,897,458,148.30 | 4,410,668,665.65 |
| Total shareholders' equity attributable to shareholders of the parent company | | 21,789,997,089.39 | 17,651,442,387.31 |
| Non-controlling interests | | 2,766,349,743.52 | 5,004,394,086.44 |
| Total shareholders' equity | | 24,556,346,832.91 | 22,655,836,473.75 |
| Total equity and liabilities | | 57,612,291,152.56 | 56,860,835,872.59 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Income Statement

Year 2016

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2016 | Year 2015 |
|--|--------|-------------------|-------------------|
| I. Revenue | VI. 45 | 27,174,336,861.87 | 28,447,284,180.28 |
| II. Operating costs and expenditures | | 27,989,531,271.32 | 28,929,419,873.17 |
| Including: Costs | VI. 45 | 22,318,747,566.76 | 22,930,738,937.57 |
| Taxes and surcharges | VI. 46 | 141,794,088.03 | 166,126,555.94 |
| Selling and distribution expenses | VI. 47 | 2,083,086,329.17 | 1,964,452,807.79 |
| General and administrative expenses | VI. 48 | 2,360,904,647.37 | 2,428,925,970.20 |
| Financial expenses | VI. 49 | 631,304,120.11 | 960,733,804.39 |
| Impairment losses on assets | VI. 50 | 453,694,519.88 | 478,441,797.28 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | VI. 51 | -371,066,495.99 | -229,039,605.97 |
| Investment income (loss is denoted by "-") | VI. 52 | 6,248,877,732.11 | 2,641,676,433.65 |
| Including: Income from joint venture and associates investment | | 739,317,003.79 | 1,358,888,257.26 |
| III. Operating profit (loss is denoted by "-") | | 5,062,616,826.67 | 1,930,501,134.79 |
| Add: non-operating income | VI. 53 | 490,155,826.07 | 454,990,629.64 |
| Including: Proceeds on disposal of non-current assets | | 6,612,632.10 | 28,138,021.22 |
| Less: Non-operating expenses | VI. 54 | 80,462,727.08 | 12,128,535.24 |
| Including: Losses from disposal of non-current assets | | 60,067,508.76 | 3,440,305.08 |
| IV. Profit before income tax (loss is denoted by "-") | | 5,472,309,925.66 | 2,373,363,229.19 |
| Less: Income tax expenses | VI. 55 | 771,525,059.38 | 210,555,970.31 |
| V. Net profit (net loss is denoted by "-") | | 4,700,784,866.28 | 2,162,807,258.88 |
| Net profit attributable to shareholders of the parent company | | 4,302,329,273.65 | 1,261,593,370.02 |
| Net profit attributable to non-controlling interests | | 398,455,592.63 | 901,213,888.86 |
| VI. Other comprehensive income after tax | VI. 56 | 381,264,687.74 | -291,105,102.84 |
| Other comprehensive income after tax attributable to shareholders of the parent company | | 344,738,470.29 | -321,130,048.26 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | 344,738,470.29 | -321,130,048.26 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity method | | -42,636,446.57 | -293,121,344.38 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | 336,272,235.43 | -8,034,787.24 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | 51,102,681.43 | -19,973,916.64 |
| 6. Others | | 0.00 | 0.00 |
| Other comprehensive income after tax attributable to non-controlling interest after tax | | 36,526,217.45 | 30,024,945.42 |
| VII. Total comprehensive income | | 5,082,049,554.02 | 1,871,702,156.04 |
| Total comprehensive income attributable to shareholders of the parent company | | 4,647,067,743.94 | 940,463,321.76 |
| Total comprehensive income attributable to non-controlling interests | | 434,981,810.08 | 931,238,834.28 |
| VIII. Earnings per share | | | |
| (I) Basic earnings per share | | 1.45 | 0.44 |
| (II) Diluted earnings per share | | 1.45 | 0.44 |

Legal representative of the Company



Person in charge of finance:



Head of accounting department:



Consolidated Cash Flow Statement

Year 2016

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2016 | Year 2015 |
|--|--------|-------------------|-------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 28,160,178,763.22 | 30,265,730,845.07 |
| Refund of taxes and surcharges | | 555,999,824.52 | 512,391,381.59 |
| Cash received relating to other operating activities | VI. 57 | 1,114,443,066.92 | 1,384,444,623.43 |
| Sub-total of cash inflows from operating activities | | 29,830,621,654.66 | 32,162,566,850.09 |
| Cash paid for goods and services | | 24,315,504,814.76 | 22,938,855,521.84 |
| Cash paid to and on behalf of employees | | 3,073,027,084.17 | 2,879,508,916.09 |
| Payments of taxes and surcharges | | 1,656,954,699.34 | 1,017,744,835.57 |
| Cash paid relating to other operating activities | VI. 57 | 2,890,261,378.82 | 2,825,692,568.27 |
| Sub-total of cash outflows from operating activities | | 31,935,747,977.09 | 29,661,801,841.77 |
| Net cash flows from operating activities | | -2,105,126,322.43 | 2,500,765,008.32 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 99,917,302.79 | 724,963,868.36 |
| Cash received from returns on investments | | 132,508,961.98 | 70,796,974.64 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 25,841,621.11 | 20,174,009.20 |
| Net cash received from disposal of subsidiaries | | 6,299,236,431.86 | 2,748,752,737.46 |
| Cash received relating to other investing activities | VI. 57 | 22,250,378.44 | 43,628,703.43 |
| Sub-total of cash inflows from investing activities | | 6,579,754,696.18 | 3,608,316,293.09 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 983,491,784.55 | 1,161,567,029.79 |
| Cash paid to acquire investments | | 5,736,726,270.75 | 676,568,015.19 |
| Net cash paid to acquire subsidiaries | | 108,285,705.43 | 131,643,529.22 |
| Cash paid relating to other investing activities | VI. 57 | 10,854,242.79 | 82,720,041.30 |
| Sub-total of cash outflows from investing activities | | 6,839,358,003.52 | 2,052,498,615.50 |
| Net cash flows from investing activities | | -259,603,307.34 | 1,555,817,677.59 |
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 70,170,321.61 | 6,090,683,931.24 |
| Including: Cash received from capital contributions by non-controlling interests of subsidiaries | | 70,170,321.61 | 615,483,931.90 |
| Cash received from borrowings | | 12,840,193,417.99 | 14,591,080,152.40 |
| Cash received from bond issue | | 9,000,000,000.00 | 5,000,000,000.00 |
| Cash received relating to other financing activities | VI. 57 | 305,211,690.21 | 301,088,497.54 |
| Sub-total of cash inflows from financing activities | | 22,215,575,429.81 | 25,982,852,581.18 |
| Cash repayments of borrowings | | 16,908,149,376.47 | 23,152,141,641.22 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 1,233,811,010.97 | 1,349,197,171.29 |
| Including: Cash payments for distribution of dividends or profits to non-controlling interests of subsidiaries | | 104,597,404.70 | 91,870,272.40 |
| Cash payments relating to other financing activities | VI. 57 | 788,760,351.19 | 2,145,575,303.93 |
| Sub-total of cash outflows from financing activities | | 18,930,720,738.63 | 26,646,914,116.44 |
| Net cash flows from financing activities | | 3,284,854,691.18 | -664,061,535.26 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | 176,570,344.07 | 117,907,531.74 |
| V. Net increase in cash and cash equivalents | | 1,096,695,405.48 | 3,510,428,682.39 |
| Add: Cash and cash equivalents at beginning of the year | | 9,687,734,636.22 | 6,177,305,953.83 |
| VI. Cash and cash equivalent at end of the year | | 10,784,430,041.70 | 9,687,734,636.22 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Prepared by: Tiaoguan Tongfang Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity
Year 2016

| | Attributable to shareholders of the Parent Company | | | | | Unit: RMB Yuan | | | |
|---|--|------------------|----------------------|----------------------------|-----------------|------------------|----------------------|---------------------------|----------------------------|
| Item | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Non-controlling interests | Total shareholders' equity |
| I. Closing balance of the preceding year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 884,278,173.27 | 4,410,668,665.65 | 5,004,394,086.44 | 22,655,836,73.75 |
| Ad: Changes in accounting policies | | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | | 0.00 |
| Business combination under common control | | | | | | | | | 0.00 |
| Others | | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 884,278,173.27 | 4,410,668,665.65 | 5,004,394,086.44 | 22,655,836,73.75 |
| III. Changes in equity for the year (decrease is denoted by "-") | 0.00 | -123,206,178.23 | 0.00 | 344,738,470.29 | 0.00 | 430,233,921.37 | 3,486,789,482.65 | -2,138,044,342.92 | 1,900,516,159.16 |
| (I) Total comprehensive income | | | | 344,738,470.29 | | | 430,233,921.35 | 434,981,810.08 | 5,082,049,554.02 |
| (II) Capital contribution and withdrawal by shareholders | | | | | | | | -2,563,174,215.02 | -2,697,006,535.49 |
| 1. Capital contribution by shareholders | 0.00 | -133,832,318.47 | 0.00 | 0.00 | 0.00 | 0.00 | | -2,703,572,918.25 | -2,703,572,918.25 |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | | 0.00 |
| 3. Others | | -133,832,318.47 | | | | | | 140,398,703.23 | 6,566,184.76 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 430,233,921.37 | -815,339,791.00 | -104,597,404.70 | -489,904,268.33 |
| 1. Appropriation to surplus reserve | | | | | | 430,233,921.37 | -430,233,921.37 | | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -383,306,863.63 | -104,597,404.70 | -489,904,268.33 |
| 3. Others | | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | | 0.00 |
| 4. Others | | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | | 0.00 |
| (VI) Others | | 10,626,140.24 | | | | | | -5,244,533.28 | 5,371,666.96 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,331,431,136.68 | 0.00 | 282,695,752.77 | 0.00 | 1,314,511,106.64 | 7,897,458,148.30 | 24,556,346,832.91 | |

Legal representative of the Company:

Person in charge of finance:

Head of accounting department:

Financial audit report:
[Red stamp]

业周印立

Prepared by: Tainghu Tungfang Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity
Year 2015

| Item | Attributable to shareholders of the Parent Company | | | | | | Non-controlling interests | Total shareholders' equity |
|---|--|------------------|----------------------|----------------------------|-----------------|------------------|---------------------------|----------------------------|
| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | | |
| I. Closing balance of the preceding year | 2,197,882,238.00 | 4,815,464,376.35 | 0.00 | 259,087,330.74 | 0.00 | 758,118,834.27 | 3,512,346,548.71 | 3,821,092,249.11 |
| Add: changes in accounting policies | | | | | | | | 15,363,991,579.18 |
| Corrections of prior years' errors | | | | | | | | 0.00 |
| Business combination under common control | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,197,882,238.00 | 4,815,464,376.35 | 0.00 | 259,087,330.74 | 0.00 | 758,118,834.27 | 3,512,346,548.71 | 3,821,092,249.11 |
| (III) Changes in equity for the year (decrease is denoted by "-") | 766,016,713.00 | 4,639,174,338.56 | 0.00 | -321,150,048.26 | 0.00 | 126,159,337.00 | 898,322,116.94 | 1,183,301,837.33 |
| (I) Total comprehensive income | | | | -321,150,048.26 | | | | 7,291,844,894.57 |
| (II) Capital contribution and withdrawal by shareholders | 766,016,713.00 | 4,906,611,797.78 | 0.00 | 0.00 | 0.00 | 1,261,593,370.02 | 931,238,834.28 | 1,871,702,156.04 |
| 1. Capital contribution by shareholders | 766,016,713.00 | 4,691,656,084.67 | | | | | | 342,985,612.10 |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 6,009,594,112.88 |
| 3. Others | | 208,955,113.11 | | | | | | 601,981,799.85 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | -258,996,187.75 | -50,044,074.64 |
| 1. Appropriation to surplus reserve | | | | | | 126,159,337.00 | -353,271,253.08 | -90,946,272.40 |
| 2. Profit distribution to shareholders | | | | | | 126,159,337.00 | -126,159,337.00 | 0.00 |
| 3. Others | | | | | | | -237,111,916.08 | -90,946,272.40 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | -261,416,839.22 | | | | | | 43,663.35 | -261,393,195.87 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 884,278,173.27 | 4,410,668,665.65 | 5,004,394,086.44 |
| | | | | | | | | 22,655,836,473.75 |

Legal representative of the Company:
业周印立

Person in charge of finance:
王立

Head of accounting department:



Balance Sheet of the Parent Company

2016-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2016/12/31 | 2015/12/31 |
|---|--------|--------------------------|--------------------------|
| Current assets: | | | |
| Cash at bank and on hand | | 2,880,118,397.34 | 1,053,960,066.32 |
| Financial assets at fair value through profit or loss | | 591,381,137.81 | 894,997,221.67 |
| Notes receivable | | 16,471,368.26 | 12,360,790.63 |
| Accounts receivable | XVI. 1 | 1,684,280,112.91 | 1,398,638,029.99 |
| Prepayments | | 830,735,792.73 | 1,217,177,324.64 |
| Interests receivable | | 0.00 | 0.00 |
| Dividends receivable | | 174,419,305.35 | 326,437,138.08 |
| Other receivables | XVI. 2 | 10,174,910,994.35 | 10,689,442,410.26 |
| Inventories | | 2,130,675,184.45 | 1,940,500,638.14 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | | 1,264,770,046.68 | 0.00 |
| Total current assets | | 19,747,762,339.88 | 17,533,513,619.73 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | 1,246,981,286.68 | 31,605,581.32 |
| Held-to-maturity investments | | 0.00 | 19,000,000.00 |
| Long-term receivables | | 0.00 | 0.00 |
| Long-term equity investments | XVI. 3 | 12,770,755,687.79 | 9,753,688,559.31 |
| Investment properties | | 0.00 | 0.00 |
| Fixed assets | | 946,444,177.51 | 1,010,004,725.31 |
| Construction in progress | | 0.00 | 979,000.00 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | | 159,421,920.04 | 195,167,902.74 |
| Development expenditure | | 26,476,100.55 | 24,369,813.90 |
| Goodwill | | 0.00 | 0.00 |
| Long-term deferred expenses | | 12,625,318.11 | 14,509,433.87 |
| Deferred tax assets | | 0.00 | 56,025,211.58 |
| Other non-current assets | | 0.00 | 0.00 |
| Non-current assets | | 15,162,704,490.68 | 11,105,350,228.03 |
| Total assets | | 34,910,466,830.56 | 28,638,863,847.76 |

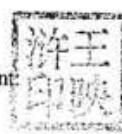
Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Balance Sheet of the Parent Company (Continued)

2016-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

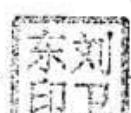
Unit: RMB Yuan

| Liabilities and equity | Note | 2016/12/31 | 2015/12/31 |
|--|------|-------------------|-------------------|
| Current liabilities: | | | |
| Short-term loans | | 4,700,000,000.00 | 3,898,518,783.26 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | | 200,817,359.05 | 585,935,480.75 |
| Accounts payable | | 2,260,112,635.82 | 1,874,089,426.99 |
| Advances receipts | | 612,950,225.72 | 586,916,686.43 |
| Employee benefits payable | | 56,600,203.75 | 57,939,514.16 |
| Taxes payable | | 211,412,553.45 | -967,454.04 |
| Interests payable | | 97,132,044.04 | 52,893,073.06 |
| Dividends payable | | 0.00 | 60,264,872.80 |
| Other payables | | 1,912,416,023.98 | 4,246,990,656.24 |
| Non-current liabilities due within one year | | 700,000,000.00 | 61,727,600.00 |
| Other current liabilities | | 5,037,645,081.98 | 2,019,407,123.29 |
| Total current liabilities | | 15,789,086,127.79 | 13,443,715,762.94 |
| Non-current liabilities: | | | |
| Long-term loans | | 0.00 | 0.00 |
| Bonds payable | | 2,800,000,000.00 | 1,500,000,000.00 |
| Long-term payables | | 49,483.11 | 49,483.11 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | | 100,000.00 | 8,100,000.00 |
| Provisions | | 0.00 | 0.00 |
| Deferred income | | 30,510,499.86 | 51,574,988.72 |
| Deferred tax liabilities | | 29,884,025.06 | 0.00 |
| Other non-current liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 2,860,544,008.03 | 1,559,724,471.83 |
| Total liabilities | | 18,649,630,135.82 | 15,003,440,234.77 |
| Shareholders' equity: | | | |
| Share capital | | 2,963,898,951.00 | 2,963,898,951.00 |
| Capital surplus | | 9,255,830,448.87 | 9,178,270,672.12 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | | -277,036,204.37 | 22,244,949.84 |
| Surplus reserve | | 1,313,393,112.26 | 883,160,184.89 |
| Undistributed profits | | 3,004,750,386.98 | 587,848,855.14 |
| Total shareholders' equity | | 16,260,836,694.74 | 13,635,423,612.99 |
| Total equity and liabilities | | 34,910,466,830.56 | 28,638,863,847.76 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Income Statement of the Parent Company

Year 2016

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2016 | Year 2015 |
|--|--------|------------------|------------------|
| I. Revenue | XVI. 4 | 4,938,049,142.22 | 6,588,458,871.13 |
| II. costs | XVI. 4 | 4,424,086,141.51 | 6,089,006,778.47 |
| Business taxes and surcharges | | 27,719,827.76 | 37,051,116.90 |
| Selling and distribution expenses | | 162,510,016.77 | 214,311,106.45 |
| General and administrative expenses | | 513,280,062.35 | 533,370,439.63 |
| Financial expenses | | 315,566,674.26 | 447,467,690.28 |
| Impairment losses on assets | | 91,979,931.09 | 111,782,778.16 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | | -305,207,965.07 | -247,627,897.51 |
| Investment income (loss is denoted by "-") | XVI. 5 | 4,713,051,263.69 | 948,253,690.71 |
| Including: Income from joint venture and associates investment | | -34,809,425.94 | 110,639,878.88 |
| II. Operating profit (loss is denoted by "-") | | 3,810,749,787.10 | -143,905,245.56 |
| Add: non-operating income | | 5,564,010.18 | 227,226,813.34 |
| Including: Proceeds on disposal of non-current assets | | 514,561.62 | 167,293.19 |
| Less: Non-operating expenses | | 58,973,474.31 | 17,064,058.24 |
| Including: Losses from disposal of non-current assets | | 53,047,121.89 | 12,801.84 |
| III. Profit before income tax (loss is denoted by "-") | | 3,757,340,322.97 | 66,257,509.54 |
| Less: Income tax expenses | | 524,899,000.13 | -25,405,506.54 |
| IV. Net profit (net loss is denoted by "-") | | 3,232,441,322.84 | 91,663,016.08 |
| V. Other comprehensive income after tax | | -299,281,154.21 | -13,358,468.43 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | -299,281,154.21 | -13,358,468.43 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity | | 49,026,864.63 | -14,636,942.51 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | -348,308,018.84 | 1,278,474.08 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | 0.00 | 0.00 |
| 6. Others | | 0.00 | 0.00 |
| VI. Total comprehensive income | | 2,933,160,168.63 | 78,304,547.65 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Cash Flow Statement of the Parent Company

Year 2016

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2016 | Year 2015 |
|---|------|--------------------------|--------------------------|
| I. Cash flows from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 5,029,621,073.26 | 6,893,076,160.51 |
| Refund of taxes and surcharges | | 17,498,595.99 | 1,436,592.24 |
| Cash received relating to other operating activities | | 269,925,196.22 | 591,613,871.60 |
| Sub-total of cash inflows from operating activities | | 5,317,044,865.47 | 7,486,126,624.35 |
| Cash paid for goods and services | | 5,100,569,566.92 | 6,381,811,957.40 |
| Cash paid to and on behalf of employees | | 214,275,429.32 | 232,299,145.13 |
| Payments of taxes and surcharges | | 408,241,848.86 | 107,056,077.14 |
| Cash paid relating to other operating activities | | 519,202,695.20 | 710,692,820.53 |
| Sub-total of cash outflows from operating activities | | 6,242,289,540.30 | 7,431,860,000.20 |
| Net cash flows from operating activities | | -925,244,674.83 | 54,266,624.15 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 19,342,874.81 | 2,979,390,057.58 |
| Cash received from returns on investments | | 315,638,453.67 | 150,757,483.40 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 823,585.00 | 6,000.00 |
| Net cash received from disposal of subsidiaries | | 6,010,903,798.04 | 204,864,419.59 |
| Cash received relating to other investing activities | | 2,242,371,925.35 | 894,550,624.76 |
| Sub-total of cash inflows from investing activities | | 8,589,080,636.87 | 4,229,568,585.33 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 92,294,156.78 | 94,634,006.44 |
| Cash paid to acquire investments | | 3,646,735,424.20 | 301,835,793.06 |
| Net cash paid to acquire subsidiaries | | 0.00 | 0.00 |
| Cash paid relating to other investing activities | | 6,191,810,911.50 | 3,832,349,406.06 |
| Sub-total of cash outflows from investing activities | | 9,930,840,492.48 | 4,228,819,205.56 |
| Net cash flows from investing activities | | -1,341,759,855.61 | 749,379.77 |
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 0.00 | 5,475,199,999.34 |
| Cash received from borrowings | | 4,700,000,000.00 | 5,887,800,000.00 |
| Cash received from bond issue | | 9,000,000,000.00 | 5,000,000,000.00 |
| Cash received relating to other financing activities | | 265,372,280.08 | 58,035,742.76 |
| Sub-total of cash inflows from financing activities | | 13,965,372,280.08 | 16,421,035,742.10 |
| Cash repayments of borrowings | | 7,956,464,200.00 | 13,330,269,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 815,126,638.27 | 747,089,551.89 |
| Cash payments relating to other financing activities | | 1,101,624,643.35 | 2,122,905,129.75 |
| Sub-total of cash outflows from financing activities | | 9,873,215,481.62 | 16,200,263,681.64 |
| Net cash flows from financing activities | | 4,092,156,798.46 | 220,772,060.46 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | 980,478.77 | 131,035.82 |
| V. Net increase in cash and cash equivalents | | 1,826,132,746.79 | 275,919,100.20 |
| Add: Cash and cash equivalents at beginning of the year | | 1,053,585,390.04 | 777,666,289.84 |
| VI. Cash and cash equivalent at end of the year | | 2,879,718,136.83 | 1,053,585,390.04 |

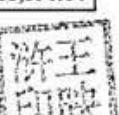
Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Prepared by: Tsinghua Tongfang Co., Ltd.

Statement of Changes in Shareholders' Equity of the Parent Company
Year 2016

Unit: RMB Yuan

| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|----------------------------|-----------------|------------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,948,855.14 | 13,635,423,612.99 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years' errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,948,855.14 | 13,635,423,612.99 |
| III. Changes in equity for the year (decrease is denoted by -) | 0.00 | 77,559,776.75 | 0.00 | -299,281,154.21 | 0.00 | 430,1232,927.37 | 2,416,901,531.84 | 2,625,413,081.75 |
| (1) Total comprehensive income | | | | -299,281,154.21 | | | 3,232,441,322.84 | 2,933,160,168.63 |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution by shareholders | | | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 0.00 |
| 3. Others | | | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 430,1232,927.37 | -815,539,791.00 | -385,306,863.63 |
| 1. Appropriation to surplus reserve | | | | | | 430,1232,927.37 | -430,1232,927.37 | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -385,306,863.63 | -385,306,863.63 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | |
| 3. Loss covered by surplus reserve | | | | | | | | |
| 4. Others | | | | | | | | |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 77,559,776.75 | | | | | | 77,559,776.75 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,255,830,448.87 | 0.00 | -277,036,204.37 | 0.00 | 1,313,293,112.26 | 3,004,750,386.98 | 16,266,836,694.74 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:

Wang Jun

Statement of Changes in Shareholders' Equity of the Parent Company
Year 2015

Prepared by: Tsingkia Tongfang Co., Ltd.



Unit: RMB Yuan

| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,197,832,238.00 | 4,431,975,989.56 | 0.00 | 35,603,418.27 | 0.00 | 756,539,965.35 | 855,309,149.24 | 8,277,310,760.42 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Correction of prior years errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,197,832,238.00 | 4,431,975,989.56 | 0.00 | 35,603,418.27 | 0.00 | 756,539,965.35 | 855,309,149.24 | 8,277,310,760.42 |
| III. Changes in equity for the year (decrease is denoted by -) | 766,016,713.00 | 4,746,294,682.56 | 0.00 | -13,358,468.43 | 0.00 | 126,620,219.54 | -267,460,294.10 | 5,358,112,872.57 |
| (I) Total comprehensive income | | | | -13,358,468.43 | | | | 78,304,547.65 |
| (II) Capital contribution and withdrawal by shareholders | 766,016,713.00 | 4,691,656,684.67 | 0.00 | 0.00 | 0.00 | | | 5,457,673,397.67 |
| 1. Capital contribution by shareholders | 766,016,713.00 | 4,691,656,684.67 | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 0.00 |
| 3. Others | | | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 126,159,337.00 | -363,271,253.08 | -237,111,916.08 |
| 1. Appropriation to surplus reserve | | | | | | 126,159,337.00 | -126,159,337.00 | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -237,111,916.08 | -237,111,916.08 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | 54,637,997.89 | | | | | 460,832.54 | 4,147,942.90 | 59,246,823.33 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,848,855.14 | 13,655,423,612.99 |

立周业

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Person in charge of finance:

Head of accounting department:

周立业
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Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

I. Basic Information of the Company

Tsinghua Tongfang Co., Ltd. (hereinafter referred to as “the Company”) is a stock limited company established through public offering by Tsinghua Holdings Co., Ltd (formerly known as “Beijing Tsinghua University Enterprise Group”) as the main promoter, approved by the State Commission for Restructuring the Economy and the State Education Commission. In June 1997, the Company issued 110,700,000 RMB ordinary shares with the approval of the China Securities Regulatory Commission (hereinafter referred to as CSRC) (Reference No.: Zheng Jian Fa [1997] 316), of which 68,700,000 shares were held by the promoters (representing 62.06% of the entire share capital) and 42,000,000 shares were held by domestic public holders (representing 37.94% of the entire share capital). The Company was registered with the State Administration for Industry and Commerce on 25 June 1997, and the registered capital was RMB 110,700,000. The Company has its shares in initial public offering listed on the Shanghai Stock Exchange on 27 June 1997.

In January 1998, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 166,050,000 shares, of which 103,050,000 shares were held by the promoters (representing 62.06% of the entire share capital). In June 1999, the Company increased its existing share capital by making a right issue to the existing shareholders in the proportion of 3 new shares for every 10 shares, the total number of shares after right issue increased to 189,800,000 shares, of which 107,900,000 shares were held by the promoters (representing 56.85% of the entire share capital). Upon approval by the CSRC (Reference No.: CSRC [1999] 23) in June 1999, the Company merged with Shandong Luying Electronic Co., Ltd. (Now known as “Shandong Tsinghua Tongfang Luying Electronic Co., Ltd.”) by way of share exchange offer. The Company issued 15,172,328 RMB ordinary shares to all shareholders of Shandong Luying Electronic Co., Ltd., the total number of shares after the issue increased to 204,972,328 shares, of which 113,504,444 shares were held by the promoters (representing 55.38% of the entire share capital). In September 1999, the Company issued bonus shares of 54,366,696 shares in the proportion of 3 shares for every 10 shares held, the total number of shares after the issue increased to 259,339,024 shares, of which 143,610,199 shares were held by the promoters (representing 55.38% of the entire share capital). In May 2000, the Company converted the share premium into share capital in the proportion of 4 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 363,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 55.38% of the entire share capital). In December 2000, the Company issued 20,000,000 RMB ordinary shares to domestic public, the total number of shares after the conversion increased to 383,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 52.48% of the entire share capital). In May 2001, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 574,612,295 shares, of which 301,581,762 shares were held by the promoters (representing 52.48% of the entire share capital).

With the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented the measures on full circulation reform for

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

listed companies in February 2006, a total of 103,751,603 shares were paid by non-circulating shareholders to the circulating shareholders in the proportion of 3.8 shares for every 10 shares held, in exchange for the listing and circulation of the Company's non-circulating shares. After the implementation, the total number of shares remained unchanged, of which the number of shares held by the promoters decreased to 197,830,159 shares (representing 34.43% of the entire share capital).

In July 2007, the Company issued 54,000,000 RMB ordinary shares to specific investors, the total number of shares after the issue increased to 628,612,295 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 384,625,315 shares.

In May 2008, the Company increased the share capital by making a right issue to the existing shareholders in the proportion of 2 new shares for every 10 shares, the total number of shares after the right issue increased to 751,515,811 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 507,528,831 shares.

In August 2008, the Company converted the share premium into share capital in the proportion of 3 ordinary shares for every 10 shares of share premium held, all shareholders were issued with 225,454,743 shares based on the total number of shares of 751,515,811 on 30 May 2008, after the conversion, the total number of shares increased to 976,970,554, of which the number of circulating shares with sale restrictions is 246,983,074 shares, and the number of circulating shares without sale restrictions is 729,987,480 shares.

In February 2009, 246,983,074 circulating shares with sale restrictions were lifted. As at 31 December 2009, the total share capital of the Company was 976,970,554, all of which were circulating shares without sale restrictions.

In July 2010, the Company issued 16,880,000 ordinary shares to Tangshan Jingyuan Electronics Co., Ltd, the total number of shares after the issue increased to 993,850,554 shares, of which the number of circulating shares with sale restrictions is 16,880,000 shares, and the number of circulating shares without sale restrictions is 976,970,554 shares.

In May 2011, the Company converted the share premium into share capital in the proportion of 10 ordinary shares for every 10 shares of share premium held, based on the total number of shares of 993,850,554 on 31 December 2010. After the conversion, the Company's total share capital increased from 993,850,554 to 1,987,701,108 shares.

In August 2013, the Company issued 210,181,130 RMB ordinary shares to specific investors, of which 157,724,483 shares were used as the acquisition consideration of 75.27265% of the shares of Beijing ERENEBEN Information Technology Co., Ltd., and the matching funds raised from issuing the remaining 52,456,647 shares were used as the acquisition consideration of 24.72735% of the shares of Beijing ERENEBEN Information Technology Co., Ltd. The total number of shares after the issue increased to 2,197,882,238 shares, of which the number of circulating shares without sale restrictions is 1,987,701,108 shares, and the number of circulating shares with sale restrictions is 210,181,130 shares.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

In February 2015, the Company issued 766,016,713 RMB ordinary shares to specific investors, all of which are circulating shares with sale restrictions.

As at 31 December 2016, the total number of shares of the Company is 2,963,898,951 shares, of which the number of circulating shares without sale restrictions is 2,197,882,238 shares, and the number of circulating shares with sale restrictions is 766,016,713 shares.

The Company's main business scope includes: license management project: Internet information services business without news, publishing, health care, medicines and medical equipment and other contents; the dispatch of labor personnel required for the implementation of overseas projects related to the export of self-produced complete sets of equipment; production of commercial encryption products; sales of commercial encryption products; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; production of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment, instrumentation, optical mechanical and electrical integration equipment; manufacturing of water fountain; class II value-added telecommunications services in the Internet access services business (Beijing 1 municipality as well as Changchun, Nanchang 2 cities) (Value-added telecommunications business license is valid until 3 May 2017). General business projects: production, sales, technical services and maintenance of computer and peripheral equipment; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; sales and installation of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment; development and sales of instrumentation, optoelectronic integrated equipment; sales of fire protection products; high-tech project consulting, high-tech transfer and services; property management; import and export business; mechanical and electrical installation project general contracting; engineering, procurement and construction of electromechanical works; intelligent building, urban and road lighting, electronic engineering contractor; indoor air purification project; computer system integration; special engineering design of building intelligent system integration (excluding fire subsystem); water fountain design, installation, commissioning; security engineering (design, construction); cable TV shared antenna design and installation; advertising and agents; vessel rental; engineering survey and design; design, sales of lighting equipment; basic software services, application software services; sales of machinery and equipment, hardware and electrical supplies, household appliances, software and auxiliary equipment, radio and television equipment, communications equipment, electronic products.

II. Scope of consolidated financial statements

The scope of the company's consolidated financial statements consists of 189 companies, including Nuctech Company Limited, Tongfang Computer Co., Ltd, Technovator International Limited and TsingHua TongFang Artificial Environment Co., Ltd.

See relevant contents of "VII Variation of Scope of Consolidated Financial Statement" and "VIII Rights and Interests in Other Entities" in the Notes for details.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

III. Basis of the financial statements preparation

1. Basis of preparation

On the basis of the going concern and in reference to actual transactions and events, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China, the accounting policies and accounting estimates stated in "IV Significant Accounting Policies and Accounting Estimates" of the Notes to the financial statement as well as other relevant provisions.

2. Going concern

The management of the Company has taken into account factors such as macroeconomic policy risk, market risk, current and long-term profitability, solvency, financial flexibility and management's intention to change operating policies, it does not identify any events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the end of the reporting period.

IV. Significant accounting policies and accounting estimates

The Company has set up accounting policies and estimates on transactions or events such as operating cycle, recognition and measurement of bad debt provision for accounts receivable, measurement of inventories, classification and depreciation of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue and so on based on the Company's actual production and operation features.

1. Statement of compliance with CASBEs

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and truly and completely reflect the Company's financial position, results of operations, cash flow, and other related information.

2. Accounting period

The accounting year of the Company runs from 1 January to 31 December under the Gregorian calendar.

3. Operating cycle

The Company takes 12 months as the normal operating cycle.

4. Reporting currency

The Company chooses RMB as their reporting currency.

5. Accounting treatments of business combination under and not under common control

The assets and liabilities acquired by the Company, as the acquirer, in the business combination under the control of the same entity shall be calculated based on the carrying amount in the ultimate controlling party's consolidated statements of the acquiree on the acquisition date. Capital reserve shall be adjusted for the difference between the carrying amount of the acquired net assets and the carrying amount of the combination consideration transferred. If the capital reserve is not sufficient for off-setting, retained earnings shall be adjusted.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control shall be measured at their acquisition – date fair value. The consideration transferred includes cash or non-cash assets paid, liabilities issued or assumed, the fair value of equity instruments or debt instruments issued by the Company on the acquisition date for acquiring control rights on the acquiree. The Company shall recognize goodwill as of the acquisition date measure as the excess of the consideration transferred over the fair value of identifiable net assets acquired from the acquiree during business combination. Where the consideration transferred is less than the fair value of the identifiable net assets acquired from the acquiree during business combination, the fair value of all identifiable assets acquired, liabilities and contingent liabilities assumed, as well as the fair value of non-cash assets or equity securities issued shall be reviewed. If that less remains after review, the company shall recognise the resulting gain in current non-operating income.

6. Basis for preparation of consolidated financial statements

The Company brings all its controlled subsidiaries into its consolidation scope.

During preparation of consolidated financial statements, in the event that accounting policy or accounting period adopted by subsidiaries are not in line with that of the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits shall be offset during preparation of consolidated financial statements. The portion of subsidiary shareholders' equity which does not belong to the parent company and the portion of minority equity in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "non-controlling interests, profit or loss attributable to non-controlling interests, other comprehensive income attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests" in the consolidated financial statements.

For the subsidiary acquired in the business combination under common control, its business performance and cash flow are included into the consolidated financial statements from the beginning of the current period of the merger. During the preparation of the comparing consolidated financial statements, related items in the financial statements of the previous year are adjusted, and it is deemed that the entity of financial statements formed after the combination has existed since the beginning of control by the ultimate controlling party.

For the subsidiary acquired in the business combination not under the control of the same entity, its business performance and cash flow are included into the consolidated financial statements since the date when the Company acquires the control rights. During the preparation of consolidated financial statements, financial statements of the subsidiary are adjusted based on the fair values of identifiable assets, liabilities and contingent liabilities identified on the acquisition date.

During the preparation of consolidated financial statements, when the equity of the invested entity are obtained through business combination not under common control achieved in stages, the Company should first determine whether it is a "package deal". Any transaction

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

categorized as package deal is subject to the accounting treatment as one transaction of acquiring the controlling power. If it does not belong to a package deal, the carrying value of the acquirer's previously held equity interest in the acquiree shall be re-measured to fair value at the acquisition date, and the difference between the fair value and its carrying amount shall be included in the current investment income. Other comprehensive income, under equity method rising from the interest held in acquiree in relation to the period before the acquisition, other changes in shareholders' equity except the net profit and loss, other comprehensive income and profit distribution shall be reclassified into investment income at the date on which acquisition is made, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plans of the acquiree.

When the Company does not lose control over a subsidiary due to disposal of partial long-term equity investment, the difference between (i) the disposal price and (ii) respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted to the capital premium or share premium. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

During the preparation of consolidated financial statements, when the Company loses control over a subsidiary due to disposal of certain equity interest or other reasons, the residual equity after disposal shall be re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any residual equity and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date or merging date according to the original proportion of ownership interest shall be recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary shall be reclassified to investment income in the period in which control is lost.

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

Joint arrangements of the Company include joint operations and joint ventures.

For joint operations, the Company as a joint operator shall recognize in relation to its interest in a joint operation: its separately owned assets and liabilities and its share of any assets and liabilities held jointly and according to related agreements to recognize its revenue or its share of revenue earned and expenses incurred from the joint operation. When the Company, as a joint operator, invests or sells assets (that does not constitute a business) to or purchase assets from joint operations, the Company shall only recognise the part of profit or loss from this transaction attributable to other parties of joint operations.

The Company, as a joint venture, treats investments in joint ventures in accordance with the provisions as set out in "Accounting Standards for Business Enterprises No. 2 - long-term equity investment".

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Company refers to the cash on hand and deposits that are available for payment at any time. Cash equivalent in the cash flow statement

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

refers to the investments which have a holding period of not more than 3 months, and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

9. Foreign currency transactions and conversion of foreign currency financial statements

(1) Foreign currency transaction

The foreign currency amount in a foreign currency transaction of the Company shall be converted into RMB amount at the spot exchange rate on the first day of transaction month. Monetary items calculated in foreign currency in the balance sheet shall be translated into RMB at the closing rate. Exchange differences shall be recognized in current profit and loss except that exchange differences arising from specific foreign currency borrowings, which related to the acquisition, construction or production of assets meet the capitalized terms, shall be recognized as per capitalization principle. Foreign currency non-monetary items that are measured at fair value shall be translated at the spot exchange rate on the date the fair value is measured. For foreign currency non-monetary items that are classified as available-for-sale financial assets, the exchange differences between the functional currency amount and the original functional currency amount shall be recognized in other comprehensive income. For foreign currency non-monetary items at fair value through profit or loss, the difference between the re-translated functional currency amount and the original functional currency amount shall be recognized in profit and loss. Foreign currency non-monetary items that are measured at historical cost shall be still translated at the spot exchange rate of the transaction date, with the RMB amount unchanged.

(2) Conversion of financial statements in foreign currency

The asset and liability items in the balance sheet of a foreign operation shall be translated as per the spot exchange rate on the balance sheet date; the shareholders' equity items, except for the items of "undistributed profit", shall be translated at the spot exchange rate on the dates of transactions. The income and expenditure items in the income statement of a foreign operation shall be translated at exchange rates on the dates of the transactions. The foreign currency exchange difference from above translation shall be recognized in other comprehensive income. During the preparation of consolidated financial statements, if there are any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income. Other comprehensive income related to the foreign operation shall be reclassified from equity to profits and losses in proportion upon disposal of the foreign operations.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The amount of influence of exchange rate change on cash and cash equivalents shall be listed in the cash flow statement separately.

10. Financial assets and financial liabilities

A financial asset or financial liability shall be recognized when the Company becomes a party to the contract of a financial instrument.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(1) Financial assets

1) Classification, recognition basis and measurement method of financial assets

The financial assets owned by the Company are classified according to the investment purposes and economic nature, including the financial assets at fair value through profit or loss, held-to-maturity investments, receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss at the initial recognition. A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; (ii) it is part of a portfolio of identified financial instruments that the Company manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial instrument may be designated as a financial asset at fair value through profit or loss upon initial recognition if one of the following conditions is satisfied: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (ii) in accordance with the Company's documented risk management or investment strategy, the financial asset forms a part of a group of financial instruments, which is managed and its recorded at fair value, performance is evaluated based on its fair value, and this information is provided internally on that basis to the entity's key management personnel; (iii) the financial instrument contains one or several embedded derivatives, unless the embedded derivatives do not significantly modify the cash flow of the hybrid instrument or it is clear that separation of the embedded derivatives is prohibited; and (iv) the hybrid instrument contains an embedded instrument, which needs to be separated from its host, but is unable to be measured separately at initial recognition or at the end of subsequent financial reporting period. These financial assets shall be subsequently measured at fair value. The changes in fair value of financial assets at fair value through profit or loss are shall be included in profit and loss from fair value changes; interests or cash dividends gained during holding of the assets shall be recognized as investment income; at the disposal, the difference between the fair value and the initial book value shall be recognized as investment income and gains and losses arising from changes in fair value shall be adjusted at the same time.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount. Receivables are subsequently measured at amortized cost. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

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Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale, and financial assets not identified to other item at the time of initial recognition. In such assets, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost. Investments in equity instruments that have a quoted market price in an active market or fair value can be reliably measured shall be measured at fair value, and the changes in fair value shall be recognized in other comprehensive income. For financial assets that are subsequently measured at fair value, changes in the fair values of available-for-sale financial assets shall be recorded into equity except for impairment losses and foreign exchange gains and losses arising from the transaction of monetary financial assets denominated in foreign currencies. When the financial asset is derecognized, the cumulative changes in fair value previously recognized in equity will be recognized in the income statement. Interests on available-for-sale debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the invested entity on available-for-sale equity instruments shall be recognized as investment income in profit or loss for the period.

2) Recognition basis and measurement method of transfer financial assets

The financial assets meeting one of the following conditions shall be de-recognized:

- ①The contractual rights to receive the cash flow from financial asset expired; ②The financial asset has been transferred substantially all the risks and rewards of ownership of financial assets have been transferred into the transfer-in party by the Company; ③The financial assets have been transferred, although the Company has neither transferred nor retained substantially all the risks and rewards of ownership of financial assets, the Company has gave up the control to the financial assets.

Where the Company does not transfer or retain almost all of the risks and rewards related to the ownership of a financial asset and retained its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize related financial asset and relevant liability accordingly.

If the transfer of a financial asset in its entirety qualifies for derecognition, the difference between the carrying amount of the transferred financial asset and consideration received due to transfer as well as accumulative amount of variation of the fair value that is initially included into the other comprehensive incomes shall be recognized in the current profits and losses.

If the transfer of partial financial asset qualifies for derecognition, the previous carrying amount of the larger financial assets shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. And the difference between the sum of the consideration received in the transfer and the accumulative amount of the changes of the fair value originally recorded in other comprehensive income that shall allocated to the part derecognized and the carrying amount allocated shall be recognized in the current profits and losses.

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3) Test and accounting treatment method for financial asset impairment

Except the financial assets at fair value through profits and losses, the Company would check the carrying amount of other financial asset on the balance sheet date and adjust the loss allowance if there are some objective evidences showing the financial asset suffers from impairment. When there is significant or non-temporary decline in the fair value of an available-for-sale financial asset, the cumulative losses that have been recognized in equity as a result of the decline in the fair value shall be removed from equity and recognized as impairment losses. With regard to the debt instrument investment available for sale, the impairment loss of which has been recognized, if the fair value rises in the subsequent period and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the current profits and losses. With regard to the equity instrument investment available for sale, the impairment loss of which has been recognized, the rise in fair value in the subsequent periods and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the shareholders' equity. The impairment losses for an investment in an equity instrument that do not have quoted market prices in active markets and whose fair value cannot be reliably measured shall not be reversed.

(2) Financial Liabilities

1) Classification, recognition basis and measurement method of financial liabilities

The Company shall, at initial recognition, classify all the financial liabilities into the financial liabilities at fair value through profits or losses and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss at the initial recognition. The profit or loss occurred from change of the fair value and the relevant dividend and interest expenditure of such financial liabilities are recorded into the current profits and losses.

Other financial liabilities, including bonds issued by the Company, accounts payable due to the purchase of goods and long-term payables, are subsequently measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

When all or parts of current obligations of the financial liabilities are extinguished, such financial liabilities or parts of that the obligations shall be de-recognized. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability or part of a financial liability extinguished and consideration paid shall be recognized in profit or loss.

3) Methods of recognition of fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities in the Company shall be measured

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by the price in the principle market and in the absence of a principle market, such assets and liabilities shall be measured by the price in the most advantageous market, and then applicable and sufficient data and valuation techniques supported by other information shall be used. Input values used for measuring the fair value shall be classified into three levels: Level 1 inputs are the unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. The Company gives highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are used for financial assets at fair value through profit or loss, available-for-sale financial assets that have a quoted market price in an active market or fair value can be reliably measured and financial liabilities at fair value through profit or loss. Level 3 inputs are used for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. The hierarchy of fair value measurement is categorised in the same level as the lowest level of the input significant to the fair value measurement in entirety.

11. Bad debt reserve of receivables

The Company assesses the carrying amount of receivables on each balance sheet date. Provision for bad debts is accrued when receivables cannot be collected in expected time because of business shut-down caused by dismiss, bankruptcy, insolvency, deficit cash flows, serious natural disasters, or other conclusive evidences showing that receivables cannot be collected or are not likely to be collected.

Allowance method is used to calculate the possible losses of bad debts and impairment test would be taken at the end of the period separately or assembly, provision for bad debts shall be recognized in profit and loss. For receivables that are proved impossible to collect by conclusive evidence, the Company shall write-off the provision for bad debts after approved and listed as impairment loss.

(1) With individually significant amount and identified separately for bad debts provision

| | |
|---|--|
| Criteria or amount standard for determining whether the individual amount is significant | Regard receivables with an individual amount of over RMB10 million as significant receivables |
| Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed | The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. |

(2) Provision for bad debts identified on Portfolios

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics (account age, transaction object, and nature of payment). The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the similar credit risk characteristics. For aging portfolios, the impairment losses are determined based on aging analysis. For other portfolios, the impairment losses are determined based on credit risk characteristics.

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The ratios of accruals on receivables classified by aging:

| Account age | Ratio of the provision for accounts receivable | Ratio of the provision for other receivables |
|-------------------|--|--|
| Within 1 year | 1% | 1% |
| 1-2 years | 5% | 5% |
| 2-3 years | 15% | 15% |
| 3-4 years | 30% | 30% |
| 4-5 years | 50% | 50% |
| More than 5 years | 100% | 100% |

(3) Individually insignificant amount but identified separately for bad debts provision

| | |
|--|--|
| Reasons for making individual bad debt provision | Receivables with insignificant and bad debt provision drawn by combination not reflecting risk features of the receivables |
| Drawing method for bad debts provision | The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. |

12. Inventories

The inventories of the Company mainly include materials in transit, raw materials, low value consumables, packing materials, consigned processing materials, work in process, finished goods, goods in stock, consigned finished goods, goods shipped in transit, constructions and so on, disclosed at the lower of cost and net realizable value.

Valuation method in obtaining and issuing inventories: the Company adopts the perpetual inventory system and inventories are measured at the actual cost when acquired. Low value consumables and packaging materials are amortized by one-off write-off method. The actual costs of other requisitioned or issued inventories are determined by the weighted average method.

Accumulation and allocation method of production costs: the main business of the Company is roughly divided into production and sales of various types of high-tech and consumer electronics products, undertake a variety of information networks, artificial environment, energy and environmental protection, mechanical and electrical engineering projects, and provide relevant technical support and consulting services. Among them, the costs from a variety of high-tech products are allocated and distributed in accordance with Cost Accounting Process for Industrial Enterprises; while the costs from a variety of projects are allocated and distributed between direct and indirect costs.

Recognition and measurement of inventories and impairment loss: The Company adopts the lower of cost or net realizable value method to value its inventory. On a basis of comprehensive inventory verification, the Company shall assess at the end of each reporting period whether any inventories are impaired, i.e. the carrying amount is not fully recoverable (e.g. because of damage, obsolescence or declining selling prices). If an item of inventory is impaired, the Company shall measure the inventory at its selling price less costs to complete and sell, and to recognize an impairment loss. Inventory impairment provisions for finished goods and bulk raw materials are drawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

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Determination method for net realizable value of inventories: For inventory directly available for sale such as goods in stock, work in process, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling and distribution expenses and relevant taxes; for raw material held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling and distribution expenses, and related taxes. For inventory held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price. If the quantity of inventories held is greater than ordered quantity of the sales contract, the net realizable value of the excessive part shall be calculated based on the general selling price.

13. Long-term equity investments

The Company's long-term equity investments are mainly investments into subsidiaries, associates and joint ventures.

The Company's criterion for joint control is that all parties or group of parties collectively control the arrangement, and decisions about the relative activities of the arrangement require the unanimous consent of parties sharing the control.

Significant influence exists when the Company directly or indirectly holds 20% (included) or more but less than 50% shares with voting rights in investee. If holding less than 20% voting rights, the Company shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body of the investee, participation in financial or operating activities policy-making processes, material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

When control exists over the investee, the investee becomes a subsidiary of the Company. The initial investment cost of long-term equity investment acquired through business combination under common control, is the portion of carrying amount of net assets in the ultimate controller's consolidated financial statements of the acquiree on the combination date. If the carrying amount of net assets of the acquiree on the combination date is negative, the long-term equity investment cost shall be recognized at zero.

If equity of the investee under common control is acquired by stages, and business combination incurs in the end, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transactions belong to "package deal". If the transactions do not belong to "package deal", the share of carrying amount of shareholders' equity of the acquiree in consolidated financial statements of the ultimate controlling party on the date of acquisition shall be deemed as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the sum of the carrying amount of long-term equity investment prior to the business combination plus the carrying amount of newly paid consideration for further shares acquired on the date of acquisition shall be adjusted in capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

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For long-term equity investment acquired through business combination under different control, consolidated cost shall be recognized as initial investment cost.

If equity of the invested entity under different control is acquired by stages, which results in business combination, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transaction belongs to “package deal”. If it does not belong to “package deal”, the original carrying amount of equity investment plus newly increased investment costs are taken as the initial investment costs of long-term equity investment under cost method. If the equity investment is held under equity method before the purchase date, other comprehensive incomes calculated under equity method shall not be adjusted. When disposing of the investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Where the equity held prior to the purchase date as available-for-sale financial assets under fair value model, the accumulative change of the fair value originally included into other comprehensive income shall be transferred into investment income/loss for the period.

Apart from long-term equity investment acquired through business combination mentioned above, the cost of investment for those acquired by cash is the amount of cash actually paid; for those acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For those acquired through non-monetary assets exchange, the investment cost shall be determined according to “Accounting Standard for Business Enterprises No.7 - Non-monetary assets exchange”; for those acquired through debt restructuring, the investment cost shall be determined according to “Accounting Standard for Business Enterprises No.12 - Debt Restructuring”.

The Company uses the cost method to calculate investments in subsidiaries and equity method for investments in associates and joint ventures.

For long-term equity investment subsequently measured under cost method, the cost of long-term equity investment shall be adjusted when adding or withdrawing investment. Cash dividend or profit declared by the investee shall be recognized as investment income for the period.

Long-term equity investments subsequently measured under the equity method shall be adjusted for the carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee’s net profits or losses according to the shareholding attributable to the entity, which is based on the fair value of the investee’s individual identifiable assets at the acquisition date, and after making appropriate adjustments in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures.

For the disposal of long-term equity investment, the difference between the carrying amount and consideration actually received shall be recognized in income for the period. For the long-term equity investment calculated under equity method, the changes of shareholder’s equity, other than the net profit or loss of the investee company, previously recorded in the shareholder’s equity of the Company shall be transferred into investment income/loss for the period of disposal.

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For losing of joint control or significant influence in the investee due to disposal of partial equity investment or other reasons, the remaining equity investment shall be changed to be accounted for as available-for-sale financial assets, and the difference between the fair value and carrying amount of remaining equity investment at the date of losing the joint control or significant influence shall be recognized in the profit and loss for the period. For other comprehensive incomes recognized from previous equity investment under the equity method shall be accounted for on the same basis as that adopted by the investee for directly disposing related assets or liabilities when stop use the equity method.

For losing control of invested unit due to disposal of partial long-term equity investment, the remaining equity investment, if capable of realizing joint control or applying significant influence in investee, will be changed to the equity method for calculation, the difference between carrying amount of disposed investment and consideration received shall be recognized as investment income, and the remianing investment shall be adjusted accordingly as if it was calculated by the equity method since acquisition. The remianing investment after disposal, if unable to realize joint control or apply significant influence on investee, shall be changed to accounting treatment based on related regulations of available-for-sale financial assets, the difference between carrying amount of disposed and consideration shall be recognized as investment income, and the difference between the fair value and carrying amount of the remaining investment on the date of losing control shall be recognized in profit and loss for the period.

If the Company loses its control through partially disposal of investment by stages and it's not a package deal, the Company shall account for all transactions separately. Any transaction categorized as package deal shall be recognized as one transaction for subsidiary disposal and loss of controlling power. However, before losing control, the difference between the disposal consideration and carrying amount of long-term equity investment disposed which arises from each individual transaction shall be recognized as other comprehensive income until being transferred into profit and loss for the period by the time of losing control.

14. Fixed asset

The Company's fixed assets refer to tangible assets held for use in the production or supply of goods and services, for rental to others (not include rental of premises and buildings), or for administrative purposes and expected to be used during more than one year.

Fixed assets include buildings, equipment and vehicles. Fixed assets shall be initially measured at their actual cost at the date of acquisition. the cost of acquired fixed assets includes the purchase price, value-added tax, import duties, other relevant taxes and other necessary expenditures directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management; the cost of self-constructed assets consists of the necessary expenses for constructing the assets to the expected conditions for use; the fixed assets invested by investors shall be taken as entry value as per the value agreed in the investment contract or agreement; however, if the value agreed in the contract or agreement is not fair, it shall be accounted as fair value; for the fixed assets for financial lease, it shall be recognized at the lower of the fair value of leased assets on the lease commencement date and the present value of minimum leasing payment.

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Except for the fixed assets fully depreciated but still in use, the Company calculates depreciation for all fixed assets. Straight line method shall be adopted for calculating depreciation of fixed assets. Depreciation rates based on the category, useful life, residual value (residual value rate is 3-5%) of fixed assets listed as follows:

| Type of asset | Depreciation period | Annual depreciation rate |
|---------------|---------------------|--------------------------|
| Building | 30-50 years | 2.11-3.23% |
| Equipment | 5-10 years | 9.50-19.40% |
| Vehicles | 10 years | 9.50-9.70% |

Treatment for subsequent cost of fixed assets: the subsequent costs that are related to fixed assets, including replacement or reformation expenditure and repairing expenditure, which shall be recognized in the cost of fixed assets if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent costs can be measured reliably. The carrying amount of replaced parts shall be de-recognized, and the expenditures which do not conform to the recognition conditions of fixed assets shall be included in current profits and losses when occurred.

On each balance sheet date, the Company will recheck and properly adjust the service life, expected net salvage value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

The carrying amount of the property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from selling, transferring, discarding or damaging of fixed assets shall be recognized in profit and loss after deducting relevant taxes.

15. Construction in Progress

Construction in progress shall be measured according to the actual cost. Self operated projects shall be measured at direct material, direct salary, direct construction cost, etc.; contracted projects shall be measured at payable project cost, etc.; and the cost of equipment installation works shall be determined according to value of installed equipment, installation cost, commissioning expenditure, etc. Costs of projects under construction also include borrowing costs that should be capitalized.

Since the date when the construction in progress reach the expected conditions for use, the projects shall be reclassified into fixed assets based on the estimated value according to project budget, construction cost or actual cost, and depreciation shall be withdrawn from the next month. The original value difference of fixed assets shall be adjusted after the completion and settlement.

16. Borrowing costs

Recognition principles of capitalization of borrowing costs: Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of the asset. Other borrowing costs are shall be recognized as expense in profit or loss when they are incurred. The assets in compliance with capitalization conditions refer to the fixed assets, intangible assets and inventory that necessarily takes a

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substantial period of time (usually referred as more than one year) to get ready for its intended use or sale.

Capitalization period of borrowing costs: the company shall begin capitalising borrowing costs as part of the cost of a qualifying asset when the expenditures for the asset have been incurred, borrowing costs have been incurred and activities that are necessary to prepare the asset for its intended use or sale have been undertaken. Where the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the construction or production events of asset begin again. When the qualifying asset under acquisition, construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Calculation method of capitalization amount of borrowing costs: where funds are borrowed specifically for the purpose of acquisition, construction or production of a qualifying asset, the amount of the actual borrowing costs incurred on that borrowing during the period less any interest income earned from depositing the remaining borrowed funds or investment income on the temporary investment of those borrowings shall be capitalized. To the extent that the Company borrows funds generally and uses them for purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

17. Intangible assets

Intangible assets of the Company mainly included land use rights, house use rights, patents and proprietary technology, franchises, trademarks, software and so on. Acquired Intangible assets shall be measured initially at cost as per actually paid amount and other relevant expenditures. Intangible assets invested by investors shall be confirmed as actual cost as per value as defined in the investment contract or agreement; however, if the value as defined in the investment contract or agreement is not fair, its actual cost shall be confirmed as per fair value.

Land use right of the Company shall be amortized evenly within the amortization period since the remised date Patents and proprietary technology, software and other intangible assets of the Company shall be amortized evenly over the shortest of their estimated useful life, contractual beneficial period and the useful life specified in the law. The amortized amounts shall be recognized in profit or loss or relevant asset costs according to beneficiaries.

The useful life and the amortization method of intangible assets with finite useful life shall be reviewed at the end of each year and an adjustment shall be made if there is a change. The Company shall review the expected useful life of intangible assets with indefinite useful life in each accounting period. If any evidences indicate that the useful life of intangible assets is finite, the useful life shall be estimated and amortized within the finite useful life.

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The expenditures for internal research & development projects are classified into research phase and development phase according to natures of the expenditures and whether a great uncertainty lies in the conversion of the R&D activities into intangible assets.

For internally generated intangible asset, the expenditures in research phase shall be included in the current profits and losses when they are incurred; and the expenditures in development phase which meet the following conditions shall be recognized as an intangible asset:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) there is the intention to complete the intangible asset and use or sell it;
- (3) there is a market for the output of the intangible assets or a market for the intangible assets itself;
- (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (5) the expenditures attributable to the intangible assets in development phase can be measured reliably.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when they are incurred. The expenditures for development stage which have been included in profits and losses cannot be recognized as assets later. The capitalized expenditures for development stage are included in the balance sheet as development expenditures and are converted into intangible assets upon the date when the R&D project is ready for its intended use.

18. Impairment of non-current assets

The Company shall assess at the end of each reporting period whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life of subsidiaries, joint ventures and associates may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. For the intangible assets with an indefinite useful life and goodwill, irrespective of whether there is any indication of impairment, the Company shall test for impairment annually. If it is not possible to estimate the recoverable amount of an individual asset, the Company shall test impairment based on asset group or asset group combination.

If the impairment test shows that the carrying amount of the assets is greater than its recoverable value, the difference between the two is recognized as loss from impairment. Such loss from impairment, once recognized, shall not be reversed in later accounting period. The recoverable amount of assets is the net amount of fair value of assets deducting disposal fees, or present value of expected future cash flow of the assets, whichever is higher.

Indications of possible asset impairments are as follows:

- (1) The current market price of an asset has declined during the period significantly more than would be expected as a result of the passage of time or normal use;

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(2) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

(3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

(4) Evidence is available of obsolescence or physical damage of an asset ;

(5) The asset becoming idle, plans to discontinue and plans to dispose of an asset before the previously expected date ;

(6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow created by an asset or business profit (or loss) realized (incurred) an asset is lower (higher) than the excepted amount, etc.;

(7) Other evidence that indicates that asset impairment has probably occurred.

19. Long-term deferred expenses

Long-term deferred expense is expense that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses shall be amortized evenly over the beneficial period. If long-term deferred expenses cannot benefit the future accounting periods, the residual value shall be transferred into current profit or loss.

20. Employee benefits

Employee benefits of the Company include short-term employee benefits, post-employment benefits and termination benefits and other long-term benefits.

Short-term employee benefits mainly include salaries, bonuses, allowances and subsidies, employee welfare expenses, housing fund, labor union expenditure, personnel education funds and medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurances. During the accounting period when the employees render the related services, the actual amount of short-term employee benefits expected to be paid shall be recognized as a liability, and included in current profits and losses or relevant cost of assets based on different beneficiaries.

Post-employment benefits include basic pension scheme, unemployment insurance, supplementary pension etc. Depending on the obligation and risk borne by the company, post employment benefit can be classified into defined contribution plan. For the defined contribution plan, at the end of the accounting period, a liability shall be recognized based on the contributed amount paid into a separate entity in exchange for the employee's services rendered in the period and it shall be recorded in current profits and losses or relevant cost of assets in according with the beneficiaries.

Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment before the expiration of the labor contract between the Company and the employee. The Company shall recognize a liability and expense for termination benefits at

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the earlier of the following dates: a) when the Company cannot withdraw the offer of dismissal welfare because of an employment termination plan or a curtailment proposal; or b) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall recognize the present value of the termination benefits in current profit and loss.

Other long-term benefits include long-term incentive schemes and long-term benefits. These benefits are accounted for in accordance with the requirements relating to defined contribution plan.

21. Provisions

Where the business related to external guarantee, pending litigations or arbitrations, product warranties, layoff plan, onerous contract, restructuring obligation, environmental pollution remediation, commitment, fixed assets disposal obligations etc. meets the following conditions, the Company shall recognize it as liabilities: current obligation borne by the Company; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Provisions are initially measured at the best estimate of expenditure required to settle the relevant present obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the best estimate shall be the present value of relevant future cash outflows. The carrying amount of the provisions shall be reviewed at the end of each reporting period and adjusted (if any change) to reflect current best estimate.

For possible obligation that arised from past transactions or events, its existence and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events; or a present obligation that arised from past transactions or events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, the Company shall disclose the possible obligation or present obligation as contingent liability.

22. Recognition principles and measurement methods of revenue

The operating income of the Company is mainly derived from sale of goods, rendering of services, alienating the right of use assets, construction contracts and Build-Operate-Transfer (BOT). When economic benefits related to transaction can flow into the Company, and relevant revenue can be measured reliably and meet the recognition criteria of special revenue of the following various operating activities, relevant revenue can be recognized.

(1) Sale of goods

The revenue from the sale of goods shall be recognized under the following conditions: all the significant risks and rewards of ownership of the goods have been transferred to the buyer; and neither continuing managerial involvement to the degree usually related to the ownership nor effective control over the goods sold is retained; relevant economic benefits will flow to the company; the amount of revenue can be measured reliably and relevant costs incurred or to be

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incurred in respect of the transaction can be measured reliably.

(2) Rendering of services

If a transaction involving rendering of services is started and completed in the same year, the revenue of labor service associated with the transaction shall be recognized upon completion. If the rendering of services is started and completed in different year, and if the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction involving rendering services, revenue associate with the transaction shall be recognized by reference to the percentage-of-completion method. If an enterprise can not, on the date of the balance sheet, measure the result of a transaction concerning the rendering of services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

- 1)** If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount;
- 2)** If the cost of labor services incurred is not expected to be fully compensated, the revenues from providing labor services are recognized in accordance with the amount received or expected to be received, and the cost of labor services incurred is carried forward. If the revenue recognized is lower than the cost of labor services incurred, the difference shall be recognized in profit and loss for current period;
- 3)** If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services shall be recognized.

(3) Revenue from alienating the right of use assets

The revenue from alienating the right of use assets can be recognized when the economic benefits related to transaction can flow into the Company and the amount of revenue can be measured reliably.

- 1)** The amount of interest income shall be measured and confirmed in accordance with the time and actual interest rate of monetary capital used by other party;
 - 2)** The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement;
 - 3)** The amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term.
- (4)** If the outcome of a construction contract can be estimated in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. If the outcome of a construction contract cannot be estimated in a reliable way, and if the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period when they are incurred; If the contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized. If the expected total contract costs exceed the total contract revenue, the expected loss shall be recognized as a current expense.

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(5) The principle of recognition of income from participation in public infrastructure construction by means of Build - Operate - Transfer (BOT) is as follows:

1) The Company conducts its public infrastructure construction business using the Build-operate-transfer (BOT) method. If the project company had not provided actual construction services but contracted the infrastructure construction out to other parties, construction service revenue shall not be recognized but shall be recognized as financial assets or intangible assets according to the projects costs paid in construction process and considering the contract provisions. Where the contract stipulates that within certain period after the completion of infrastructures, and the project company may unconditionally collect certain amount of monetary fund or financial assets from the contract awarding party, or when the fees of operating services provided by project company are lower than certain limited amount, and the awarding party shall make price difference compensation for project company as stipulated in the contract, and recognized as financial asset. If the fees are uncertain, it shall be recognized as intangible asset.

2) Operating income from BOT projects after the completion of the project shall be recognized depends on two different circumstances: for projects in which franchising is recorded as intangible assets, all the income during the operation period shall be recognized as operating income. For projects that are paid by the government rather than directly by the service receivers in the form of a service fee, it shall be recorded as financial assets, the operating income shall be determined based on reasonable costs and ROI. The interest income from the financial assets shall be recorded as investment income, by applying the actual interest rate to the amortized cost of the long-term receivables.

3) Any predicted expense to be paid by the Company in line with terms of contract to maintain the certain service capacity of infrastructure or to maintain the certain usability status prior to handing over to the contract awarding party of the infrastructure shall be subject to the provisions in the Accounting Standard for Enterprise No. 13 - Contingencies.

4) For fees that shall be treated as daily maintenance and management fees according to related service agreement, it shall be directly included in the profit or loss during the provision of services. If it is determined that the Company can receive or receive compensation related to maintenance and management from Government, the revenue shall be treated as operating income during the provision of services, with the relevant cost ratio.

5) In some cases, the infrastructure that the Company has built for the purpose of service agreement or purchased from third parties, or existing infrastructure provided by the contractor to the Company for the purpose of the service agreement, shall be subject to the aforesaid BOT business principles.

23. Government Grants

The government Grants shall be recognized when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the subsidy will be received. As the monetary government Grants, it shall be measured based on the actually received amounts; the grants made on the basis of fixed amounts shall be measured at the amount receivable. As the non-monetary government Grants, it shall be measured at fair value.

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Asset-related government grants shall be recognized as deferred income, and shall be recognized in profit or loss on a systematic basis over the useful life of related assets. Income-related government grants used to compensate for related expenses or losses to be incurred in subsequent periods shall be recognized as deferred income and it shall be included in profits and losses when the related expenses are incurred; for those relating to compensation for related expenses or losses already incurred shall be included in current profits and losses directly.

24. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Company shall be recognized by calculating the difference (temporary difference) between the tax base of an asset or liability and its carrying amount. As specified by tax laws, a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax liabilities shall be not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax assets and deferred tax liabilities shall be not recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). On balance sheet date deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

A deferred tax asset shall be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, tax losses and tax credit can be utilised.

25. Lease

Lease can be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an underlying asset. Other leases are operating lease.

The rental income or expenses of operating leases shall be recognized in the relevant asset costs or in the profits and losses in accordance with the straight-line method over each period of the lease term.

The Company shall recognize assets held under a financial lease in its balance sheet at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The balance between the entering value of leased assets and the minimum lease payment shall be deemed unrecognized finance charges, and amortized using the effective interest method over the lease term. The balance of the minimum lease payments after deducting unrecognized finance charges shall be presented as long-term payables.

26. Significant changes of accounting policy and accounting estimate

(1) Changes in significant accounting policies

There were no changes in significant accounting policies this year.

(2) Changes in significant accounting estimates

There were no changes in significant accounting estimates this year.

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V. Taxes

Main taxes and rates

1. Company income tax

Except for the following companies, the income tax rate applicable to all domestic subsidiaries of the Company is 25%.

(1) Pursuant to “Management Measures for High - tech Enterprises” (Ref. No.: Guo Ke Fa Huo [2016] 32), “Notice of the Key Software Enterprises and Integrated Circuit Design Enterprises Covered by the 2013 - 2014 National Planning Layout Scheme” (Ref. No.: Fa Gai Gao Ji [2013] 2458) issued by the National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Commerce and State Administration of Taxation, and “Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries” (Ref. No.: Cai Shui [2012] 27), relevant domestic subsidiaries enjoy tax benefits as follows:

| Name | Preferential tax rate | Reason |
|---|-----------------------|---|
| Tsinghua Tongfang Co., Ltd. | 15% | High-tech enterprises |
| TsingHua TongFang Artificial Environment Co., Ltd. | 15% | High-tech enterprises |
| Nuctech Company Limited. | 15% | High-tech enterprises |
| Tongfang Knowledge Network Technology Co., Ltd. (Beijing) | 15% | High-tech enterprises |
| Tongfang Knowledge Network Digital Publishing Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Compact Disc Co., Ltd. | 15% | High-tech enterprises |
| Tongfang Health Technology (Beijing) Co., Ltd. | 15% | High-tech enterprises |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Software Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 15% | High-tech enterprises |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 15% | High-tech enterprises |
| Tongfang R.I.A Company Limited | 15% | High-tech enterprises |
| Tongfang Industry Co., Ltd. | 15% | High-tech enterprises |
| Beijing ERENEBEN Information Technology Co., Ltd. | 15% | High-tech enterprises, software enterprisee |

(2) The income tax rate of offshore subsidiaries during the reporting period are as follows:

| Unit name | Tax rate |
|--|----------|
| Resuccess Investments Limited | 0% |
| Technovator International Limited | 17% |
| Tongfang Optoelectronic (HK) Limited | 16.50% |
| Tongfang HongKong Limited | 16.50% |
| Tongfang Global Limited | 16.50% |
| THTF USA, Inc. | 31% |
| Tongfang Asia Pacific (R&D Center) Pte. Ltd. | 17% |

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2. Value-Added Tax (VAT)

The sales of goods, rendering of processing and repair service are applicable to VAT, domestic output tax rate is 17%.

Pursuant to the “Circular on Taxation Policies for Value-added Tax Reform in the Industry of Transport and Certain Modern Services” (Ref. No.: Cai Shui [2013] 37) issued by the Ministry of Finance and the State Administration of Taxation, the rendering of research & development and technical services, information technology services, cultural and creative services, forensic advisory services and other modern service operated by the Company are applicable to VAT, and the tax rate is 6%.

Pursuant to “Circular on comprehensively pushing off the pilot projects for replacing the Business Tax with a Value-Added Tax” (Ref. No.Cai Shui [2016] 36) issued by the Ministry of Finance and the State Administration of Taxation, since 1 May 2016, the incomes of the Company which operate in construction service (mainly engineering and installation services), real estate leasing service, real estate sales and land use rights transfer are applicable to VAT. The output tax rate is 11% if general tax calculation method is applied; the tax rate is 3% or 5% if simplified tax calculation method is applied. Interest income is applicable to the tax rate of 6%.

VAT payable is the balance of the output VAT after deducting the input VAT. The input VAT paid refund for exporting products can be claimed for.

3. Business tax

From January to April of 2016, the construction services (mainly engineering and installation services) applied a 3% business tax rate; the real estate leasing, real estate sales and land use rights transfer applied a 5% business tax rate.

4. City maintenance and construction tax and education surcharges

The Company’s city maintenance and construction tax and education surcharges are calculated based on the payable VAT and business tax with a tax rate of 1-7% and 3% respectively. Tax rate for local education surcharge is 2%.

5. Property tax

Property tax of the Company’s own property is calculated based on 70% of the original property value with a tax rate of 1.2%.

Property tax of the Company’s rental property is calculated based on rental price of the property with a tax rate of 12%.

6. Other taxes

The other taxes applicable are calculated in accordance with relevant state regulations.

VI. Notes to main items in consolidated financial statements

Unless especially noted, among the following disclosed data in the financial statement, “beginning of the year” refers to 1 January 2016; “end of the year” refers to 31 December 2016; “current year” refers to from 1 January to 31 December 2016; “previous year” refers to from 1 January to 31 December 2015; and monetary unit is RMB.

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1. Cash at bank and on hand

| Item | Closing balance | Opening balance |
|--|--------------------------|-------------------------|
| Cash on hand | 10,596,075.47 | 8,998,325.07 |
| Bank deposits | 10,727,484,746.96 | 9,596,645,056.04 |
| Other cash balances | 220,099,299.10 | 253,919,150.49 |
| Total | 10,958,180,121.53 | 9,859,562,531.60 |
| Including: total amount deposited abroad | 1,982,628,056.68 | 1,989,964,563.21 |

As at 31 December 2016, restricted cash at bank and on hand amounted to RMB 173,750,079.83.

2. Financial assets at fair value through profit or loss

| Item | Closing balance | Opening balance |
|---|-----------------------|-------------------------|
| Financial assets held for trading | 126,425,852.01 | 138,887,759.80 |
| Including: equity instruments investment | 126,425,852.01 | 138,887,759.80 |
| Designated as financial assets at fair value through profit or loss | 738,568,901.08 | 1,094,799,254.35 |
| Including: equity instruments investment | 738,568,901.08 | 1,094,799,254.35 |
| Total | 864,994,753.09 | 1,233,687,014.15 |

3. Notes receivable

| Item | Closing balance | Opening balance |
|-----------------------------|----------------------|-----------------------|
| Bank acceptance notes | 79,713,872.86 | 137,376,849.00 |
| Commercial acceptance notes | 9,310,627.43 | 148,095,744.45 |
| Total | 89,024,500.29 | 285,472,593.45 |

4. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|-------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision Ratio | Carrying amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 72,741,362.85 | 0.89% | 72,741,362.85 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 8,086,551,660.76 | 98.44% | 970,819,516.59 | 12.01% | 7,115,732,144.17 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 54,891,050.27 | 0.67% | 54,891,050.27 | 100.00% | 0.00 |
| Total | 8,214,184,073.88 | 100.00% | 1,098,451,929.71 | 13.37% | 7,115,732,144.17 |

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From 1 January 2016 to 31 December 2016

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(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 8,851,866,785.93 | 99.19% | 843,819,969.11 | 9.53% | 8,008,046,816.82 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 72,664,520.62 | 0.81% | 72,664,520.62 | 100.00% | 0.00 |
| Total | 8,924,531,306.55 | 100.00% | 916,484,489.73 | 10.27% | 8,008,046,816.82 |

1) Receivables with individual significant amount and identified separately for bad debt provision

| Unit name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|-------------------------------------|
| China Broadcasting Communication Group Co., Ltd. | 72,741,362.85 | 72,741,362.85 | 100.00% | Amount expected cannot be recovered |
| Total | 72,741,362.85 | 72,741,362.85 | 100.00% | — |

2) Aging portfolios

| Account age | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Accounts receivable | % of total amount | Provision for bad debt |
| Within 1 year | 5,465,078,198.48 | 67.58% | 54,650,781.98 |
| 1-2 years | 985,306,783.94 | 12.18% | 49,265,339.20 |
| 2-3 years | 344,485,000.94 | 4.26% | 51,672,750.14 |
| 3-4 years | 579,687,921.17 | 7.17% | 173,906,376.35 |
| 4-5 years | 141,338,974.63 | 1.75% | 70,669,487.32 |
| More than 5 years | 570,654,781.60 | 7.06% | 570,654,781.60 |
| Total | 8,086,551,660.76 | 100.00% | 970,819,516.59 |

3) Receivables with individual insignificant amount and identified separately for bad debt provision

| Unit name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|----------------------------|
| 98 companies including Yangzhou City Lighting Management Office etc. | 54,891,050.27 | 54,891,050.27 | 100.00% | Amount cannot be recovered |
| Total | 54,891,050.27 | 54,891,050.27 | 100.00% | — |

(2) The top 5 largest accounts receivable at the end of the year is RMB 1,614,453,578.01, making up of 19.65% of the total balance, provision for bad debts at the end of the year is RMB 150,189,930.72.

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5. Prepayments

(1) Age of prepayment

| Item | Closing balance | | Opening balance | |
|-------------------|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | % of total amount | Amount | % of total amount |
| Within 1 year | 649,253,822.52 | 61.80% | 848,777,177.63 | 70.54% |
| 1-2 years | 192,881,972.19 | 18.36% | 197,144,174.97 | 16.38% |
| 2-3 years | 126,565,288.47 | 12.05% | 79,500,201.38 | 6.61% |
| More than 3 years | 81,856,444.27 | 7.79% | 77,852,337.81 | 6.47% |
| Total | 1,050,557,527.45 | 100.00% | 1,203,273,891.79 | 100.00% |

(2) The top 5 largest prepayments at the end of the year is RMB 169,511,727.17, making up of 16.14% of the total balance.

6. Dividends receivable

| Invested entity | Closing balance | Opening balance |
|--|----------------------|-----------------------|
| Tongfang Environment Co., Ltd. | 16,813,440.00 | 0.00 |
| Advanced Systems Development Co., Ltd. | 3,964,000.00 | 17,068,000.00 |
| Sinopec mixed ownership reform asset management plan | 1,263,673.97 | 0.00 |
| Tongfang Investment Co., Ltd. | 0.00 | 90,909,090.91 |
| Total | 22,041,113.97 | 107,977,090.91 |

7. Other receivables

(1) Classification of other receivables

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 44,859,905.21 | 2.79% | 44,859,905.21 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,560,898,984.71 | 97.21% | 289,239,322.59 | 18.53% | 1,271,659,662.12 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 1,605,758,889.92 | 100.00% | 334,099,227.80 | 20.81% | 1,271,659,662.12 |

(Continued)

| Type | Opening balance | | | | |
|---|-----------------|-------------------|------------------------|-----------------|-----------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 45,325,348.76 | 3.54% | 45,325,348.76 | 100.00% | 0.00 |

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| Type | Opening balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-----------------------|
| | Book balance | % of total amount | Provision for bad debt | Provision ratio | Carrying amount |
| Amount | | Amount | | | |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,230,551,197.59 | 96.28% | 277,154,517.47 | 22.52% | 953,396,680.12 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 2,263,560.94 | 0.18% | 1,806,046.89 | 79.79% | 457,514.05 |
| Total | 1,278,140,107.29 | 100.00% | 324,285,913.12 | 25.37% | 953,854,194.17 |

1) Other account receivables with individual significant amount and identified separately for bad debt provision

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|------------------------|
| Qinzhou City Tongfang Hechen Precision Electronic Technology Co., Ltd. | 44,859,905.21 | 44,859,905.21 | 100.00% | Abnormal credit record |
| Total | 44,859,905.21 | 44,859,905.21 | 100.00% | — |

2) Aging portfolios

| Items | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Other receivables | % of total amount | Provision for bad debt |
| Within 1 year | 951,540,975.41 | 60.96% | 9,515,409.75 |
| 1-2 years | 210,891,468.85 | 13.51% | 10,544,573.44 |
| 2-3 years | 90,436,155.71 | 5.79% | 13,565,423.36 |
| 3-4 years | 68,025,532.38 | 4.36% | 20,407,659.71 |
| 4-5 years | 9,597,192.06 | 0.62% | 4,798,596.03 |
| More than 5 years | 230,407,660.30 | 14.76% | 230,407,660.30 |
| Total | 1,560,898,984.71 | 100.00% | 289,239,322.59 |

(2) Classification of other receivables by nature

| Nature | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Equity transfer price | 703,583,802.73 | 107,612,062.90 |
| Guarantee deposit and security deposit | 412,000,089.40 | 372,304,299.75 |
| Intercourse funds | 319,678,616.28 | 415,744,836.95 |
| Petty cash | 97,555,781.08 | 119,637,436.19 |
| Payments for other entities | 34,440,208.55 | 59,678,552.83 |
| Tax refund, export tax rebate | 5,012,746.41 | 17,693,335.78 |
| Prepaid taxes | 0.00 | 55,335,031.82 |
| Energy-saving appliances subsidies | 0.00 | 21,883,831.00 |
| Subsidies receivable | 0.00 | 66,900,000.00 |
| Others | 33,487,645.47 | 41,350,720.07 |
| Total | 1,605,758,889.92 | 1,278,140,107.29 |

(3) The top 5 largest other receivables at the end of the year is RMB 794,758,742.21, making up of 49.49% of the total balance, provision for bad debts at the end of the year is RMB 69,497,839.44.

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8. Inventories

(1) Classifications of inventories

| Item | Closing balance | | | Opening balance | | |
|--------------------------------|--------------------------|---|-------------------------|--------------------------|---|-------------------------|
| | Book balance | Provision for decline in the value of inventories | Carrying amount | Book balance | Provision for decline in the value of inventories | Carrying amount |
| | | | | | | |
| Goods in stock | 2,416,529,031.58 | 224,356,787.50 | 2,192,172,244.08 | 3,218,789,547.37 | 365,362,979.91 | 2,853,426,567.46 |
| Work in process | 2,411,469,756.46 | 239,810,687.76 | 2,171,659,068.70 | 2,193,967,061.81 | 246,450,665.44 | 1,947,516,396.37 |
| Raw materials | 2,336,043,664.41 | 119,427,866.66 | 2,216,615,797.75 | 2,177,147,301.40 | 104,463,852.68 | 2,072,683,448.72 |
| Constructions | 1,408,929,926.81 | 61,087,462.95 | 1,347,842,463.86 | 1,222,211,560.93 | 61,919,628.24 | 1,160,291,932.69 |
| Goods shipped in transit | 1,332,320,851.33 | 98,575,943.42 | 1,233,744,907.91 | 1,006,262,033.01 | 54,648,024.70 | 951,614,008.31 |
| Consigned processing materials | 75,915,831.56 | 176,888.99 | 75,738,942.57 | 107,688,911.99 | 176,888.99 | 107,512,023.00 |
| Materials in transit | 17,374,015.73 | 0.00 | 17,374,015.73 | 73,747,967.39 | 0.00 | 73,747,967.39 |
| Low value consumables | 1,460,887.91 | 219,562.49 | 1,241,325.42 | 1,581,983.27 | 219,562.49 | 1,362,420.78 |
| Packing materials | 133,172.62 | 117,210.58 | 15,962.04 | 224,174.15 | 4,071.44 | 220,102.71 |
| Goods on consignment | 167,203.56 | 167,203.56 | 0.00 | 167,203.56 | 167,203.56 | 0.00 |
| Total | 10,000,344,341.97 | 743,939,613.91 | 9,256,404,728.06 | 10,001,787,744.88 | 833,412,877.45 | 9,168,374,867.43 |

(2) Provision for decline in the value of inventories

| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|--------------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|-----------------------|
| | | Provision | Other | Reversal | Write-off | |
| Goods in stock | 365,362,979.91 | 75,830,850.17 | 234,904.12 | 0.00 | 217,071,946.70 | 224,356,787.50 |
| Work in process | 246,450,665.44 | 26,139,399.16 | 5,857,344.47 | 0.00 | 38,636,721.31 | 239,810,687.76 |
| Raw materials | 104,463,852.68 | 15,195,656.67 | 3,181,078.45 | 0.00 | 3,412,721.14 | 119,427,866.66 |
| Constructions | 61,919,628.24 | 480,743.66 | 0.00 | 0.00 | 1,312,908.95 | 61,087,462.95 |
| Goods shipped in transit | 54,648,024.70 | 43,948,029.23 | 0.00 | 0.00 | 20,110.51 | 98,575,943.42 |
| Consigned processing materials | 176,888.99 | 0.00 | 0.00 | 0.00 | 0.00 | 176,888.99 |
| Low value consumables | 219,562.49 | 0.00 | 0.00 | 0.00 | 0.00 | 219,562.49 |
| Packing materials | 4,071.44 | 113,139.14 | 0.00 | 0.00 | 0.00 | 117,210.58 |
| Goods on consignment | 167,203.56 | 0.00 | 0.00 | 0.00 | 0.00 | 167,203.56 |
| Total | 833,412,877.45 | 161,707,818.03 | 9,273,327.04 | 0.00 | 260,454,408.61 | 743,939,613.91 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

9. Other current assets

| Item | Closing balance | Opening balance |
|-------------------------------------|-------------------------|-----------------|
| Available-for-sale financial assets | 2,348,858,900.00 | 0.00 |
| Prepaid taxes | 512,263,281.80 | 0.00 |
| VAT deductible | 235,764,867.20 | 0.00 |
| Total | 3,096,887,049.00 | 0.00 |

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Item | Closing balance | | | Opening balance | | |
|---------------------------------------|-------------------------|--------------------------------|-------------------------|-----------------------|--------------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Available-for-sale equity instruments | 3,024,056,658.61 | 3,477,840.83 | 3,020,578,817.78 | 161,678,330.46 | 3,463,285.71 | 158,215,044.75 |
| Including: Measured at fair value | 2,921,915,246.99 | 0.00 | 2,921,915,246.99 | 76,326,004.13 | 0.00 | 76,326,004.13 |
| Measured at historical cost | 102,141,411.62 | 3,477,840.83 | 98,663,570.79 | 85,352,326.33 | 3,463,285.71 | 81,889,040.62 |
| Total | 3,024,056,658.61 | 3,477,840.83 | 3,020,578,817.78 | 161,678,330.46 | 3,463,285.71 | 158,215,044.75 |

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

| Item | Available-for-sale equity instruments |
|---|---------------------------------------|
| Cost of equity instrument | 2,429,691,323.67 |
| Fair value | 2,921,915,246.99 |
| Amount of changes in fair value accumulatively included in other comprehensive income | 492,223,923.32 |
| Amount of impairment provision provided | 0.00 |

(3) Available-for-sale financial assets measured at historical cost at the end of the year

| Investee | Book balance | | | Closing balance | Shareholding ratio in investee | Cash dividends in current year |
|---|-----------------|----------------------------|----------------------------|-----------------|--------------------------------|--------------------------------|
| | Opening balance | Increase in current period | Decrease in current period | | | |
| Shenzhen Hymson Laser Science & TechnologyCo., Ltd. | 0.00 | 20,000,000.00 | 0.00 | 20,000,000.00 | 4.00% | 0.00 |
| Legend Silicon Corp. | 18,404,728.00 | 0.00 | 0.00 | 18,404,728.00 | 3.56% | 0.00 |
| China Investment & Credit Guaranty Co., Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 1.00% | 0.00 |
| Tsinghua Agriculture Co., Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 5.00% | 0.00 |
| National Engineering Lab. For DTV(Beijing) | 6,250,000.00 | 0.00 | 0.00 | 6,250,000.00 | 12.50% | 0.00 |
| Asqella Oy | 0.00 | 5,817,335.79 | 0.00 | 5,817,335.79 | 7.50% | 0.00 |
| Beijing Science Park Zhidi Co., Ltd. | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 1.00% | 0.00 |
| Wuhan International Conference & Exhibition Center | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 2.21% | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Book balance | | | Shareholding ratio in investee | Cash dividends in current year |
|---|----------------------|----------------------------|----------------------------|--------------------------------|--------------------------------|
| | Opening balance | Increase in current period | Decrease in current period | | |
| Chongqing Three Gorges Bank Co., Ltd. | 0.00 | 3,720,000.00 | 0.00 | 3,720,000.00 | 0.04% |
| Guangdong New Light Source Industry Innovation Center of Nanhai District of Foshan City | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 4.76% |
| Beijing Zhongtie Yipin Tourist Information Service Co., Ltd. | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 10.00% |
| Jiangxi Wan Defu Tape Co., Ltd. | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 | 35.00% |
| Beijing Gaoxiao Innovation Co., Ltd. | 2,000,000.00 | 0.00 | 0.00 | 2,000,000.00 | 2.30% |
| Suzhou JoeKai Biotechnolgy LLC | 1,745,154.11 | 0.00 | 0.00 | 1,745,154.11 | 17.28% |
| Beijing Shoukai Yixin Property Co., Ltd. | 1,540,000.00 | 0.00 | 0.00 | 1,540,000.00 | 0.31% |
| Taiji Huafang (Beijing) System Engineering Co., Ltd. | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 10.00% |
| Hubei Yinyu Lighting Co., Ltd. | 0.00 | 901,088.97 | 0.00 | 901,088.97 | 10.00% |
| Zebra Network Technology Co., Ltd. | 0.00 | 756,680.98 | 0.00 | 756,680.98 | 7.57% |
| Beijing Yi Hao Technology Co., Ltd. | 520,408.16 | 0.00 | 0.00 | 520,408.16 | 5.10% |
| Neo-Neon (Beijing) Optoelectronics Technology Research Institute | 0.00 | 419,360.22 | 0.00 | 419,360.22 | 51.00% |
| Beijing Dudulang Culture Communication Co., Ltd. | 0.00 | 250,000.00 | 0.00 | 250,000.00 | 3.00% |
| Taiyuan Wuyi Department Store | 30,000.00 | 0.00 | 0.00 | 30,000.00 | 0.15% |
| Jiangmen Neo-Neon Education Investment Management Co., Ltd. | 0.00 | 24,619.33 | 0.00 | 24,619.33 | 49.00% |
| Tongfang Zhihaole Education Technology (Beijing) Co., Ltd. | 20,486.06 | 0.00 | 0.00 | 20,486.06 | 1.19% |
| Longjiang Baisheng Renewable Resources Co., Ltd. | 10,400,000.00 | 0.00 | 10,400,000.00 | 0.00 | 0.00% |
| Guangzhou Dianmang Information Technology Co., Ltd. | 2,000,000.00 | 0.00 | 2,000,000.00 | 0.00 | 0.00% |
| Guangzhou Xingeng Puhua Medical Technology Co., Ltd. | 2,000,000.00 | 0.00 | 2,000,000.00 | 0.00 | 0.00% |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | 700,000.00 | 0.00 | 700,000.00 | 0.00 | 0.00% |
| Total | 85,352,326.33 | 31,889,085.29 | 15,100,000.00 | 102,141,411.62 | — |
| | | | | | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(4) Provision for impairment of available-for-sale financial assets

| Invested entity | Provision for impairment | | | |
|---|--------------------------|----------------------------|----------------------------|---------------------|
| | Opening balance | Increase in current period | Decrease in current period | Closing balance |
| Guangdong New Light Source Industry Innovation Center of Nanhai District of Foshan City | 691,735.71 | 0.00 | 0.00 | 691,735.71 |
| Jiangxi Wan Defu Tape Co., Ltd. | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 |
| Hubei Yinyu Lighting Co., Ltd. | 0.00 | 14,555.12 | 0.00 | 14,555.12 |
| Taiyuan Wuyi Department Store | 30,000.00 | 0.00 | 0.00 | 30,000.00 |
| Total | 3,463,285.71 | 14,555.12 | 0.00 | 3,477,840.83 |

11. Long-term receivables

| Item | Closing balance | | | Opening balance | | |
|---|-----------------------|--------------------------|-----------------------|-------------------------|--------------------------|-------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Sewage, sludge treatment project (BOT, TOT) | 577,798,104.02 | 0.00 | 577,798,104.02 | 3,567,660,198.21 | 0.00 | 3,567,660,198.21 |
| Services by installments | 330,487,463.14 | 0.00 | 330,487,463.14 | 254,635,372.94 | 0.00 | 254,635,372.94 |
| Sale of goods by installments | 0.00 | 0.00 | 0.00 | 37,661,600.00 | 0.00 | 37,661,600.00 |
| Total | 908,285,567.16 | 0.00 | 908,285,567.16 | 3,859,957,171.15 | 0.00 | 3,859,957,171.15 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

12. Long-term equity investments

(1) Details of long-term equity investments

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | | Closing balance | Provision for impairment Ending Balance |
|--|------------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|-------------------------|---------------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | Cash dividends declared | | |
| I. Joint ventures | | | | | | | | | |
| Aegon THTF Life Insurance Co., Ltd. | 1,190,570,589.99 | 150,000,000.00 | 0.00 | -144,543,288.50 | 50,728,736.00 | 0.00 | 0.00 | 0.00 | 1,246,756,037.49 0.00 |
| NuRay Technology Co., Ltd. | 32,371,756.50 | 0.00 | 0.00 | -8,443,480.33 | 0.00 | 0.00 | 0.00 | 0.00 | 23,928,276.17 0.00 |
| Tong Wei Jin Fu Technology (Taizhou) Co., Ltd. | 0.00 | 3,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,000,000.00 0.00 |
| Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | 92,283,378.07 | 0.00 | 0.00 | -12,477,857.36 | 0.00 | 0.00 | 0.00 | -79,805,520.71 0.00 | 0.00 |
| II. Associates | | | | | | | | | |
| Chongqing Guo Xin Investment Holding Co., Ltd. | 6,030,301,996.98 | 450,000,000.00 | 0.00 | 812,987,557.64 | -72,125,794.96 | -102,076,870.86 | 0.00 | 0.00 | 7,119,086,888.80 0.00 |
| Warranty Asset Management Co., Ltd. | 0.00 | 1,309,905,829.23 | 0.00 | -93,654,320.73 | -19,210,665.14 | 33,765,907.17 | 0.00 | 0.00 | 1,230,806,750.53 0.00 |
| Tellhow Sci-Tech Co., Ltd. | 550,784,283.11 | 0.00 | 0.00 | 19,143,998.85 | 0.00 | 58,265,515.46 | 8,200,987.60 | 0.00 | 619,992,809.82 0.00 |
| Tongfang Investment Co., Ltd. | 455,913,749.07 | 0.00 | 0.00 | 88,935,153.71 | -2,426,830.55 | -4,159,230.38 | 0.00 | 0.00 | 538,262,841.85 0.00 |
| Jarun Investment Co., Ltd. | 323,058,276.68 | 0.00 | 0.00 | 3,511,262.35 | 0.00 | 0.00 | 0.00 | 0.00 | 326,569,539.03 0.00 |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 156,971,65.56 | 0.00 | 0.00 | 724,986.38 | 0.00 | 0.00 | 0.00 | 0.00 | 157,696,621.94 0.00 |
| Tongfang Environment Co., Ltd. | 145,441,738.17 | 0.00 | 0.00 | 14,364,996.06 | 223,624.67 | 0.00 | 16,813,440.00 | 0.00 | 143,216,918.90 0.00 |
| Easyway Technology Co., Ltd. | 129,314,987.33 | 0.00 | 19,450,331.83 | 38,772,626.43 | 0.00 | -16,167,614.57 | 0.00 | 0.00 | 132,469,667.36 0.00 |
| Tongfang Holch Investment Group Co., Ltd. | 0.00 | 100,300,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100,300,000.00 0.00 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 81,657,187.77 | 0.00 | 0.00 | 4,713,454.63 | 0.00 | 0.00 | 1,171,701.40 | 0.00 | 85,198,941.00 0.00 |
| Beijing Global Safety Technology Co., Ltd. | 46,981,935.44 | 0.00 | 0.00 | 7,070,171.58 | -8,005,24 | 21,716,566.54 | 0.00 | 0.00 | 75,760,668.32 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Movements during the current year | | | | Others | Closing balance | Provision for impairment Ending Balance |
|---|-----------------|-----------------------|---|---------------------------------------|------------------------|-------------------------|--------------|-----------------|---|
| | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | Cash dividends declared | | | |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 0.00 | 73,085,312.00 | 0.00 | -36,542.66 | 0.00 | 0.00 | 0.00 | 0.00 | 73,048,769.34 |
| Advanced Systems Development Co., Ltd. | 47,597,831.72 | 0.00 | 0.00 | 6,069,367.24 | 23,973.64 | 0.00 | 1,600,000.00 | 0.00 | 52,091,172.60 |
| Tianjin Enorth Networks Co., Ltd. | 35,470,457.41 | 0.00 | 0.00 | -1,681,737.30 | 0.00 | 0.00 | 0.00 | 0.00 | 33,788,720.11 |
| Shanxi Zuoyn Jineng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,153,563.00 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 16,797,838.98 | 0.00 | 0.00 | 1,104,566.92 | 0.00 | 0.00 | 0.00 | 0.00 | 17,902,405.90 |
| Tongfang Cloud Computing Technology Co., Ltd. | 1,124,189.05 | 0.00 | 0.00 | -1,332,326.58 | 0.00 | 15,297,676.86 | 0.00 | 0.00 | 15,089,539.33 |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 13,689,891.25 | 0.00 | 0.00 | 350,836.53 | 0.00 | 0.00 | 0.00 | 0.00 | 14,040,727.78 |
| China Railway Capital (Tianjin) Equity Investment Fund Management Co., Ltd. | 0.00 | 12,500,000.00 | 0.00 | -82,900.74 | 0.00 | 0.00 | 0.00 | 0.00 | 12,417,099.26 |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 12,885,585.78 | 0.00 | 0.00 | 508,386.22 | 0.00 | 0.00 | 1,500,000.00 | 0.00 | 11,893,972.00 |
| Tongfang Refine Energy Saving Technology Co., Ltd. | 8,792,819.53 | 0.00 | 0.00 | 3,797,945.03 | 14,635.08 | 0.00 | 1,500,000.00 | 0.00 | 11,105,399.64 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 10,593,321.97 | 0.00 | 0.00 | 128,569.71 | 0.00 | 0.00 | 0.00 | 0.00 | 10,721,891.68 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 10,355,955.32 | 0.00 | 0.00 | 123,670.74 | 0.00 | 0.00 | 0.00 | 0.00 | 10,479,626.06 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 11,294,580.25 | 0.00 | 0.00 | -845,164.49 | 0.00 | 0.00 | 0.00 | 0.00 | 10,449,415.76 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | 10,112,614.43 | 0.00 | 0.00 | 36,918.36 | 0.00 | 0.00 | 0.00 | 0.00 | 10,149,532.79 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 7,957,131.46 | 0.00 | 0.00 | 91,640.78 | 0.00 | 0.00 | 0.00 | 0.00 | 8,048,772.24 |
| Zhangjiakou TV Culture Media Co., Ltd. | 7,839,294.01 | 0.00 | 0.00 | 5,440.36 | 0.00 | 0.00 | 0.00 | 0.00 | 7,844,734.37 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | Others | Closing balance | Provision for impairment Ending Balance |
|--|-----------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|--------------|-----------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | | | |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 7,832,631.54 | 0.00 | 0.00 | -432,724.08 | 0.00 | 0.00 | 0.00 | 0.00 | 7,399,907.46 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 7,417,468.21 | 0.00 | 0.00 | -18,841.38 | 0.00 | 0.00 | 0.00 | 0.00 | 7,398,626.83 |
| Beijing Maixin Litong Technology Co., Ltd. | 7,603,736.60 | 0.00 | 0.00 | -217,371.58 | 0.00 | 0.00 | 0.00 | 0.00 | 7,386,365.02 |
| CINTS Company Limited | 6,200,487.39 | 0.00 | 0.00 | 2,063,274.69 | 0.00 | 0.00 | 1,400,000.00 | 0.00 | 6,863,762.08 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 6,072,686.66 | 0.00 | 0.00 | 242,268.16 | 0.00 | 0.00 | 0.00 | 0.00 | 6,314,954.82 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 6,386,532.75 | 0.00 | 0.00 | -850,542.26 | 0.00 | 0.00 | 0.00 | 0.00 | 5,535,990.49 |
| Luoyang BC&TV Tongfang Digital Television Co., Ltd | 5,210,803.70 | 0.00 | 0.00 | -532,858.94 | 0.00 | 0.00 | 0.00 | 0.00 | 4,677,944.76 |
| Tongfang Besteay (Beijing) Technology Co., Ltd. | 3,875,951.04 | 0.00 | 0.00 | 461,270.17 | 0.00 | 0.00 | 0.00 | 0.00 | 4,337,221.21 |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,833,068.04 | 0.00 | 0.00 | -61,332.65 | 0.00 | 0.00 | 0.00 | 0.00 | 2,771,735.39 |
| Lime PC Multimedia Technologies Co., Limited | 2,312,742.39 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,470,662.50 |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 1,840,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,840,000.00 |
| Technovator Qatar | 184,361.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 184,361.40 |
| Juijiang Jiahua Piezoelectric Crystal Materials Co., Ltd. | 1,473,934.90 | 0.00 | 1,473,934.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Hubei Yinyu Lighting Co., Ltd. | 901,088.97 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -901,088.97 | 0.00 | 0.00 |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 680,069.17 | 0.00 | 0.00 | -680,069.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Movements during the current year | | | | Others | Closing balance | Provision for impairment Ending Balance |
|--|-------------------------|-------------------------|---|-----------------------|---------------------------------------|------------------------|----------------------|-----------------------|---|
| | | | Net profit or loss recognized under the equity method | Decreasing investment | Other comprehensive income adjustment | Other equity movements | | | |
| Neo-Neon (Beijing) Optoelectronics Technology Research Institute | 419,360.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -419,360.22 | 0.00 |
| Jiangmen Neo-Neon Education Investment Management Co., Ltd. | 24,619.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -24,619.33 | 0.00 |
| Beijing Zhongtu TongFang Culture & Communication Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Haishian Data Technology Co., Ltd | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Wenlu Laser Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Guangzhou Thomee Lighting Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 9,512,586,131.14 | 2,098,791,141.23 | 20,924,266.73 | 739,317,037.79 | -42,780,326.50 | 6,641,950.22 | 32,186,129.00 | -80,992,669.12 | 12,180,452,835.03 |
| | | | | | | | | | 23,808,586.90 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Provision for impairment of long-term equity investments

| Invested entity | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---|----------------------|--------------------------|--------------------------|----------------------|
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 21,153,563.00 |
| Lime PC Multimedia Technologies Co., Limited | 0.00 | 2,470,662.50 | 0.00 | 2,470,662.50 |
| Technovator Qatar | 184,361.40 | 0.00 | 0.00 | 184,361.40 |
| Jiujiang Jiahua Piezoelectric Crystal Materials Co., Ltd. | 1,473,934.90 | 0.00 | 1,473,934.90 | 0.00 |
| Total | 22,811,859.30 | 2,470,662.50 | 1,473,934.90 | 23,808,586.90 |

13. Investment properties

Investment properties measured by fair value

| Item | Premises and buildings |
|---------------------------------|------------------------|
| I. Opening balance | 14,700,000.00 |
| II. Changes in the current year | 0.00 |
| III. Closing balance | 14,700,000.00 |

14. Fixed assets

| Item | Premises and buildings | Equipment | Vehicles | Total |
|---|------------------------|------------------|----------------|-------------------|
| I. Original cost | | | | |
| 1. Opening balance | 3,746,980,770.24 | 6,272,656,111.04 | 166,163,089.58 | 10,185,799,970.86 |
| 2. Increased amount in the current year | 254,535,760.36 | 333,201,992.63 | 14,293,698.26 | 602,031,451.25 |
| (1) Purchase | 10,153,667.25 | 146,905,237.56 | 10,604,071.77 | 167,662,976.58 |
| (2) Transferred from construction in progress | 151,623,205.72 | 102,441,891.59 | 0.00 | 254,065,097.31 |
| (3) Business combination | 83,106,716.12 | 71,632,612.46 | 2,367,869.98 | 157,107,198.56 |
| (4) Other changes | 9,652,171.27 | 12,222,251.02 | 1,321,756.51 | 23,196,178.80 |
| 3. Decreased amount in the current year | 201,251,088.58 | 3,357,274,923.51 | 41,250,309.23 | 3,599,776,321.32 |
| (1) Disposal or written-off | 7,538,130.86 | 296,517,412.98 | 11,970,793.98 | 316,026,337.82 |
| (2) Disposal of subsidiaries | 193,712,957.72 | 3,060,757,510.53 | 29,279,515.25 | 3,283,749,983.50 |
| 4. Closing balance | 3,800,265,442.02 | 3,248,583,180.16 | 139,206,478.61 | 7,188,055,100.79 |
| II. Accumulated depreciation | | | | |
| 1. Opening balance | 1,010,119,118.40 | 2,977,868,671.99 | 100,805,041.12 | 4,088,792,831.51 |
| 2. Increased amount in the current year | 118,361,528.78 | 495,465,051.31 | 15,506,586.40 | 629,333,166.49 |
| (1) Provision | 92,871,740.38 | 435,142,064.38 | 13,000,162.59 | 541,013,967.35 |
| (2) Business combination | 19,425,061.33 | 50,831,600.75 | 1,868,026.65 | 72,124,688.73 |
| (3) Other changes | 6,064,727.07 | 9,491,386.18 | 638,397.16 | 16,194,510.41 |
| 3. Decreased amount in the current year | 50,518,415.30 | 1,460,214,779.70 | 24,565,646.03 | 1,535,298,841.03 |
| (1) Disposal or written-off | 2,811,514.50 | 163,894,834.98 | 10,897,772.56 | 177,604,122.04 |
| (2) Disposal of subsidiaries | 47,706,900.80 | 1,296,319,944.72 | 13,667,873.47 | 1,357,694,718.99 |
| 4. Closing balance | 1,077,962,231.88 | 2,013,118,943.60 | 91,745,981.49 | 3,182,827,156.97 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Premises and buildings | Equipment | Vehicles | Total |
|---|------------------------|------------------|---------------|------------------|
| III. Provision for impairment | | | | |
| 1. Opening balance | 300,524,382.60 | 497,005,431.26 | 1,701,392.43 | 799,231,206.29 |
| 2. Increased amount in the current year | 0.00 | 2,164,632.55 | 0.00 | 2,164,632.55 |
| (1) Provision | 0.00 | 2,164,632.55 | 0.00 | 2,164,632.55 |
| 3. Decreased amount in the current year | 85,923.00 | 88,352,938.29 | 170,454.43 | 88,609,315.72 |
| (1) Disposal or written-off | 0.00 | 85,264,828.60 | 170,454.43 | 85,435,283.03 |
| (2) Disposal of subsidiaries | 85,923.00 | 3,088,109.69 | 0.00 | 3,174,032.69 |
| 4. Closing balance | 300,438,459.60 | 410,817,125.52 | 1,530,938.00 | 712,786,523.12 |
| IV. Carrying amount | | | | |
| 1. Ending carrying amount | 2,421,864,750.54 | 824,647,111.04 | 45,929,559.12 | 3,292,441,420.70 |
| 2. Beginning carrying amount | 2,436,337,269.24 | 2,797,782,007.79 | 63,656,656.03 | 5,297,775,933.06 |

15. Construction in Progress

(1) Detail list of construction in progress

| Item | Closing balance | | | Opening balance | | |
|---|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 297,948,665.69 | 0.00 | 297,948,665.69 | 12,728,201.00 | 0.00 | 12,728,201.00 |
| Digital publishing and digital library project of "China National Knowledge Infrastructure" | 128,829,789.27 | 0.00 | 128,829,789.27 | 75,943,963.86 | 0.00 | 75,943,963.86 |
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 93,618,694.78 | 0.00 | 93,618,694.78 | 73,478,626.70 | 0.00 | 73,478,626.70 |
| Tongfang Technovator Industrial Energy Saving Project | 8,628,707.76 | 0.00 | 8,628,707.76 | 14,582,614.42 | 0.00 | 14,582,614.42 |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 19,561,832.71 | 14,603,542.91 | 4,958,289.80 | 86,036,378.12 | 14,603,542.91 | 71,432,835.21 |
| New plant construction project of Tongfang Nuctech Warsaw | 4,219,192.19 | 0.00 | 4,219,192.19 | 2,917,998.29 | 0.00 | 2,917,998.29 |
| Huizhou sewage treatment indicator improvement project | 2,760,930.03 | 0.00 | 2,760,930.03 | 33,021.00 | 0.00 | 33,021.00 |
| All day water supply renovation project of Longjiang Environmental Protection Group | 0.00 | 0.00 | 0.00 | 322,251,906.01 | 0.00 | 322,251,906.01 |
| Nantong semi-conductor equipment project | 0.00 | 0.00 | 0.00 | 10,777,987.69 | 0.00 | 10,777,987.69 |
| Other projects | 51,483,789.40 | 37,595.23 | 51,446,194.17 | 55,026,373.67 | 37,595.23 | 54,988,778.44 |
| Total | 607,051,601.83 | 14,641,138.14 | 592,410,463.69 | 653,777,070.76 | 14,641,138.14 | 639,135,932.62 |

Notes to the Financial Statements of Tongfang Co, Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Changes in construction in progress

| Item | Budget/Ten thousand yuan | Opening balance | Increase in current year | Transfer to fixed assets in current year | Other decrease | Closing balance | Sources of fund | Cost incurred as a percentage of budgeted amount |
|---|--------------------------|-----------------------|--------------------------|--|-----------------------|-----------------|-----------------|--|
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 38,964.04 | 12,728,201.00 | 285,220,464.69 | 0.00 | 0.00 | 297,948,665.69 | Self-raised | 76.47% |
| Digital publishing and digital library project of “China National Knowledge Infrastructure” | 35,715.76 | 75,943,963.86 | 52,885,825.41 | 0.00 | 0.00 | 128,829,789.27 | Self-raised | 36.07% |
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 12,083.01 | 73,478,626.70 | 21,087,343.73 | 947,275.65 | 0.00 | 93,618,694.78 | Self-raised | 78.26% |
| Tongfang Technovator Industrial Energy Saving Project | 12,567.00 | 14,582,614.42 | 323,175.35 | 0.00 | 6,277,082.01 | 8,628,707.76 | Self-financing | 11.86% |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 11,107.95 | 86,036,378.12 | 7,255,886.90 | 73,730,432.31 | 0.00 | 19,561,832.71 | Self-raised | 83.99% |
| New plant construction project of Tongfang Nuctech Warsaw | 3,957.36 | 2,917,998.29 | 1,301,193.90 | 0.00 | 0.00 | 4,219,192.19 | Loans | 10.66% |
| Huizhou sewage treatment indicator improvement project | 3,100.00 | 33,021.00 | 2,727,909.03 | 0.00 | 0.00 | 2,760,930.03 | Self-raised | 8.91% |
| All day water supply renovation project of Longjiang Environmental Protection Group | 34,000.00 | 322,251,906.01 | 13,439,745.04 | 0.00 | 335,691,651.05 | 0.00 | Self-financing | 98.73% |
| Nantong semiconductor equipment project | 260,965.00 | 10,777,987.69 | 49,524,207.97 | 57,413,818.00 | 2,888,377.66 | 0.00 | Loan offering | 2.31% |
| Construction of central air conditioning engineering equipment | 2,090.00 | 0.00 | 18,771,166.03 | 18,771,166.03 | 0.00 | 0.00 | Self-raised | 89.81% |
| Water supply metering system renovation project | 3,500.00 | 0.00 | 15,508,966.32 | 0.00 | 15,508,966.32 | 0.00 | Self-raised | 44.31% |
| Nanjing Industrial Park construction | 6,000.00 | 55,026,373.67 | 56,336,287.87 | 56,209,182.42 | 127,105.45 | 0.00 | Self-raised | 93.89% |
| Other projects | | | 59,284,861.17 | 46,993,222.90 | 15,834,222.54 | 51,483,789.40 | | |
| Total | 653,777,070.76 | 583,667,033.41 | 254,065,097.31 | 376,327,405.03 | 607,051,601.83 | | | |
| Including: Capitalized borrowing costs for the current year | 77,665,857.34 | 14,491,195.16 | 1,257,666.79 | 90,827,912.21 | 71,473.50 | | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

16. Intangible assets

| Item | Land use right | Housing use right | Patents and technical know-how | Franchise | Trademark right | Software and others | Total |
|---|----------------|-------------------|--------------------------------|------------------|-----------------|---------------------|------------------|
| I. Original cost | | | | | | | |
| 1. Opening balance | 733,383,466.12 | 1,321,428.54 | 1,703,059,065.77 | 1,049,134,952.36 | 64,800,000.00 | 512,984,541.71 | 4,064,683,454.50 |
| 2. Increased amount in the current year | 13,664,282.02 | 0.00 | 343,017,554.17 | 0.00 | 0.00 | 96,128,725.12 | 452,810,561.31 |
| (1) Purchase | 2,790,388.00 | 0.00 | 2,703,169.23 | 0.00 | 0.00 | 28,758,753.87 | 34,252,311.10 |
| (2) Transfer from development expenditure | 0.00 | 0.00 | 296,468,926.87 | 0.00 | 0.00 | 61,206,434.99 | 357,675,361.86 |
| (3) Business combination | 9,846,632.90 | 0.00 | 25,435,958.73 | 0.00 | 0.00 | 1,367,371.39 | 36,649,963.02 |
| (4) Other changes | 1,027,261.12 | 0.00 | 18,409,499.34 | 0.00 | 0.00 | 4,796,164.87 | 24,232,925.33 |
| 3. Decreased amount in the current year | 101,659,867.71 | 0.00 | 900,083,894.78 | 1,049,134,952.36 | 3,800,000.00 | 61,410,058.85 | 2,116,088,773.70 |
| (1) Disposal | 0.00 | 0.00 | 96,144,320.63 | 1,258,156.80 | 0.00 | 1,936,604.48 | 99,339,081.91 |
| (2) Disposal of subsidiaries | 101,659,867.71 | 0.00 | 803,939,574.15 | 1,047,876,795.56 | 3,800,000.00 | 59,473,454.37 | 2,016,749,691.79 |
| 4. Closing balance | 645,387,880.43 | 1,321,428.54 | 1,145,992,725.16 | 0.00 | 61,000,000.00 | 547,703,207.98 | 2,401,405,242.11 |
| II. Accumulated amortization | | | | | | | |
| 1. Opening balance | 77,459,587.63 | 274,454.06 | 645,697,585.66 | 160,701,988.11 | 285,000.00 | 256,553,238.00 | 1,140,971,853.46 |
| 2. Increased amount in the current year | 16,100,515.51 | 30,494.51 | 201,734,913.74 | 29,110,980.63 | 95,000.04 | 96,444,811.15 | 343,516,715.58 |
| (1) Provision | 13,792,026.94 | 30,494.51 | 169,625,590.48 | 29,110,980.63 | 95,000.04 | 92,122,160.87 | 304,776,253.47 |
| (2) Business combination | 2,117,025.45 | 0.00 | 19,359,280.42 | 0.00 | 0.00 | 1,362,510.01 | 22,838,815.88 |
| (3) Other changes | 191,463.12 | 0.00 | 12,750,042.84 | 0.00 | 0.00 | 2,960,140.27 | 15,901,646.23 |
| 3. Decreased amount in the current year | 6,059,169.00 | 0.00 | 200,542,307.07 | 189,812,968.74 | 380,000.04 | 23,782,868.51 | 420,577,313.36 |
| (1) Disposal | 0.00 | 0.00 | 48,703,757.05 | 1,258,156.80 | 0.00 | 414,907.07 | 50,376,820.92 |
| (2) Disposal of subsidiaries | 6,059,169.00 | 0.00 | 151,838,550.02 | 188,554,811.94 | 380,000.04 | 23,367,961.44 | 370,200,492.44 |
| 4. Closing balance | 87,500,934.14 | 304,948.57 | 646,890,192.33 | 0.00 | 0.00 | 329,215,180.64 | 1,063,911,255.68 |
| III. Provision for impairment | | | | | | | |
| 1. Opening balance | 0.00 | 0.00 | 63,636,213.34 | 0.00 | 0.00 | 14,137,861.32 | 77,774,074.66 |
| 2. Increased amount in the current year | 0.00 | 0.00 | 4,536,231.90 | 0.00 | 0.00 | 611,713.57 | 5,147,945.47 |
| (1) Provision in the current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (2) Other changes | 0.00 | 0.00 | 4,536,231.90 | 0.00 | 0.00 | 611,713.57 | 5,147,945.47 |

Notes to the Financial Statements of Tongfang Co, Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Land use right | Housing use right | Patents and technical know-how | Franchise | Trademark right | Software and others | Total |
|---|----------------|-------------------|--------------------------------|----------------|-----------------|---------------------|------------------|
| 3. Decreased amount in the current year | 0.00 | 0.00 | 63,145,944.52 | 0.00 | 0.00 | 14,749,574.89 | 77,895,519.41 |
| (1) Disposal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (2) Disposal of subsidiaries | 0.00 | 0.00 | 63,145,944.52 | 0.00 | 0.00 | 14,749,574.89 | 77,895,519.41 |
| 4. Closing balance | 0.00 | 0.00 | 5,026,500.72 | 0.00 | 0.00 | 0.00 | 5,026,500.72 |
| IV. Carrying amount | | | | | | | |
| 1. Ending carrying amount | 557,886,946.29 | 1,016,479.97 | 494,076,032.11 | 0.00 | 61,000,000.00 | 218,488,027.34 | 1,332,467,485.71 |
| 2. Beginning carrying amount | 655,923,878.49 | 1,046,974.48 | 993,725,266.77 | 888,432,964.25 | 64,515,000.00 | 242,293,442.39 | 2,845,937,526.38 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

17. Development expenditure

| Item | Opening balance | Increase in current year | | Decrease in current year | | | Closing balance |
|-------------------------|-----------------------|----------------------------------|----------------------|----------------------------------|--|-----------------------|-----------------------|
| | | Internal Development expenditure | Other increments | Transferred to intangible assets | Transferred to the current profit and loss | Other reduction | |
| Development expenditure | 908,729,223.42 | 911,886,441.84 | 11,219,937.82 | 357,675,361.86 | 116,885,050.55 | 617,163,307.36 | 740,111,883.31 |
| Research expenditure | 0.00 | 797,698,517.31 | 0.00 | 0.00 | 789,293,201.20 | 8,405,316.11 | 0.00 |
| Total | 908,729,223.42 | 1,709,584,959.15 | 11,219,937.82 | 357,675,361.86 | 906,178,251.75 | 625,568,623.47 | 740,111,883.31 |

18. Goodwill

(1) Original value of goodwill

| Invested entity | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---|-------------------------|--------------------------|--------------------------|-------------------------|
| Beijing ERENEBEN Information Technology Co., Ltd. | 902,329,518.71 | 0.00 | 0.00 | 902,329,518.71 |
| Shenzhen State Microelectronics Co., Ltd. | 685,676,016.95 | 0.00 | 685,676,016.95 | 0.00 |
| Unigroup Guoxin Electronics Co., Ltd. (Originally known as "Tongfang Guoxin Electronics Co., Ltd.") | 197,863,279.07 | 0.00 | 197,863,279.07 | 0.00 |
| Neo-Neon Holdings Limited | 127,224,330.86 | 0.00 | 0.00 | 127,224,330.86 |
| Xi'an Unile Semiconductor Co., Ltd. | 121,006,265.19 | 0.00 | 121,006,265.19 | 0.00 |
| Tongfang Microelectronics Company | 8,621,695.31 | 0.00 | 8,621,695.31 | 0.00 |
| Tivoli, LLC | 8,109,428.46 | 553,733.00 | 0.00 | 8,663,161.46 |
| Suzhou Weimu Intelligent System Co., Ltd. | 0.00 | 5,695,889.45 | 0.00 | 5,695,889.45 |
| Beijing Tongfang Clean Technology Co., Ltd. | 5,138,915.10 | 0.00 | 0.00 | 5,138,915.10 |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 5,040,000.00 | 0.00 | 0.00 | 5,040,000.00 |
| Guangdong Tongfang Lighting Co., Ltd. | 4,079,128.94 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | 4,041,174.42 | 0.00 | 0.00 | 4,041,174.42 |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | 0.00 | 2,996,693.24 | 0.00 | 2,996,693.24 |
| Beijing Tongfang Software Co., Ltd. | 1,993,272.21 | 0.00 | 0.00 | 1,993,272.21 |
| Tongfang Health Technology (Beijing) Co., Ltd. | 1,891,614.86 | 0.00 | 0.00 | 1,891,614.86 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1,286,280.05 | 0.00 | 0.00 | 1,286,280.05 |
| Technovator International Limited | 663,112.00 | 0.00 | 0.00 | 663,112.00 |
| Neo-Neon Eruope GmbH | 620,794.98 | 42,036.93 | 0.00 | 662,831.91 |
| TsingHua TongFang Artificial Environment Co., Ltd. | 375,077.30 | 0.00 | 0.00 | 375,077.30 |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 110,441.27 | 0.00 | 0.00 | 110,441.27 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 52,740.49 | 0.00 | 0.00 | 52,740.49 |
| Total | 2,076,123,086.17 | 9,288,352.62 | 1,013,167,256.52 | 1,072,244,182.27 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(2) Provision for impairment of goodwill

| Invested entity | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|----------------------|--------------------------|-------------------|--------------------------|---------------|----------------------|
| | | Provision | Other transferred | Disposal | Other changes | |
| Guangdong Tongfang Lighting Co., Ltd. | 4,079,128.94 | 0.00 | 0.00 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | 4,041,174.42 | 0.00 | 0.00 | 0.00 | 0.00 | 4,041,174.42 |
| Beijing Tongfang Software Co., Ltd. | 1,993,272.21 | 0.00 | 0.00 | 0.00 | 0.00 | 1,993,272.21 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1,286,280.05 | 0.00 | 0.00 | 0.00 | 0.00 | 1,286,280.05 |
| Neo-Neon Europe GmbH | 620,794.98 | 0.00 | 42,036.93 | 0.00 | 0.00 | 662,831.91 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 52,740.49 | 0.00 | 0.00 | 0.00 | 0.00 | 52,740.49 |
| Total | 12,073,391.09 | 0.00 | 42,036.93 | 0.00 | 0.00 | 12,115,428.02 |

19. Long-term deferred expenses

| Item | Opening balance | Increase in current year | This year's amortization | Other reduction | Closing balance |
|--|----------------------|--------------------------|--------------------------|----------------------|----------------------|
| Decoration and renovation expenditures | 70,287,588.78 | 11,988,798.15 | 26,515,409.31 | 21,348,054.82 | 34,412,922.80 |
| Land lease expenditures | 10,055,675.30 | 0.00 | 366,889.20 | 0.00 | 9,688,786.10 |
| Advertising endorsement expenditures | 2,976,939.17 | 0.00 | 1,886,792.40 | 0.00 | 1,090,146.77 |
| Others | 3,010,022.01 | 1,390.09 | 1,351,880.48 | 1,370,889.01 | 288,642.61 |
| Total | 86,330,225.26 | 11,990,188.24 | 30,120,971.39 | 22,718,943.83 | 45,480,498.28 |

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities that have been recognized

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| I. Deferred tax assets | | |
| Tax assets from temporary differences of non-special items | 343,825,714.37 | 298,783,787.93 |
| Tax assets from temporary differences of special items | 55,218,561.53 | 65,926,901.58 |
| Total | 399,044,275.90 | 364,710,689.51 |
| II. Deferred tax liabilities | | |
| Deferred tax liabilities | 473,256,275.06 | 251,973,315.99 |
| Total | 473,256,275.06 | 251,973,315.99 |

(2) Details of taxable difference and deductible difference items

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| I. Deductible temporary difference item | | |
| Provision for bad debt | 1,097,021,047.61 | 1,047,534,847.41 |
| Provision for decline in the value of inventories | 320,413,643.30 | 301,824,235.56 |
| Deferred incomes and special payables | 238,888,507.96 | 135,505,705.00 |
| Amortization of intangible assets | 233,992,320.70 | 126,642,680.02 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Closing balance | Opening balance |
|---|-------------------------|-------------------------|
| Accrued expenses | 74,628,144.26 | 75,820,309.77 |
| Unrealized sales gains and losses | 59,787,349.43 | 93,322,908.90 |
| Payroll unpaid | 43,390,814.86 | 43,732,218.04 |
| Provision for impairment of fixed assets | 31,101,279.74 | 31,790,677.70 |
| Provision for impairment of long-term equity investments | 21,153,563.00 | 21,153,563.00 |
| Deductible temporary differences of foreign subsidiaries recognized according to its location special tax law | 9,029,546.05 | 2,458,859.54 |
| Depreciation of fixed assets | 387,947.32 | 342,605.69 |
| Provision for impairment of construction in progress | 37,595.23 | 37,595.23 |
| Valuation increment of transferee assets in business combination | 0.00 | 9,917,891.73 |
| Provision for impairment of available-for-sale financial assets | 2,771,550.00 | 2,771,550.00 |
| Sub-total | 2,132,603,309.46 | 1,892,855,647.59 |
| II. Taxable temporary difference items | | |
| Changes in fair value | 2,295,160,891.21 | 918,130,609.89 |
| Long-term account receivables | 139,153,370.76 | 294,026,020.83 |
| With holding tax on undistributed earnings | 14,750,469.88 | 13,814,990.43 |
| Taxable temporary differences of foreign subsidiaries recognized according to its location special tax law | 3,558,972.35 | 5,027,069.59 |
| Valuation increment of assets transferred in business combination | 1,891,786.83 | 95,266,664.87 |
| Sub-total | 2,454,515,491.03 | 1,326,265,355.61 |
| III. Special temporary difference items | | |
| Deductible losses | 237,772,744.88 | 361,277,916.33 |
| Sub-total | 237,772,744.88 | 361,277,916.33 |

21. Other non-current assets

| Item | Closing balance | Opening balance |
|--|------------------------|------------------------|
| Sinopec mixed ownership reform asset management plan | 268,151,563.90 | 268,222,303.66 |
| Beijing Tongfang Yiheng Venture Capital Center | 146,310,079.91 | 75,000,000.00 |
| Qingdao Jiahong No. One venture capital fund | 101,611,755.41 | 104,975,000.00 |
| Total | 516,073,399.22 | 448,197,303.66 |

22. Provision for impairment of Asset

| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|------------------------|---------------------------------|--------------------|---------------------------------|---------------------|------------------------|
| | | provision | Transfer in | Reversals | Transfer out | |
| Provision for bad debts | 1,456,087,681.44 | 302,245,709.90 | 22,047,099.26 | 14,829,898.17 | 88,852,128.06 | 1,676,698,464.37 |
| Provision for decline in the value of inventories | 833,412,877.45 | 161,707,818.03 | 9,273,327.04 | | 0.00 | 260,454,408.61 |
| Provision for impairment of fixed assets | 799,231,206.29 | 2,164,632.55 | | 0.00 | 88,609,315.72 | 712,786,523.12 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|-------------------------|--------------------------|----------------------|--------------------------|-----------------------|-------------------------|
| | | provision | Transfer in | Reversals | Transfer out | |
| Provision for impairment of intangible assets | 77,774,074.66 | 0.00 | 5,147,945.47 | 0.00 | 77,895,519.41 | 5,026,500.72 |
| Provision for impairment of construction in progress | 14,641,138.14 | 0.00 | 0.00 | 0.00 | 0.00 | 14,641,138.14 |
| Provision for impairment of long-term equity investments | 22,811,859.30 | 2,391,702.45 | 78,960.05 | 0.00 | 1,473,934.90 | 23,808,586.90 |
| Provision for impairment of goodwill | 12,073,391.09 | 0.00 | 42,036.93 | 0.00 | 0.00 | 12,115,428.02 |
| Provision for impairment of available-for-sale financial assets | 3,463,285.71 | 14,555.12 | 0.00 | 0.00 | 0.00 | 3,477,840.83 |
| Total | 3,219,495,514.08 | 468,524,418.05 | 36,589,368.75 | 14,829,898.17 | 517,285,306.70 | 3,192,494,096.01 |

23. Short-term loans

| Categories of short-term loans | Closing balance | Opening balance |
|--------------------------------|-------------------------|-------------------------|
| Unsecured loans | 5,768,441,651.36 | 5,352,210,852.32 |
| Mortgaged loans | 32,950,750.00 | 53,247,683.90 |
| Guaranteed loans | 2,092,836,833.66 | 1,976,071,512.36 |
| Pledged loans | 34,685,000.00 | 0.00 |
| Total | 7,928,914,235.02 | 7,381,530,048.58 |

As at 31 December 2016, the short-term mortgaged loans of the Company are as follows: borrowings of USD 4,750,000.00 (Equivalent to RMB 32,950,750.00) were secured by the mortgage of the Neo-Neon Holdings Limited's (third-tier subsidiary of the Company) inventories and account receivables with a carrying amount of RMB 78,476,649.82.

As at 31 December 2016, details of short-term guaranteed loan of the Company are set out in Note XI (II) 4.

As at 31 December 2016, the short-term pledged loans of the Company are as follows: borrowings of USD 5,000,000.00 (Equivalent to RMB 34,685,000.00) were secured by the pledge of the Neo-Neon Holdings Limited's (third-tier subsidiary of the Company) account receivables with a carrying amount of RMB 34,685,000.00.

24. Notes payable

| Item | Closing balance | Opening balance |
|-----------------------|-----------------------|-----------------------|
| Bank acceptance notes | 433,090,726.38 | 707,564,087.82 |
| Total | 433,090,726.38 | 707,564,087.82 |

25. Accounts payable

| Item | Closing balance | Opening balance |
|-----------------------------|------------------|------------------|
| Accounts payable | 7,237,904,788.49 | 8,167,839,518.21 |
| Including: More than 1 year | 1,818,403,889.22 | 1,604,019,476.30 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

26. Advanced receipts

| Item | Closing balance | Opening balance |
|-----------------------------|------------------|------------------|
| Advanced receipts | 4,815,134,276.38 | 4,603,960,489.78 |
| Including: More than 1 year | 1,070,079,739.06 | 733,554,518.83 |

27. Employee benefits payable

(1) Classification of employee benefits payable

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---|-----------------------|--------------------------|--------------------------|-----------------------|
| Short-term remuneration | 459,100,684.33 | 3,022,867,116.53 | 3,010,483,097.65 | 471,484,703.21 |
| Post-employment welfare - defined contribution plan | 3,315,461.89 | 353,350,082.69 | 351,552,032.18 | 5,113,512.40 |
| Dismissal welfare | 0.00 | 7,267,508.81 | 7,159,401.81 | 108,107.00 |
| Total | 462,416,146.22 | 3,383,484,708.03 | 3,369,194,531.64 | 476,706,322.61 |

(2) Short-term remuneration

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|--|-----------------------|--------------------------|--------------------------|-----------------------|
| Salary, bonus, allowance and subsidy | 304,723,305.86 | 2,509,399,646.85 | 2,523,074,791.99 | 291,048,160.72 |
| Employee welfare expenses | 0.00 | 74,880,852.04 | 74,880,852.04 | 0.00 |
| Social insurance | 6,030,140.13 | 190,932,492.53 | 191,134,643.05 | 5,827,989.61 |
| Including: Medical insurance | 1,330,759.31 | 141,405,456.88 | 141,190,366.09 | 1,545,850.10 |
| Work-related injury insurance | 151,173.17 | 7,059,533.22 | 6,958,753.07 | 251,953.32 |
| Maternity insurance | 425,132.17 | 9,906,897.78 | 9,763,878.78 | 568,151.17 |
| Other social insurance premiums | 4,123,075.48 | 32,560,604.65 | 33,221,645.11 | 3,462,035.02 |
| Housing fund | 5,428,894.45 | 175,408,220.38 | 175,179,273.50 | 5,657,841.33 |
| Labor union expenditure & personnel education fund | 142,907,427.88 | 72,226,226.87 | 46,185,062.96 | 168,948,591.79 |
| Others | 10,916.01 | 19,677.86 | 28,474.11 | 2,119.76 |
| Total | 459,100,684.33 | 3,022,867,116.53 | 3,010,483,097.65 | 471,484,703.21 |

(3) Defined contribution plan

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---------------------------|---------------------|--------------------------|--------------------------|---------------------|
| Basic endowment insurance | 2,542,204.84 | 289,860,416.43 | 287,943,550.21 | 4,459,071.06 |
| Supplementary pension | 161,495.23 | 51,062,495.29 | 51,012,679.97 | 211,310.55 |
| Unemployment insurance | 611,761.82 | 12,427,170.97 | 12,595,802.00 | 443,130.79 |
| Total | 3,315,461.89 | 353,350,082.69 | 351,552,032.18 | 5,113,512.40 |

28. Taxes payable

| Item | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| Business tax | 193,826,639.43 | 28,370,172.78 |
| VAT | 129,127,387.32 | -75,299,406.15 |
| Company income tax | 96,219,366.92 | 128,527,873.85 |
| City maintenance and construction tax | 21,562,290.32 | 29,840,262.96 |
| Personal income tax | 17,736,344.59 | 12,297,509.97 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Closing balance | Opening balance |
|------------------------|-----------------------|-----------------------|
| Educational surcharges | 16,736,026.07 | 22,640,120.27 |
| House property tax | 15,899,513.19 | 11,412,868.62 |
| Land use tax | 2,599,185.18 | 26,324,976.28 |
| Stamp tax | 382,363.54 | 763,207.03 |
| Others | 2,157,376.74 | 2,251,713.01 |
| Total | 496,246,493.30 | 187,129,298.62 |

29. Interests payable

| Item | Closing balance | Opening balance |
|-------------------------------------|-----------------------|----------------------|
| Interest payable on corporate bonds | 94,819,898.20 | 47,682,739.73 |
| Long-term loan interest | 16,478,044.74 | 21,636,869.15 |
| Short-term loan interest | 3,191,654.47 | 6,437,146.71 |
| Total | 114,489,597.41 | 75,756,755.59 |

30. Dividends payable

| Item | Closing balance | Opening balance |
|--|----------------------|----------------------|
| Minority shareholders' dividends of Beijing Tongfang Information Security Technology Co., Ltd. | 9,461.88 | 9,461.88 |
| Tsinghua Holdings Co., Ltd. | 0.00 | 60,264,872.80 |
| Minority shareholders' dividends of Huai'an Tongfang Water Affairs Co., Ltd. | 13,621,500.00 | 13,621,500.00 |
| Total | 13,630,961.88 | 73,895,834.68 |

31. Other payables

| Nature | Closing balance | Opening balance |
|--|-----------------------|-------------------------|
| Accrued expenses | 298,454,986.11 | 244,602,621.02 |
| Intercourse funds | 247,947,797.70 | 266,563,731.08 |
| Guarantee deposit and security deposit | 168,038,027.16 | 147,512,614.65 |
| Receipts for other entities | 40,419,491.34 | 55,884,499.44 |
| Subsidies that should be returned | 24,482,671.66 | 7,395,789.02 |
| Asset acquisition | 17,402,806.40 | 2,118,162,495.00 |
| Reimbursement | 6,924,730.15 | 6,579,913.55 |
| Rent and property charges | 5,399,468.71 | 32,937,606.55 |
| Others | 75,788,612.94 | 78,952,826.65 |
| Total | 884,858,592.17 | 2,958,592,096.96 |

32. Non-current liabilities due within one year

(1) Non-current liabilities due within one year

| Item | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Long-term loans due within one year | 370,721,400.00 | 1,040,598,240.20 |
| Bonds payable due within one year | 700,000,000.00 | 0.00 |
| Long-term payables due within one year | 0.00 | 113,991,741.52 |
| Total | 1,070,721,400.00 | 1,154,589,981.72 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(2) Long-term loans due within one year

| Categories of short-term loans | Closing balance | Opening balance |
|--------------------------------|-----------------------|-------------------------|
| Unsecured loans | 0.00 | 79,067,867.47 |
| Guaranteed loans | 340,321,400.00 | 864,030,372.73 |
| Pledged loans | 30,400,000.00 | 97,500,000.00 |
| Total | 370,721,400.00 | 1,040,598,240.20 |

As at 31 December 2016, details of long-term guaranteed loans due within one year of the Company are set out in Note XI (II) 4.

As at 31 December 2016: the long-term pledged loans due within one year of the Company are as follows: borrowings of RMB 30,400,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (level 1 subsidiary of the Company), and guaranteed by the Company.

(3) Long-term payables due within one year

| Nature | Closing balance | Opening balance |
|------------------------|-----------------|-----------------------|
| Finance lease payments | 0.00 | 113,991,741.52 |
| Total | 0.00 | 113,991,741.52 |

33. Other current liabilities

(1) Classification of other current liabilities

| Item | Closing balance | Opening balance |
|-----------------------------------|-------------------------|-------------------------|
| Super short-term commercial paper | 5,037,645,081.98 | 2,019,407,123.29 |
| Total | 5,037,645,081.98 | 2,019,407,123.29 |

(2) Other current liabilities

| Name of bonds | Face value | Date of issuance | Term | Issue amount |
|--------------------|-------------------------|------------------|----------|-------------------------|
| 16 Tongfang SCP001 | 1,000,000,000.00 | 2016-01-21 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP002 | 1,000,000,000.00 | 26/02/2016 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP003 | 1,000,000,000.00 | 04/07/2016 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP004 | 1,000,000,000.00 | 23/09/2016 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP005 | 1,000,000,000.00 | 13/10/2016 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP006 | 1,000,000,000.00 | 26/10/2016 | 270 days | 1,000,000,000.00 |
| 16 Tongfang SCP007 | 1,000,000,000.00 | 18/11/2016 | 270 days | 1,000,000,000.00 |
| Total | 7,000,000,000.00 | — | — | 7,000,000,000.00 |

(Continued)

| Name of bonds | Opening balance | Issued in the current year | Accrued interests at face value | Premium and discount amortization | Repaid in the current year | Closing balance |
|--------------------|------------------|----------------------------|---------------------------------|-----------------------------------|----------------------------|-----------------|
| 15 Tongfang SCP003 | 1,012,619,178.08 | 0.00 | 11,651,313.72 | 0.00 | 1,024,270,491.80 | 0.00 |
| 15 Tongfang SCP004 | 1,006,787,945.21 | 0.00 | 17,261,235.12 | 0.00 | 1,024,049,180.33 | 0.00 |
| 16 Tongfang SCP001 | 0.00 | 1,000,000,000.00 | 22,868,852.46 | 0.00 | 1,022,868,852.46 | 0.00 |
| 16 Tongfang SCP002 | 0.00 | 1,000,000,000.00 | 21,688,524.59 | 0.00 | 1,021,688,524.59 | 0.00 |

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| | | | | |
|-----------------------|-------------------------|-------------------------|-----------------------|------------------------------|
| 16 Tongfang SCP003 | 0.00 1,000,000,000.00 | 14,360,655.74 | 0.00 | 0.00 1,014,360,655.74 |
| 16 Tongfang SCP004 | 0.00 1,000,000,000.00 | 7,871,311.48 | 0.00 | 0.00 1,007,871,311.48 |
| 16 Tongfang SCP005 | 0.00 1,000,000,000.00 | 6,259,562.84 | 0.00 | 0.00 1,006,259,562.84 |
| 16 Tongfang SCP006 | 0.00 1,000,000,000.00 | 5,229,508.20 | 0.00 | 0.00 1,005,229,508.20 |
| 16 Tongfang SCP007 | 0.00 1,000,000,000.00 | 3,924,043.72 | 0.00 | 0.00 1,003,924,043.72 |
| Total | 2,019,407,123.29 | 7,000,000,000.00 | 111,115,007.87 | 0.00 4,092,877,049.18 |
| | | | | 5,037,645,081.98 |

34. Long-term loans

| Categories of long-term loans | Closing balance | Opening balance |
|-------------------------------|-------------------------|-------------------------|
| Unsecured loans | 0.00 | 44,807,714.79 |
| Mortgaged loans | 3,250,874.89 | 3,966,355.12 |
| Guaranteed loans | 893,159,328.77 | 3,026,393,191.37 |
| Pledged loans | 170,600,000.00 | 465,920,833.33 |
| Total | 1,067,010,203.66 | 3,541,088,094.61 |

As at 31 December 2016, the long-term mortgaged loans of the Company are as follows: borrowings of USD 468,628.35 (Equivalent to RMB 3,250,874.89) were secured by the mortgage of the NUCTECH PANAMA, S.A's (third-tier subsidiary of the Company) fixed assets with a carrying amount of RMB 6,908,833.01.

As at 31 December 2016, details of long-term guaranteed loans of the Company are set out in Note XI (II) 4.

As at 31 December 2016, the long-term pledged loans of the Company are as follows: borrowings of RMB 170,600,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (subsidiary of the Company), and guaranteed by the Company.

35. Bonds payable

(1) Classification of bonds payable

| Item | Closing balance | Opening balance |
|-----------------------------|-------------------------|-------------------------|
| Corporate medium-term notes | 2,800,000,000.00 | 1,500,000,000.00 |
| Total | 2,800,000,000.00 | 1,500,000,000.00 |

(2) Movements of bonds payable

| Name of bonds | Face value | Date of issuance | Term | Issue amount | Opening balance | Issued in the current year |
|-----------------------|-------------------------|------------------|---------|-------------------------|-------------------------|----------------------------|
| 14 Tongfang MTN001 | 800,000,000.00 | 21/03/2014 | 5 years | 800,000,000.00 | 800,000,000.00 | 0.00 |
| 14 Tongfang MTN002 | 700,000,000.00 | 24/10/2014 | 3 years | 700,000,000.00 | 700,000,000.00 | 0.00 |
| 16 Tongfang MTN001 | 1,000,000,000.00 | 14/01/2016 | 5 years | 1,000,000,000.00 | 0.00 | 1,000,000,000.00 |
| 16 Tongfang MTN002 | 1,000,000,000.00 | 15/07/2016 | 5 years | 1,000,000,000.00 | 0.00 | 1,000,000,000.00 |
| Total | 3,500,000,000.00 | — | — | 3,500,000,000.00 | 1,500,000,000.00 | 2,000,000,000.00 |

(Continued)

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of bonds | Accrued interests at face value | Premium and discount amortization | Repaid in the current year | Transferred to non-current liabilities due within one year | Transferred to interests payable | Closing balance |
|--------------------|---------------------------------|-----------------------------------|----------------------------|--|----------------------------------|-------------------------|
| 14 Tongfang MTN001 | 52,800,000.00 | 0.00 | 0.00 | 0.00 | 52,800,000.00 | 800,000,000.00 |
| 14 Tongfang MTN002 | 34,650,000.00 | 0.00 | 0.00 | 700,000,000.00 | 34,650,000.00 | 0.00 |
| 16 Tongfang MTN001 | 31,160,655.74 | 0.00 | 0.00 | 0.00 | 31,160,655.74 | 1,000,000,000.00 |
| 16 Tongfang MTN002 | 15,976,502.73 | 0.00 | 0.00 | 0.00 | 15,976,502.73 | 1,000,000,000.00 |
| Total | 134,587,158.47 | 0.00 | 0.00 | 700,000,000.00 | 134,587,158.47 | 2,800,000,000.00 |

36. Long-term payables

| Nature | Closing balance | Opening balance |
|-------------------------|-------------------|-----------------------|
| Finance lease payments | 0.00 | 295,857,110.86 |
| Relending of bank loans | 0.00 | 26,015,069.87 |
| Other balances | 232,094.08 | 232,094.08 |
| Total | 232,094.08 | 322,104,274.81 |

37. Special payables

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance | Reasons for incurrence |
|---|----------------------|--------------------------|--------------------------|---------------------|--|
| Disaster recovery services of Cloud Computing Data Center | 8,000,000.00 | 0.00 | 8,000,000.00 | 0.00 | Commissioned and co-developed research and development project |
| High-end smart card chip research and development project | 1,459,992.00 | 0.00 | 1,459,992.00 | 0.00 | Commissioned and co-developed research and development project |
| Hebei Province information industry special fund project | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | Hebei Province information industry special fund project |
| SOC chip research and development project | 800,000.00 | 0.00 | 800,000.00 | 0.00 | Commissioned and co-developed research and development project |
| Ice storage pool project | 100,000.00 | 0.00 | 0.00 | 100,000.00 | — |
| High-tech achievement transformation project | 0.00 | 1,000,000.00 | 0.00 | 1,000,000.00 | Beijing high-tech achievement transformation project |
| Total | 11,359,992.00 | 1,000,000.00 | 10,259,992.00 | 2,100,000.00 | — |

38. Provisions

| Item | Closing balance | Opening balance | Reasons for incurrence |
|------------------------|---------------------|---------------------|-----------------------------------|
| Product warranty costs | 6,356,662.80 | 2,915,029.01 | Provision of ship maintenance fee |
| Total | 6,356,662.80 | 2,915,029.01 | — |

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39. Deferred income

(1) Classification of deferred income

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance | Reasons for incurrence |
|------------------|-----------------------|--------------------------|--------------------------|-----------------------|--|
| Project subsidy | 893,550,632.61 | 219,825,893.22 | 726,381,649.64 | 386,994,876.19 | Commissioned and co-developed research and development project subsidies |
| Interest subsidy | 21,133,268.37 | 0.00 | 21,133,268.37 | 0.00 | Imported equipment discount |
| Land grants | 2,313,182.65 | 0.00 | 104,189.16 | 2,208,993.49 | — |
| Others | 2,940,886.70 | 0.00 | 2,940,886.70 | 0.00 | Proceeds of disposal of assets under water franchise to be amortized |
| Total | 919,937,970.33 | 219,825,893.22 | 750,559,993.87 | 389,203,869.68 | — |

(2) Government grant projects

| Government grant project | Opening balance | Newly increased amount of subsidy of the current year | Amount recognized as non-operating income of the current year | Other changes | Closing balance | Related to assets/related to income |
|--|-----------------|---|---|----------------|-----------------|-------------------------------------|
| High-brightness light-emitting diode (LED) epitaxial wafers, chip industrialization project | 22,143,333.12 | 0.00 | 3,795,999.96 | 0.00 | 18,347,333.16 | Related to assets |
| Science and technology research and development special support funds | 0.00 | 86,400,000.00 | 17,280,000.00 | 0.00 | 69,120,000.00 | Related to assets |
| Car-type container security products industrial technology subsidies | 0.00 | 50,000,000.00 | 7,500,000.00 | 0.00 | 42,500,000.00 | Related to assets |
| Nantong Science and Technology Park project support funds | 95,888,000.00 | 0.00 | 3,556,000.00 | 0.00 | 92,332,000.00 | Related to assets |
| Digital Publishing Platform for Chinese Premium Academic Journals foreign language edition | 9,000,000.00 | 0.00 | 0.00 | 0.00 | 9,000,000.00 | Related to income |
| Statistical database of qualitative evaluation of world scientific literature | 10,000,000.00 | 0.00 | 0.00 | 0.00 | 10,000,000.00 | Related to income |
| Development and Industrialization Demonstration of Millimeter Wave Imaging Detector | 9,070,000.00 | 0.00 | 0.00 | 0.00 | 9,070,000.00 | Related to income |
| CT products industrialization subsidies | 0.00 | 40,000,000.00 | 4,000,000.00 | 0.00 | 36,000,000.00 | Related to assets |
| Three North Alpine subsidies of Friendship County centralized heating expansion construction project | 8,000,000.00 | 0.00 | 0.00 | 0.00 | 8,000,000.00 | Related to assets |
| High-end smart card chip research and development project I | 27,877,996.00 | 0.00 | 1,559,751.00 | 26,318,245.00 | 0.00 | Related to assets |
| High-end smart card chip research and development project II | 2,269,333.33 | 0.00 | 160,800.00 | 2,108,533.33 | 0.00 | Related to income |
| Special Integrated Circuit Research & Development Project I | 462,910,976.59 | 5,000,000.00 | 4,478,601.39 | 463,432,375.20 | 0.00 | Related to assets |

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| Government grant project | Opening balance | Newly increased amount of subsidy of the current year | Amount recognized as non-operating income of the current year | Other changes | Closing balance | Related to assets/related to income |
|--|-----------------------|---|---|-----------------------|-----------------------|-------------------------------------|
| Special Integrated Circuit Research & Development Project II | 65,799,934.73 | 0.00 | 864,327.89 | 64,935,606.84 | 0.00 | Related to income |
| Imported equipment discount interest item | 18,610,622.40 | 0.00 | 2,843,677.80 | 15,766,944.60 | 0.00 | Related to assets |
| Others | 188,367,774.16 | 38,425,893.22 | 51,946,122.51 | 80,013,008.35 | 94,834,536.52 | |
| Total | 919,937,970.33 | 219,825,893.22 | 97,985,280.55 | 652,574,713.32 | 389,203,869.68 | |

Note: The newly increased amount of government grants of the current year includes the transfer of government grants amounted to RMB 10,400,000.00 due to business combination. The decrease in the current period includes government grants amounted to RMB 611,492,666.61 transferred out due to disposal of subsidiaries.

40. Share capital

| Item | Opening balance | Changes in the current year (+, -) | | Closing balance |
|---------------------------|-------------------------|------------------------------------|-------------|-------------------------|
| | | year (+, -) | | |
| Total share amount | 2,963,898,951.00 | | 0.00 | 2,963,898,951.00 |

41. Capital surplus

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|-----------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Share premium | 9,314,456,088.63 | 5,358,821.41 | 142,219,413.68 | 9,177,595,496.36 |
| Other capital surplus | 140,183,226.28 | 141,266,466.92 | 127,612,052.88 | 153,837,640.32 |
| Total | 9,454,639,314.91 | 146,625,288.33 | 269,831,466.56 | 9,331,433,136.68 |

1) Reason for the changes of share premium: the subsidiaries' equity attributable to the parent company changes due to changes in ownership interests in a subsidiary that did not result in a loss of control, which is accounted as equity transaction, with a corresponding increase in share premium of RMB 5,358,821.41 and decrease in share premium of RMB 142,219,413.68.

2) Reasons for changes of other capital surplus for the current period: the changes in ownership interests of the Company to the associates, which did not result in a loss of significant influence, resulted in the increase or decrease in the share of the equity attributable to the owners of the parent company, with a corresponding increase in other capital surplus of RMB 93,809,632.07 and decrease in other capital surplus of RMB 111,269,397.95.

For transactions recognized directly in owner's equity other than net profit or loss and other comprehensive income occurred in the associates, that resulting in changes in the share of the associates' equity attributable to equity holders of the parent company, the Company shall recognize the proportionate amount according to the shareholding ratio using equity method, with a corresponding increase in other capital surplus of RMB 44,428,561.05 and decrease in other capital surplus of RMB 15,072,311.67.

For equity-settled share-based payment plan of Technovator International Limited and Neo-Neon Holdings Limited for the year that resulting in changes in the share of the subsidiaries' equity attributable to equity holders of the parent company, the Company shall

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recognize the proportionate amount according to the shareholding ratio, with a corresponding increase in other capital surplus of RMB 3,028,273.80.

Other capital surpluses that have been recognized in previous years were reclassified to the current profits and losses due to the disposal of associates, resulting in a decrease of other capital surplus by RMB 1,270,343.26.

42. Other comprehensive incomes

| Item | Opening balance | Other comprehensive income before tax for the year | Amount for the current year | | | | | Closing balance |
|--|-----------------------|--|---|-----------------------|---|--|-----------------------|-----------------|
| | | | Less: amount included in other comprehensive income in the prior years that is transferred to profit or loss for current year | Less: Income tax | Attributable to the Parent Company, net of income tax | Attributable to non-controlling interests, net of income tax | | |
| I. Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | | | | |
| Including: Share of other comprehensive income of the invested entity that will be reclassified subsequently to profit or loss under the equity method | 22,670,594.23 | -42,780,326.50 | 0.00 | 0.00 | -42,636,446.57 | -143,879.93 | -19,965,852.34 | |
| Gains or losses from changes in fair value of available-for-sale financial assets | -4,115,041.16 | 483,544,823.01 | -12,323,680.09 | 158,478,961.76 | 336,272,235.43 | 1,117,305.91 | 332,157,194.27 | |
| Exchange differences on translating foreign currency financial statements | -80,598,270.59 | 87,822,166.67 | 1,166,693.77 | 0.00 | 51,102,681.43 | 35,552,791.47 | -29,495,589.16 | |
| Total other comprehensive incomes | -62,042,717.52 | 528,586,663.18 | -11,156,986.32 | 158,478,961.76 | 344,738,470.29 | 36,526,217.45 | 282,695,752.77 | |

43. Surplus reserves

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|--------------------------------|-----------------------|--------------------------|--------------------------|-------------------------|
| Statutory surplus reserves | 816,633,682.42 | 430,232,927.37 | 0.00 | 1,246,866,609.79 |
| Discretionary surplus reserves | 67,644,490.85 | 0.00 | 0.00 | 67,644,490.85 |
| Total | 884,278,173.27 | 430,232,927.37 | 0.00 | 1,314,511,100.64 |

44. Undistributed profits

| Item | Current year | Previous year |
|---|-------------------------|-------------------------|
| Closing balance of the preceding year | 4,410,668,665.65 | 3,512,346,548.71 |
| Add: Adjustment for closing balance of the proceeding year | 0.00 | 0.00 |
| Opening balance of current year | 4,410,668,665.65 | 3,512,346,548.71 |
| Add: Net profit attributable to shareholders of the parent company for the current year | 4,302,329,273.65 | 1,261,593,370.02 |
| Less: Appropriation to statutory surplus reserve | 430,232,927.37 | 126,159,337.00 |
| Declaration of dividends on ordinary shares | 385,306,863.63 | 237,111,916.08 |
| Closing balance of current year | 7,897,458,148.30 | 4,410,668,665.65 |

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45. Revenue and costs

| Item | Amount for the current year | | Amount for the previous year | |
|----------------|-----------------------------|--------------------------|------------------------------|--------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 26,947,229,051.98 | 22,193,029,962.92 | 28,232,009,400.08 | 22,810,605,913.79 |
| Other business | 227,107,809.89 | 125,717,603.84 | 215,274,780.20 | 120,133,023.78 |
| Total | 27,174,336,861.87 | 22,318,747,566.76 | 28,447,284,180.28 | 22,930,738,937.57 |

46. Taxes and surcharges

| Item | Amount for the current year | | Amount for the previous year | |
|---------------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | |
| City maintenance and construction tax | | 40,898,723.76 | | 67,195,908.95 |
| Educational surcharges | | 30,256,588.48 | | 47,820,356.10 |
| House property tax | | 24,446,506.35 | | 0.00 |
| Business tax | | 21,262,922.53 | | 49,771,406.47 |
| Land use tax | | 12,908,259.24 | | 0.00 |
| Stamp tax | | 10,023,005.78 | | 0.00 |
| Vehicle usage tax | | 945,939.23 | | 0.00 |
| Others | | 1,052,142.66 | | 1,338,884.42 |
| Total | | 141,794,088.03 | | 166,126,555.94 |

47. Selling and distribution expenses

| Item | Amount for the current year | | Amount for the previous year | |
|--|-----------------------------|-------------------------|------------------------------|-------------------------|
| | | | | |
| Wages | | 727,931,602.26 | | 707,837,495.89 |
| Business promotion expenses, advertising costs, operating expenses, commission | | 476,258,385.42 | | 312,699,368.81 |
| Traveling, meeting, hospitality expenses | | 226,728,865.00 | | 237,837,180.27 |
| Transportation expenses (transportation costs, vehicle costs, etc.) | | 119,288,677.66 | | 145,546,168.53 |
| Agents, service fees, counseling and intermediary expenses | | 211,357,915.89 | | 151,185,444.91 |
| Office expenses, information fees, annual fees | | 80,776,287.91 | | 77,757,576.18 |
| Material consumption | | 65,747,564.58 | | 57,126,363.89 |
| Product maintenance fee | | 26,121,459.83 | | 52,757,364.04 |
| Foreign affairs expenses, export expenses | | 6,859,916.94 | | 47,679,330.16 |
| Warehousing, venues, booth fees, inspection, mold, rectification fee | | 40,302,081.51 | | 45,929,715.63 |
| Rent and property charges | | 44,744,045.60 | | 43,523,608.57 |
| Depreciation and amortization | | 10,380,389.09 | | 18,127,140.45 |
| Testing, processing and installation expenses | | 8,173,397.41 | | 8,247,728.72 |
| Insurance premium | | 12,476,635.75 | | 8,638,296.41 |
| Water and electricity charges, heating costs, steam charges | | 2,650,823.99 | | 4,823,184.63 |
| Taxes | | 886,323.79 | | 1,012,859.01 |
| Others | | 22,401,956.54 | | 43,723,981.69 |
| Total | | 2,083,086,329.17 | | 1,964,452,807.79 |

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48. General and administrative expenses

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Wages | 685,066,798.77 | 702,475,194.97 |
| Research and development expenses | 882,027,285.17 | 840,783,917.14 |
| Depreciation and amortization | 342,305,838.03 | 318,990,270.68 |
| Consulting fees, service fees, intermediary fees | 134,711,203.07 | 121,953,125.25 |
| Traveling, meeting, hospitality expenses | 63,041,689.23 | 75,704,266.96 |
| Taxes | 60,434,714.97 | 70,826,422.93 |
| Office, information expenses | 44,774,690.90 | 56,408,899.97 |
| Trademark registration, patent application fee, start-up fee, annual fee | 27,904,995.25 | 70,549,394.60 |
| Rent and property charges | 19,587,800.40 | 15,574,731.67 |
| Miscellaneous transportation, transportation costs | 18,721,451.50 | 16,151,928.29 |
| Maintenance expenses | 15,302,259.78 | 14,077,569.45 |
| Insurance premium | 10,615,962.79 | 10,608,972.69 |
| Material consumption | 9,955,848.08 | 10,580,953.65 |
| Testing, processing and installation expenses | 8,914,334.76 | 31,582,142.78 |
| Water and electricity charges, steam charges, heating costs | 6,209,284.21 | 11,753,750.36 |
| Expenses of board of directors | 4,118,207.51 | 2,047,199.15 |
| Lease, storage expenses | 2,344,380.09 | 2,730,083.45 |
| Institutional management fees, administrative fees | 29,250.00 | 1,181,094.13 |
| Others | 24,838,652.86 | 54,946,052.08 |
| Total | 2,360,904,647.37 | 2,428,925,970.20 |

49. Financial expenses

| Item | Amount for the current year | Amount for the previous year |
|-----------------------|-----------------------------|------------------------------|
| Interest expense | 724,048,435.50 | 984,903,113.73 |
| Less: Interest income | 117,568,696.81 | 122,196,768.73 |
| Add: Exchange losses | -25,939,822.18 | 43,833,594.44 |
| Add: other expenses | 50,764,203.60 | 54,193,864.95 |
| Total | 631,304,120.11 | 960,733,804.39 |

50. Impairment losses on assets

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Bad debt losses | 287,415,811.73 | 275,018,477.61 |
| Losses of decline in the value of inventories | 161,707,818.03 | 160,560,589.78 |
| Impairment losses of long-term equity investments | 2,391,702.45 | 0.00 |
| Impairment losses of available-for-sale financial assets | 14,555.12 | 0.00 |
| Impairment losses of fixed assets | 2,164,632.55 | 29,094,593.05 |
| Impairment losses of construction in progress | 0.00 | 13,768,136.84 |
| Total | 453,694,519.88 | 478,441,797.28 |

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51. Gains or losses from changes in fair values

| Item | Amount incurred in this period | Amount incurred in the previous period |
|--|-----------------------------------|---|
| Financial assets at fair value through profit or loss | -365,008,571.88 | -227,244,716.21 |
| Beijing Tongfang Yiheng Venture Capital Center | -3,689,920.09 | 0.00 |
| Qingdao Jiahong No. One venture capital fund | -3,363,244.59 | 0.00 |
| China Petrochemical Mixed Ownership Reform Project Equity Investment | 995,240.57 | 0.00 |
| Gains/losses arising on changes in fair value of investment properties | 0.00 | -1,794,889.76 |
| Total | -371,066,495.99 | -229,039,605.97 |

52. Investment income

| Item | Amount for the current year | Amount for the previous year |
|--|--------------------------------|---------------------------------|
| Income from long-term equity investments under equity method | 739,317,003.79 | 1,358,888,257.26 |
| Investment income on disposal of long-term equity investments | 5,488,067,239.45 | 691,673,601.28 |
| Investment income on disposal of financial assets at fair value through profit or loss | 4,973,186.43 | 585,002,265.22 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 14,272,709.23 | 5,551,414.60 |
| Investment income on disposal of available-for-sale financial assets | -263,090.86 | -644,957.71 |
| Investment income during the holding period of available-for-sale financial assets | 2,510,684.07 | 1,205,853.00 |
| Total | 6,248,877,732.11 | 2,641,676,433.65 |

53. Non-operating income

(1) Details of non-operating income

| Item | Amount for the current year | Amount for the previous year | Recognized in non- recurring profit or loss for the current year |
|---|--------------------------------|---------------------------------|--|
| Proceeds on disposal of non-current assets | 6,612,632.10 | 28,138,021.22 | 6,612,632.10 |
| Including: Proceeds on disposal of fixed assets | 6,612,632.10 | 683,344.86 | 6,612,632.10 |
| Proceeds on disposal of intangible assets | 0.00 | 27,454,676.36 | 0.00 |
| Government grants | 471,168,208.63 | 416,652,806.44 | 156,387,316.80 |
| Others | 12,374,985.34 | 10,199,801.98 | 12,374,985.34 |
| Total | 490,155,826.07 | 454,990,629.64 | 175,374,934.24 |

(2) Details of government grants

| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|--------------------------------|---------------------------------|---|---|
| Software VAT refund | 255,323,176.09 | 115,076,485.93 | Cai Shui [2011] 100 | Related to income |
| Sewage treatment VAT refund | 43,705,530.09 | 26,789,965.69 | Cai Shui [2015] 78 | Related to income |
| Technology research & development subsidies | 17,280,000.00 | 0.00 | Jiangsu Jintan Economic Development Zone Finance Bureau | Related to assets |
| Military products VAT refund | 15,752,185.65 | 0.00 | Cai Shui [2014] 114 | Related to income |
| Compensation for production capacity relocation | 15,000,000.00 | 15,000,000.00 | Tan Kai Fa Qu Guan [2015] 151 | Related to income |

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| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|-----------------------------|------------------------------|--|-------------------------------------|
| Amount of Unigroup Guoxin (Originally known as Tongfang Guoxin) | 9,194,118.03 | 94,687,926.16 | Unigroup Guoxin (Originally known as Tongfang Guoxin) | — |
| Key cultivating project named as "Thousand Talents Program" | 8,500,000.00 | 0.00 | Zhongguancun Technology Park Haidianyuan Administration Committee | Related to income |
| Car-type container security products industrial technology subsidies | 7,500,000.00 | 0.00 | Jiangsu Jintan Economic Development Zone Finance Bureau | Related to assets |
| Xishan Development Zone industrial support funds | 6,648,750.00 | 0.00 | Xishan Economic and Technological Development Zone Finance Bureau | Related to income |
| EMC energy conservation subsidies | 4,901,600.00 | 14,373,500.00 | Yu Jian Fa [2012] 111 | Related to income |
| CT products industrialization subsidies | 4,000,000.00 | 0.00 | Jiangsu Jintan Economic Development Zone Finance Bureau | Related to assets |
| Technology development and demonstration construction of rural coal-fired alternative heat pump heating | 4,000,000.00 | 0.00 | Jing Ke Fa [2014] 196 | Related to income |
| 2016 small vehicle top safety inspection system development project | 3,960,300.00 | 0.00 | Beijing Municipal Science and Technology Commission | Related to income |
| High-brightness light-emitting diode (LED) epitaxial wafers, chip research and industrialization project | 3,795,999.96 | 3,795,999.96 | Engineering Promotion Bureau, Beijing Municipal Science and Technology Commission, Ministry of Economy and Information Technology | Related to assets |
| Energy-saving government subsidies | 3,600,000.00 | 0.00 | Jixi Urban and Rural Construction Bureau | Related to income |
| Nantong Science and Technology Park project support funds | 3,556,000.00 | 3,556,000.00 | Approval of project support fund given by Nantong Economic Development Zone Finance Bureau to Nantong Tongfang Science and Technology Park Co., Ltd. | Related to assets |
| Sludge treatment subsidy | 3,395,736.33 | 2,499,324.22 | Supplementary Agreement on Compensation for Franchise agreement's sludge transportation and disposal costs | Related to income |
| Special funds for 2015 Construction of Zhongguancun's Technological Innovation Ability | 3,189,000.00 | 0.00 | Capital Intellectual Property Services Association | Related to income |
| Beijing Municipal Commission of Commerce export incentives | 3,184,230.00 | 0.00 | Beijing Municipal Commission of Commerce | Related to income |
| "Double independent" corporate export funds incentives | 3,130,226.00 | 0.00 | Beijing Municipal Commission of Commerce | Related to income |
| Public safety / emergency integrated emergency management platform industrialization projects based on new generation of information technology | 3,000,000.00 | 0.00 | Haidian Park Management Committee major industry special project, notice of supporting project acceptance results in 2012 | Related to income |
| Disaster recovery services of Cloud Computing Data Center | 2,926,833.30 | 0.00 | Fa Gai Ban Gao Ji [2013] 1309 | Related to assets |
| Interest subsidy | 2,843,677.80 | 2,843,677.80 | Su Cai Gong Mao [2012] 135 | Related to assets |
| Enterprise support funds from Huairou District government | 2,656,006.53 | 6,742,601.22 | Huaibei Town People's Government | Related to income |
| 2014 Zhongguancun Technology Innovation Capability Construction (Patent Section) Grants | 2,136,000.00 | 0.00 | Zhongguancun Technology Park Administration Committee | Related to income |
| Blue whale civil-military integration | 2,000,000.00 | 0.00 | 17th Minutes of the meeting for Nanjing Jiangning High-tech Park Management Committee | Related to income |
| Trusted network payment system project | 1,666,666.68 | 1,666,666.65 | Fa Gai Ban Gao Ji [2008] 1736 | Related to assets |

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| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|-----------------------------|------------------------------|---|-------------------------------------|
| National Innovation Fund Project | 1,500,000.00 | 0.00 | Ministry of Science and Technology of small and medium-sized entity technology innovation fund management center | Related to income |
| National Thousand Talents Plan | 1,500,000.00 | 0.00 | Ministry of Science and Technology Torch High Technology Industry Development Center | Related to income |
| Nantong City Finance Bureau of Jiangsu Province, achievement transformation special funds | 1,500,000.00 | 125,000.00 | Nantong Science and Technology Bureau | Related to assets |
| Xishan Economic Development Zone Administrative Committee support funds | 1,298,900.00 | 0.00 | Xishan Economic and Technological Development Zone Finance Bureau | Related to income |
| Zhongguancun modern service industry SME business incubation pilot special fund subsidies | 1,240,000.00 | 0.00 | Zhongguancun modern service industry SME business incubation pilot project funds allocation agreement | Related to income |
| 2015 annual product quality award | 1,230,000.00 | 0.00 | Shen Zheng BAN Fa [2015] 84 | Related to income |
| Industrial and information industry support subsidies | 1,200,000.00 | 0.00 | Tong Jing Xin Tou Zi [2016] 27 | Related to income |
| 2015 Export credit insurance premiums support funds | 1,131,500.00 | 0.00 | Su Cai Gong Mao [2013] 90 | Related to income |
| Ereneben Safety Integrated Mobility Services Platform project | 1,116,666.68 | 2,233,333.32 | Beijing Municipal Economic and Information Commission Zhongguancun Modern Service Special Fund Appropriation Project Contract | Related to assets |
| LED street lamp research and industrialization | 1,000,000.00 | 0.00 | Notice of Guangzhou Science and Technology Innovation Committee on the issue of 2016 scientific and technological innovation enterprise development special project funds | Related to income |
| Zhongguancun Haidian Park Technology Center subsidy project | 1,000,000.00 | 0.00 | Hai Hang Gui Fa [2010] 6 | Related to income |
| Certification service fee for open up the international market products | 1,000,000.00 | 1,000,000.00 | Notice on declaration of 2014 Shenyang City foreign economic and trade development special funds project | Related to income |
| Patent grant | 617,592.00 | 601,300.00 | State Intellectual Property Office | Related to income |
| British Welsh employment support government subsidies | 255,680.17 | 1,957,101.81 | British Welsh Government | Related to income |
| Water price subsidies (Longjiang Environmental Protection) | 0.00 | 54,000,000.00 | Mu Cai Jian [2011] 38, Mu Cai Jian [2013] 21 | Related to income |
| Digital TV SOC chip design and industrialization project | 0.00 | 6,733,333.32 | The People's Republic of China Ministry of Finance, Beijing Economic and Technological Development Zone Management Committee | Related to assets |
| High performance LED epitaxial chip preparation key technology research and development and industrialization | 0.00 | 3,564,825.00 | Notice of Guangdong Province's Strategic Emerging Industry Development Special Fund (LED Industry) for promotion plan project | Related to income |
| Haidian District Support Fund | 0.00 | 3,500,000.00 | Zhongguancun Technology Park Haidianyuan Administration Committee | Related to income |
| Foreign advanced technology achievement landing funds | 0.00 | 3,400,000.00 | Beijing Municipal Science and Technology Commission | Related to income |
| Beijing Civil Reading Public Service Platform | 0.00 | 3,000,000.00 | Beijing Municipal Science and Technology Commission | Related to income |

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| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|-----------------------------|------------------------------|---|-------------------------------------|
| Domestic Trade Credit Insurance Financial Subsidy Fund | 0.00 | 2,801,900.00 | Domestic Trade Credit Insurance Financial Subsidy Fund funded by Beijing Municipal Commission of Commerce | Related to income |
| Science and technology industry base financial support fund | 0.00 | 2,317,400.00 | Tsinghua Tongfang (Nantong) Technology Industry Base Project Supplementary Agreement | Related to income |
| Subsidies for energy conservation projects | 0.00 | 2,250,000.00 | Shanxi Provincial Department of Finance | Related to income |
| Special funds for the development of small and medium enterprises | 0.00 | 2,179,200.00 | Nantong Economic Development Zone Finance Bureau Urban Construction Financial Award Documents | Related to income |
| OTT intelligent network television industrialization project | 0.00 | 3,870,000.00 | 2015 Liaoning Province, proposed project announcement of first batch science and technology plan, Shen Cai Zhi Qi [2015] 1059 | Related to income |
| Industrial development fund | 0.00 | 2,000,000.00 | Ministry of Industry and Information | Related to income |
| National strategic key new products - ion migration | 0.00 | 2,000,000.00 | Ministry of Finance | Related to income |
| Research and Industrialization of efficient environment-friendly low ambient temperature air source heat pump unit | 0.00 | 1,800,000.00 | Beijing Haidian Science and Technology Commission | Related to income |
| DTMB and DVB-C standard digital TV channel demodulation single chip project | 0.00 | 1,500,000.00 | Electronic information industry development fund | Related to assets |
| Beijing Semiconductor Lighting Materials and Devices Engineering Technology Research Center - 2013 Science and Technology Innovation Base Cultivation and Development Project | 0.00 | 1,400,000.00 | Beijing Science and Technology Commission - Beijing Science and Technology special task book (Z131109002813028) | Related to income |
| Independent temperature-humidity control air conditioning system with double cold sources | 0.00 | 1,387,080.00 | Ministry of Science and Technology | Related to income |
| Research and development and demonstration applications of Beijing Social service window information resource platform | 0.00 | 1,250,000.00 | Beijing Municipal Science and Technology Commission | Related to income |
| Public service platform project | 0.00 | 1,000,000.00 | Notice on declaration of 2014 Shenyang City foreign economic and trade development special funds project | Related to income |
| Zhongguancun Technology Park Haidianyuan Administration Committee - major industry special funds | 0.00 | 1,000,000.00 | Zhongguancun Technology Park Haidianyuan Administration Committee | Related to income |
| Research and development and industrialization of high performance LED alumina ceramic substrate and material | 0.00 | 1,000,000.00 | Lin Cai Jiao [2014] 39 | Related to income |
| Other subsidies | 18,731,833.32 | 21,750,185.36 | — | — |
| Total | 471,168,208.63 | 416,652,806.44 | — | — |

54. Non-operating expenses

| Item | Amount for the current year | Amount for the previous year | Recognized in non-recurring profit or loss for the current year |
|--|-----------------------------|------------------------------|---|
| Losses from disposal of non-current assets | 60,067,508.76 | 3,440,305.08 | 60,067,508.76 |

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| Item | Amount for the current year | Amount for the previous year | Recognized in non-recurring profit or loss for the current year |
|---|-----------------------------|------------------------------|---|
| Including: Losses on disposal of fixed assets | 7,402,109.60 | 3,434,094.21 | 7,402,109.60 |
| Losses on disposal of intangible assets | 52,665,399.16 | 6,210.87 | 52,665,399.16 |
| Donations | 6,170,290.00 | 1,625,029.52 | 6,170,290.00 |
| Others | 14,224,928.32 | 7,063,200.64 | 14,224,928.32 |
| Total | 80,462,727.08 | 12,128,535.24 | 80,462,727.08 |

55. Income tax expense

| Item | Amount for the current year | Amount for the previous year |
|--------------------------|-----------------------------|------------------------------|
| Current year tax expense | 667,490,866.16 | 280,567,763.09 |
| Deferred tax expenses | 104,034,193.22 | -70,011,792.78 |
| Total | 771,525,059.38 | 210,555,970.31 |

56. Other comprehensive incomes

See relevant contents of “VI 42 Other comprehensive income” in the Notes for details.

57. Items in the cash flow statement

(1) Cash received/paid relating to other operating/investment-financing activities

1) Cash received relating to other operating activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|------------------------------|---------------------------------------|--|
| Government grants | 263,266,709.55 | 399,523,000.53 |
| Intercourse funds | 85,095,593.81 | 161,352,369.28 |
| Guarantee deposits | 492,728,709.75 | 393,361,000.77 |
| Receipts on behalf of others | 124,418,272.23 | 295,550,382.13 |
| Interest income | 101,838,764.30 | 97,645,543.16 |
| Petty cash | 22,828,524.11 | 28,246,238.65 |
| Others | 24,266,493.17 | 8,766,088.91 |
| Total | 1,114,443,066.92 | 1,384,444,623.43 |

2) Cash paid relating to other operating activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Selling and distribution expensed, general and administrative expenses etc. | 1,888,909,789.59 | 1,614,133,031.55 |
| Intercourse funds | 111,917,368.11 | 297,829,369.30 |
| Guarantee deposits | 621,665,432.21 | 471,035,093.05 |
| Payment on behalf of others | 136,326,074.39 | 252,936,782.03 |
| Petty cash | 110,898,248.60 | 173,242,867.81 |
| Others | 20,544,465.92 | 16,515,424.53 |
| Total | 2,890,261,378.82 | 2,825,692,568.27 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

3) Cash received relating to other investing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|--|---|
| Tongfang Cloud Computing Technology Co., Ltd. | 5,884,407.66 | 0.00 |
| The deposit recovered for subscription for shares of Unispplendour Corporation Limited | 8,000,000.00 | 0.00 |
| Construction project on behalf of others | 7,591,344.75 | 39,158,788.86 |
| Cash balance of subsidiaries acquired in the current year | 774,626.03 | 4,469,914.57 |
| Total | 22,250,378.44 | 43,628,703.43 |

4) Cash paid relating to other investing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|--|---|
| Construction project on behalf of others | 10,854,242.79 | 14,371,172.56 |
| LargeV Instrument Corporation Limited | 0.00 | 8,000,000.00 |
| Consultant fees paid for Xi'an Unilc Semiconductor Co., Ltd | 0.00 | 6,215,996.14 |
| Performance bond paid to Shandong Property Rights Exchange Center | 0.00 | 10,000,000.00 |
| Subscription margin for non-public offering | 0.00 | 14,000,000.00 |
| Cash balance of subsidiaries that has been lost control of for current year | 0.00 | 132,872.60 |
| Intercourse funds (Tongfang Guoxin) | 0.00 | 30,000,000.00 |
| Total | 10,854,242.79 | 82,720,041.30 |

5) Cash received relating to other financing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|--|---|
| Restricted cash recovered | 305,211,690.21 | 200,848,497.54 |
| Jintan Economic Development Zone Economic Industry Co., Ltd. | 0.00 | 86,400,000.00 |
| Consideration received related to disposal of 27% shares of Shenzhen Pango Microsystems Co., Ltd. | 0.00 | 13,840,000.00 |
| Total | 305,211,690.21 | 301,088,497.54 |

6) Cash paid relating to other financing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|--|---|
| Cash paid in purchasing non-controlling interests | 374,862,053.65 | 41,073,875.06 |
| Restricted cash | 307,133,874.66 | 81,620,539.66 |
| Jintan Economic Development Zone Economic Industry Co., Ltd. | 86,400,000.00 | 0.00 |
| Share issuance, bond raising fees and intermediary fees | 17,572,249.89 | 27,601,444.51 |
| Cash paid by the subsidiaries to repurchase shares | 1,492,172.99 | 0.00 |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | 1,300,000.00 | 0.00 |
| Tsinghua Holdings Co., Ltd. | 0.00 | 1,940,279,444.70 |
| Return of subscription margin for non-public offering | 0.00 | 55,000,000.00 |
| Total | 788,760,351.19 | 2,145,575,303.93 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(2) Supplementary information to the consolidated cash flow statement

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| 1. Reconciliation of net profit to net cash flows from operating activities: | | |
| Net profit | 4,700,784,866.28 | 2,162,807,258.88 |
| Add: Provision for asset impairment | 453,694,519.88 | 478,441,797.28 |
| Depreciation of fixed assets | 519,082,005.75 | 602,813,987.03 |
| Amortization of intangible assets | 304,771,349.46 | 297,963,753.68 |
| Amortization of long-term deferred expenses | 29,560,382.37 | 25,337,873.78 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains is denoted by “-”) | 53,413,558.08 | -26,193,784.22 |
| Losses on written-off of fixed assets (gains is denoted by “-”) | 41,318.58 | 1,496,068.08 |
| Losses on change in fair value (gains is denoted by “-”) | 371,066,495.99 | 229,039,605.97 |
| Financial expenses (gains is denoted by “-”) | 768,833,239.63 | 1,076,121,608.54 |
| Losses arising from investments (gains is denoted by “-”) | -6,248,877,732.11 | -2,641,676,433.65 |
| Decreases in deferred tax assets (increases is denoted by “-”) | 12,322,676.00 | -83,573,770.61 |
| Increases in deferred tax liabilities (decreases is denoted by “-”) | 91,711,517.22 | 13,561,977.83 |
| Decreases in inventories (increases is denoted by “-”) | -1,553,520,599.79 | -686,484,564.58 |
| Decreases in receivables from operating activities (increases is denoted by “-”) | -931,672,417.27 | -1,943,750,936.62 |
| Increases in payables from operating activities (decreases is denoted by “-”) | -682,412,219.72 | 2,981,904,008.21 |
| Others | 6,074,717.22 | 12,956,558.72 |
| Net cash flows from operating activities | -2,105,126,322.43 | 2,500,765,008.32 |
| 2. Significant non-cash investing and financing activities: | | |
| Conversion of debt into capital | 0.00 | 0.00 |
| Convertible company bonds due within one year | 0.00 | 0.00 |
| Fixed assets acquired under finance leases | 0.00 | 0.00 |
| 3. Net changes in cash and cash equivalents: | | |
| Cash balance at the end of the year | 10,784,430,041.70 | 9,687,734,636.22 |
| Less: Cash balance at the beginning of the year | 9,687,734,636.22 | 6,177,305,953.83 |
| Add: Cash equivalents balance at the end of the year | | |
| Less: Cash equivalents at the beginning of the year | | |
| Net increase in cash and cash equivalents | 1,096,695,405.48 | 3,510,428,682.39 |

(3) Cash and cash equivalents

| Item | Closing balance | Opening balance |
|---|-------------------|------------------|
| Cash | 10,784,430,041.70 | 9,687,734,636.22 |
| Including: Cash on hand | 10,596,075.47 | 8,998,325.07 |
| Bank deposits without restriction | 10,727,484,746.96 | 9,591,895,056.04 |
| Other cash balances without restriction | 46,349,219.27 | 86,841,255.11 |
| Cash equivalents | 0.00 | 0.00 |
| Including: bond investment due within 3 months | 0.00 | 0.00 |
| Closing balance of cash and cash equivalents | 10,784,430,041.70 | 9,687,734,636.22 |
| Including: Cash and cash equivalents of the parent company and subsidiaries in the group with restriction | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

58. Monetary items denominated in foreign currency

(1) Foreign currency monetary items

| Item | Foreign currency at the end of the year | Exchange rate | RMB at the end of the year |
|---------------------------------------|---|---------------|----------------------------|
| Cash at bank and on hand | | | |
| Including: USD | 183,114,520.16 | 6.9370 | 1,270,265,426.35 |
| HKD | 755,068,322.89 | 0.89451 | 675,416,165.51 |
| EUR | 15,519,441.30 | 7.3068 | 113,397,453.69 |
| CAD | 9,122,711.26 | 5.1406 | 46,896,209.50 |
| GBP | 5,102,664.50 | 8.5094 | 43,420,613.30 |
| JPY | 671,147.83 | 0.059591 | 39,994.37 |
| Others | — | — | 229,208,342.00 |
| Accounts receivable | | | |
| Including: USD | 358,304,460.26 | 6.9370 | 2,485,558,040.82 |
| HKD | 9,035,770.24 | 0.89451 | 8,082,586.84 |
| EUR | 16,243,814.36 | 7.3068 | 118,690,302.77 |
| CAD | 3,813,538.24 | 5.1406 | 19,603,874.68 |
| GBP | 7,713,476.01 | 8.5094 | 65,637,052.76 |
| Others | — | — | 197,986,871.01 |
| Other receivables | | | |
| Including: USD | 16,283,468.87 | 6.9370 | 112,958,423.55 |
| HKD | 1,502,269.19 | 0.89451 | 1,343,794.81 |
| EUR | 566,693.81 | 7.3068 | 4,140,718.33 |
| CAD | 15,108,400.00 | 5.1406 | 77,666,241.04 |
| GBP | 401,116.85 | 8.5094 | 3,413,263.72 |
| Others | — | — | 21,134,241.20 |
| Accounts payable | | | |
| Including: USD | 221,913,459.92 | 6.9370 | 1,539,413,671.47 |
| HKD | 7,911,228.13 | 0.89451 | 7,076,672.67 |
| EUR | 2,437,262.25 | 7.3068 | 17,808,587.81 |
| CAD | 73,186.09 | 5.1406 | 376,220.41 |
| GBP | 519,500.18 | 8.5094 | 4,420,634.83 |
| JPY | 6,700,000.00 | 0.059591 | 399,259.70 |
| Others | — | — | 36,301,506.54 |
| Other payables | | | |
| Including: USD | 4,871,599.22 | 6.9370 | 33,794,283.78 |
| HKD | 14,087,134.49 | 0.89451 | 12,601,082.67 |
| EUR | 3,192,223.31 | 7.3068 | 23,324,937.28 |
| GBP | 771,870.25 | 8.5094 | 6,568,152.71 |
| Others | — | — | 9,264,079.82 |
| Short-term loans | | | |
| Including: USD | 260,001,220.22 | 6.9370 | 1,803,628,464.67 |
| EUR | 11,000,000.00 | 7.3068 | 80,374,800.00 |
| Long-term loans | | | |
| Including: USD | 107,606,937.98 | 6.9370 | 746,469,328.77 |
| Long-term loans due within one | | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Foreign currency at the end of the year | Exchange rate | RMB at the end of the year |
|----------------|---|---------------|----------------------------|
| year | | | |
| Including: USD | 12,200,000.00 | 6.9370 | 84,631,400.00 |

(2) Oversea operating entity

Subsidiaries of the Company, TongFang Global Limited and TongFang HongKong Limited, are important overseas operating entities with principal place of business in United States and Hong Kong respectively. The functional currency for both companies is US dollars.

VII. Changes in the scope of consolidation

1. Disposal of subsidiaries

| Name of the subsidiary | Equity disposal consideration and residual equity fair value | Percentage of equity interest disposed | Method of disposal | Losing control date | The basis of determining losing control date | The difference between disposal consideration and proportionate amount of net assets of the corresponding subsidiaries at the date of disposal |
|--|--|--|--------------------|---------------------|--|--|
| Unigroup Guoxin Co., Ltd. (Originally known as "Tongfang Guoxin Co., Ltd.") | 8,332,941,098.16 | 41.38% | For sale | 31 March 2016 | Transaction approval procedures have been fulfilled, Equity Transfer Agreement entered into force, transaction price has been charged in full | 6,903,307,640.21 |
| Longjiang Environmental Protection Group Co., Ltd. | 788,000,000.00 | 30.78% | For sale | 31 October 2016 | Transaction approval procedures have been fulfilled, Equity Transfer Agreement entered into force, transaction price has been charged in full | 504,475,053.87 |
| Nantong Tongfang Semiconductor Co., Ltd. | 1,166,000,000.00 | 100.00% | For sale | 31 December 2016 | Transaction approval procedures have been fulfilled, Equity Transfer Agreement entered into force, transaction price has been charged 60%, and the remaining balance has been recovered after the balance sheet date | -1,328,055,618.61 |
| Shenzhen Tongfang Multimedia Technology Co., Ltd. | 246,000,000.00 | 100.00% | For sale | 31 December 2016 | Transaction approval procedures have been fulfilled, Equity Transfer Agreement entered into force, transaction price has been charged 60%, and the remaining balance has been recovered after the balance sheet date | -405,298,333.88 |

VIII. Interests in other entities

1. Interests in subsidiaries

(1) Constitution of the Group

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------|--|
| TsingHua TongFang Artificial Environment Co., Ltd. | Level 1 | RMB 353,580,000.00 | 100.00% | Haidian, Beijing | Central air conditioning units, air and water purification systems |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------------|---|
| Wuxi TongFang Artificial Environment Co., Ltd. | Level 2 | RMB 80,000,000.00 | 100.00% | Wuxi, Jiangsu | Household air conditioning units |
| Beijing Tongfang Clean Technology Co., Ltd. | Level 2 | RMB 10,000,000.00 | 58.00% | Haidian, Beijing | Air and water purification systems |
| Tongfang Kawasaki Advanced Energy-Saving Machine Co., Ltd. | Level 2 | RMB 218,706,184.00 | 90.00% | Langfang, Hebei | Absorption freezer series products |
| Nuctech Company Limited. | Level 1 | RMB 165,000,000.00 | 69.09% | Haidian, Beijing | Nuclear radiation container/item inspection system, industrial ray device |
| Nuctech HongKong Company LImited | Level 2 | HKD 22,597,400.00 | 100.00% | Hong Kong, China | Container inspection system installation services and technical support |
| Nuctech Sydney Pty Ltd. | Level 3 | AUD 75,000.00 | 90.00% | Sydney, Australia | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Warsaw Co., Limited Sp. z o.o. | Level 3 | PLN 12,400,000.00 | 99.99% | Warsaw, Poland | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Ankara Güvenlik Sistemleri Sanayi ve Dis Ticaret Limited Sirketi | Level 3 | TRY 650,000.00 | 80.00% | Ankara, Turkey | Installation, distribution and maintenance of X-ray inspection equipment |
| Deltrade 11 (Proprietary) Ltd. | Level 3 | ZAR 100.00 | 50.10% | South Africa | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH SINGAPORE PRIVATE LIMITED | Level 3 | SGD 1,500,000.00 | 100.00% | Singapore | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH PANAMA, S.A. | Level 3 | USD 1,510,000.00 | 100.00% | Panama | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH DO BRASIL LTDA | Level 3 | USD 800,000.00 | 100.00% | Brazil | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Middle East FZE | Level 3 | AED 70,000.00 | 100.00% | Dubai, United Arab Emirates | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech South Africa (Pty) Ltd | Level 3 | ZAR 1,000.00 | 100.00% | Gauteng, South Africa | Installation, distribution and maintenance of X-ray inspection equipment |
| CRESCIENDO SPA | Level 3 | CLP 5,000,000.00 | 100.00% | Chile | Installation, distribution and maintenance of X-ray inspection equipment |
| NUCTECH Tianjin Co,Ltd | Level 3 | USD 150,000.00 | 100.00% | Tianjin, China | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuc&Tech S.A.de C.V. | Level 3 | MNX 50,000.00 | 100.00% | Mexico City, Mexico | Installation, distribution and maintenance of X-ray inspection equipment |
| GRANPECT COMPANY LIMITED | Level 2 | RMB 30,000,000.00 | 100.00% | Haidian, Beijing | Sales and installation of industrial radiological equipment |
| Beijing Hualixing Sci-tech Development Co., Ltd. | Level 2 | RMB 21,000,000.00 | 65.00% | Haidian, Beijing | Container inspection system installation services and technical support |
| Beijing Hanhong Investment Co., Ltd. | Level 2 | RMB 102,500,000.00 | 100.00% | Haidian, Beijing | Industrial investment, investment consulting |
| Tongfang Nuctech Jiangsu Technology Co., Ltd. | Level 2 | RMB 280,000,000.00 | 100.00% | Changzhou, Jiangsu | Research, development, production, sales and equipment installation services of nuclear instrumentation |
| LargeV Instrument Corporation Limited | Level 2 | RMB 13,500,000.00 | 57.00% | Haidian, Beijing | Instrumentation, medical equipment manufacturing, repair and related four-technics service |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|----------------------|--------------------------------|-----------------------|--|
| Beijing Fang Hong Intelligent Technology Co., Ltd. | Level 2 | RMB 12,000,000.00 | 70.00% | Miyun, Beijing | Technology extension services; engineering and technology research and experimental development and so on |
| Suzhou Weimu Intelligent System Co., Ltd. | Level 2 | RMB 10,000,000.00 | 80.00% | Suzhou, Jiangsu | Instrumentation, electronic equipment, such as the development, production and sales; technical advice and technical services, etc. |
| Suzhou Shi Mai Scientific Instrument Co., Ltd. | Level 3 | RMB 5,000,000.00 | 100.00% | Suzhou, Jiangsu | Instrumentation, electronic equipment, such as the development, production and sales; technical advice and technical services, etc. |
| Tongfang Financial Holding (Shenzhen) Co., Ltd. (Originally known as Beijing Tongfang Innovation Investment Co., Ltd.) | Level 1 | RMB 3,780,000,000.00 | 100.00% | Haidian, Beijing | Technology development, service and high technology investment |
| Beijing Tongfang Yiheng Asset Management Co., Ltd. | Level 2 | RMB 10,000,000.00 | 70.00% | Haidian, Beijing | Investment management, asset management, investment consulting, project investment |
| Beijing ASK Tongfang Technology Co., Ltd. | Level 2 | RMB 28,843,223.41 | 100.00% | Haidian, Beijing | Research and development, sales of non-contact paper card, electronic tags, electronic licenses and smart card |
| Shenzhen Tongfang Huijin Equity Investment Fund Management Co., Ltd. | Level 2 | RMB 100,000,000.00 | 55.00% | Futian, Shenzhen | Venture Capital Business, Agency Venture Capital, Venture Capital Consulting and Management |
| Tongfang Industrial Co., Ltd. | Level 1 | RMB 400,000,000.00 | 100.00% | Haidian, Beijing | Military/civilian industrial project investment and management, goods, technology import and export |
| Tongfang JiangXin Shipbuilding Co., Ltd | Level 2 | RMB 535,000,000.00 | 100.00% | Hukou Jiangxi | Ship manufacturing, repair, steel structure manufacturing |
| Tongfang Electronic Science & Technology Co., Ltd. | Level 2 | RMB 160,000,000.00 | 100.00% | Jiujiang, Jiangxi | Military/civilian communications equipment, electronic products |
| Zhuhai Tongfang Aide Technology Co., Ltd. | Level 3 | RMB 5,000,000.00 | 94.00% | Zhuhai, Guangdong | Electronic communications, wireless network development, etc |
| Jiujiang Tongfang Information Technology Co., Ltd. | Level 3 | RMB 15,000,000.00 | 100.00% | Jiujiang, Jiangxi | Information technology services and sales; housing leasing |
| Tongfang Saiweixun Information Technology Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Chengdu, Sichuan | Research & development and sales of information system, radio monitoring system, remote sensing data application system and its supporting equipment |
| Tongfang Industry Information Technology Co., Ltd. | Level 2 | RMB 120,000,000.00 | 80.00% | Haidian, Beijing | Software development; sales of electronic products, communications equipment, computer, software and auxiliary equipment |
| Wuxi Tong Fang Zhibo Yuntian Industrial Technology Co., Ltd. | Level 3 | RMB 5,000,000.00 | 60.00% | Wuxi, Jiangsu | Sales of electronic products, communications equipment, computer, software and auxiliary equipment |
| Tongfang Kebo Tianzhi Software Technology Wuxi Co., Ltd. | Level 3 | RMB 5,000,000.00 | 51.00% | Wuxi, Jiangsu | Internet of things software, hardware product development and technical services, etc.; information systems integration research, development and services |
| Beijing Tongfang Electronic Payment Technology Co., Ltd. | Level 1 | RMB 100,000,000.00 | 100.00% | Haidian, Beijing | Military-related business investment holding |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|----------------------|--------------------------------|-----------------------|---|
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | Level 2 | RMB 6,000,000.00 | 100.00% | Jingdezhen, Jiangxi | Fire engines, fire fighting equipment, gasoline and diesel generating units distribution |
| Jiujiang Tongfang Industry Co., Ltd. | Level 2 | RMB 80,000,000.00 | 100.00% | Jiujiang, Jiangxi | Processing, manufacturing, sales and service of electronic information products; housing leasing |
| Nanjing Tongfang Beidou Technology Co., Ltd. | Level 2 | RMB 5,000,000.00 | 100.00% | Nanjing, Jiangsu | Satellite navigation and positioning, timing communication and application system development |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | Level 1 | RMB 80,000,000.00 | 97.00% | Yinan, Shandong | AC/DC ceramic capacitors, chip inductors and ceramic filters |
| YinanDon's Electronic Components Co., Ltd. | Level 2 | USD 6,800,000.00 | 72.73% | Yinan, Shandong | Ceramic capacitors, AC capacitors, network capacitors |
| Tongfang Technology Park Co., Ltd. | Level 1 | RMB 50,000,000.00 | 100.00% | Haidian, Beijing | Development and management of science and technology park |
| Beijing Tongfang Star City Real Estate Co., Ltd. | Level 2 | RMB 58,000,000.00 | 100.00% | Haidian, Beijing | Real estate development and management |
| Jiujiang Tongfang Industry Co., Ltd. | Level 2 | RMB 35,653,100.00 | 100.00% | Jiujiang, Jiangxi | Real estate development, property management, indoor and outdoor decoration works |
| Tongfang Industry Nanjing Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Nanjing, Jiangsu | Research and development, production, marketing, services of communications equipment, Beidou terminal, electronic products |
| Beijing Tongfang Property Management Co., Ltd. | Level 1 | RMB 9,500,000.00 | 100.00% | Haidian, Beijing | Property management |
| Beijing Huaque Yudu Business Service Co., Ltd. | Level 2 | RMB 5,000,000.00 | 100.00% | Haidian, Beijing | Catering, entertainment services |
| Tongfang Computer Co., Ltd. | Level 1 | RMB 1,350,000,000.00 | 100.00% | Wuxi, Jiangsu | Production, sales and import and export of computer and related products; development and management of science and technology park and supporting facilities |
| Beijing Tongfang Information Security Technology Co., Ltd. | Level 2 | RMB 33,750,000.00 | 51.00% | Haidian, Beijing | Network security products and technical services |
| Xi'an Qingfen Tingxiu Electronic Information Technology Co., Ltd. | Level 2 | RMB 600,000.00 | 100.00% | Xi'an, Shanxi | Computer information technology research and development, etc. |
| Resucces Investments Limited | Level 1 | USD 20,000,000.00 | 100.00% | Virgin Islands | Investment and management of science and technology projects |
| Know China International Holdings Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tsinghua Tongfang Knowledge Network Technology Co., Ltd. (Beijing) | Level 3 | USD 1,000,000.00 | 100.00% | Haidian, Beijing | Network knowledge storage and information retrieval |
| CNKI Inc. | Level 4 | USD 1,000,000.00 | 100.00% | United States | Digital publishing products international content sales |
| TF-EPI Co. Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tongfang Capital Management Co., Ltd. | Level 3 | USD 50,000,000.00 | 100.00% | Qianhai, Shenzhen | Initiated the establishment of equity investment enterprises; entrusted to manage the investment business of equity investment enterprises and provide related services; equity investment consulting |
| THTF Energy-Saving Holdings Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment holding |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|---------------------------------|--|
| Neo-Neon Holdings Limited | Level 3 | HKD 500,000,000.00 | 69.68% | Cayman Islands | Investment holding |
| Capital Legend Enterprises Limited | Level 4 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| THTF Lighting Group Limited | Level 4 | USD 10,000,000.00 | 100.00% | Virgin Islands | Investment holding |
| Maincharm International Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon (Vietnam) Development Company Limited | Level 6 | USD 28,000,000.00 | 100.00% | Thai Binh Province, Vietnam | Production and sales of LED lighting, decorative lights series products; rice bubble decorative lights production and decorative lighting accessories production and sales; production and sales of stage lights series products |
| Neo-Neon Development Co.,Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| LED House Limited | Level 6 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Neo-Neon Enterprises Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Creation Lighting Co., Ltd. | Level 5 | TWD 80,000,000.00 | 100.00% | Taiwan, China | Real estate investment |
| Neo-Neon LED Lighting International Limited | Level 5 | USD 10,000.00 | 100.00% | Western Samoa Islands | Sales of decorative light products |
| Richmax Enterprises Ltd | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Star Bright International (Macao Commercial offshore) Ltd. | Level 7 | MOP 100,000.00 | 100.00% | Macau, China | Sales of decorative light products |
| Neo-Neon LED M&A Holdings Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon LED USA Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| American Lighting INC. | Level 7 | USD 7,944,505.00 | 100.00% | Colorado, USA | Sales of decorative light products |
| TIVOLI, LLC | Level 8 | USD 4,500,000.00 | 100.00% | California, USA | Sales of decorative light products |
| ILIO International Limited | Level 7 | USD 50,000.00 | 65.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon LED Europe Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon Europe GmbH | Level 7 | EUR 325,000.00 | 100.00% | North Rhine-Westphalia, Germany | Sales of decorative light products |
| Neo-Neon LED Asia Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Power (HK) Limited | Level 7 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Mitcham Profits Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Product marketing management services |
| Cashware Technology Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Product research services |
| Neo-Neon China Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------|---|
| Heshan Tongfang Lighting Technology Co., Ltd. | Level 6 | USD 300,000,000.00 | 100.00% | Jiangmen, Guangdong | Research & development and manufacturing of LED optoelectronic devices, optoelectronic special materials, optical fiber, new display and photoelectric installation; design and manufacture of metal and non-metal products mold; production of various lighting and accessories; manufacture and sales of light emitting diode (LED) chip; production and sales of PVC rubber particles, wire and cable; research & development, production and sales of audio and video products; product after-sales maintenance services. |
| Hong Kong Lide Electronic Company Limited | Level 7 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Guangdong Neo-Neon Green Light Technology Business Incubator Co., Ltd. | Level 7 | RMB 10,000,000.00 | 100.00% | Jiangmen, Guangdong | Investment promotion; provide business counseling, technology research and development, industrial design, financing, government project approval intermediary technology services for green light, optoelectronics and semiconductor-related areas |
| Heshan City Yinyu Lighting Co., Ltd. | Level 7 | RMB 50,000,000.00 | 100.00% | Jiangmen, Guangdong | Production, processing, marketing of various lighting and accessories Electronic product safety, electromagnetic compatibility, physical and chemical technology testing services; detection services and sales of equipment, instrumentation, test sequence equipment; development and sales of electronic products and accessories, microelectronics products, electronic components, mechanical and electrical products; import and export of goods and technology; patent agents, trademark agents, standard test information consultation |
| Jiangmen Ante Force Standard Testing Co., Ltd. | Level 8 | RMB 3,000,000.00 | 100.00% | Jiangmen, Guangdong | Energy-saving project investment, sales of lamps and accessories products; LED energy-saving technical services |
| Jiangmen Yinyu Energy Saving Investment Service Co., Ltd. | Level 8 | RMB 10,000,000.00 | 100.00% | Jiangmen, Guangdong | Lighting engineering, mechanical and electrical equipment installation works, building intelligent projects; interior lighting design, landscape lighting design, road lighting design, decorative design; sales of Industrial automation control equipment, building materials, labor insurance supplies. |
| Heshan Yinyu Electronic Commerce Co., Ltd. | Level 8 | RMB 5,000,000.00 | 100.00% | Jiangmen, Guangdong | Sales of lighting and accessories, LED lighting product; LED project design, LED lighting products after-sales service and technical advice |
| Shenzhen Ming Li Audio and Video Technology Development Co., Ltd. | Level 8 | RMB 9,030,000.00 | 85.00% | Shenzhen, Guangdong | Sales of audio equipment; production and sales of LED display screen, LED lighting and LED lighting;; engineering |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------|---|
| Heshan City Fung Choi Optoelectronics Technology Co., Ltd. | Level 8 | RMB 5,095,314.00 | 100.00% | Jiangmen, Guangdong | installation; computer information system integration and software development; development and sales of electronic products; development and sales of hardware and software of LED optoelectronic applications; establishment of industries; domestic business, material supply and marketing industry, operating import and export business, sales of own products and provide installation services. |
| Beijing Neo-Neon Optoelectronics Technology Co., Ltd. | Level 8 | RMB 20,000,000.00 | 51.00% | Shijingshan, Beijing | Technology development, technology promotion, technology transfer, technical advice; marketing planning; investment management; product design; sales of machinery and electrical equipment, special equipment, lamps, building materials, etc. |
| Shenzhen Tongfang Yiheng Fund Management Co., Ltd. | Level 7 | RMB 10,000,000.00 | 100.00% | Shenzhen, Guangdong | Investment management, asset management, investment consulting, project investment |
| Shanghai Cui Neng Optoelectronics Technology Co., Ltd. | Level 6 | USD 600,000.00 | 100.00% | Minhang, Shanghai | Investment holding |
| Tianjin Neo-Neon Optoelectronics Co., Ltd. | Level 6 | USD 690,000.00 | 100.00% | Dongli, Tianjin | Research & development, design, production and sales of LED lighting, lighting fixtures and lighting appliances |
| Heshan Mingji Co., Ltd. | Level 6 | USD 420,000.00 | 51.00% | Jiangmen, Guangdong | Research and development, design, production and operation of stage lighting products |
| Heshan Jinyu Lighting Engineering Co., Ltd. | Level 6 | USD 150,000.00 | 100.00% | Jiangmen, Guangdong | Engaged in indoor and outdoor lighting design and installation |
| Mentle International Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon Trading Co.,Ltd. | Level 5 | USD 1,000,000.00 | 100.00% | Western Samoa Islands | Investment holding |
| Total Contribution Development Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Success Link Investments Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Melrose Holdings Limited | Level 8 | HKD 10,000.00 | 100.00% | Hong Kong, China | Investment holding |
| Max Choice International Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Geni Electronics Company Ltd | Level 7 | HKD 10,000.00 | 51.00% | Hong Kong, China | Investment holding |
| Billion Choice Trading Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Yangzhou Tongfang Semiconductor Co., Ltd. | Level 8 | USD 50,000,000.00 | 100.00% | Yangzhou, Jiangsu | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip and LED epitaxial wafers, and so on |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--|--------------------------------|----------------------------|--|
| Guangdong Yinyu Chip Semiconductor Co., Ltd. | Level 8 | USD 30,000,000.00 | 100.00% | Jiangmen, Guangdong | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip, LED epitaxial wafers, LED package and so on |
| Ritelight Overseas Limited | Level 8 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Lide Trade Co., Ltd. | Level 6 | MOP 25,000.00 | 100.00% | Macau, China | Related trade activities |
| Neo-Neon Venture (BVI) Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Ever Green Illumination B.V. | Level 6 | EUR 90,000.00 | 51.00% | Noord Brabant, Netherlands | Sales of decorative lights |
| Neo Neon UK PLC | Level 6 | GBP 50,000.00 | 90.00% | Buckinghamshire, UK | Sales of decorative lights |
| Choicelord Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Trading of decorative light products |
| Mentle International Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Investment holding |
| Neo-Neon UK Investment Limited | Level 6 | GBP 100.00 | 100.00% | Buckinghamshire, UK | Investment holding |
| Jade Power Development Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon Lighting Design & Engineering Ltd. | Level 5 | HKD 1,000,000.00 | 100.00% | Hong Kong, China | Design of decorative light products |
| THTF MACAO Co., Ltd. | Level 2 | MOP 25,000.00 | 100.00% | Macau, China | Information technology, environmental protection consultants, sales of information electronic products and environmental protection products |
| Beijing Tongfang Electronic Commerce Co., Ltd. | Level 3 | RMB 135,000,000.00 | 100.00% | Haidian, Beijing | E-commerce project investment |
| Huai'an Airport Tongfang Water Co., Ltd. | Level 3 | USD 10,000,000.00 | 100.00% | Huai'an, Jiangsu | Water sector construction, operation, new technology development, research, production and sales of new water products |
| TF Lighting Engineering Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment holding |
| Beijing Tongfang Optoelectronic Environment Co., Ltd. | Level 3 | USD 750,000.00 | 100.00% | Haidian, Beijing | Research & development and production of energy-saving LED lighting products |
| Technovator International Limited | Level 1 | USD 24,198,100.00 and HKD 1,426,833,300.00 | 34.49% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| DISTECH CONTROLS PTE LTD (Originally known as Technovator South East Asia Pte Ltd) | Level 2 | USD 1,000,000.00 | 100.00% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| Tongfang Technovator Int. (Beijing) Co., | Level 2 | USD 20,000,000.00 | 100.00% | Huairou, Beijing | Design, manufacture and sales of building automation solutions |
| Tongfang Technovator Intelligence Technology (Shanghai) Co., Ltd. | Level 3 | RMB 10,000,000.00 | 40.00% | Putuo, Shanghai | Sales of building automation solutions |
| Shanghai JDJ Technology Co., Ltd. | Level 4 | RMB 3,000,000.00 | 70.00% | Xuhui, Shanghai | Sales of computer information technology, computer hardware and software technology |
| TongFang Technovator Software (Beijing) Co., Ltd. | Level 3 | RMB 10,000,000.00 | 100.00% | Huairou, Beijing | Software development, information systems integration services, sales of machinery and equipment, electronic products, computers, software and auxiliary equipment, etc. |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|----------------------------|---|
| Tongfang Technovator Int (Chongqing) Co., Ltd. | Level 3 | RMB 6,250,000.00 | 52.00% | New North Zone Chongqing | Weak and energy-saving project implementation and product sales |
| Tongfang Technovator (MACAO) Co., Ltd. | Level 3 | MOP 26,000.00 | 65.00% | Macau, China | Independent design, development, production, installation and sales of Intelligent control system supporting software and hardware products |
| TFRH Investments Limited | Level 2 | USD 12,499,999.00 | 100.00% | Cayman Islands | Investment holding |
| Tongfang Energy Saving Engineering Technology Co., Ltd. | Level 3 | RMB 231,812,167.00 | 100.00% | Haidian, Beijing | Absorption heat pump engineering and related projects investment business |
| Friendship Heating Company | Level 4 | RMB 30,000,000.00 | 100.00% | Shuangyashan, Heilongjiang | Heat recovery and so on |
| Excel Perfect Investments Limited | Level 2 | HKD 23,893,107.50 | 100.00% | Hong Kong, China | Investment holding |
| TongFang Global Limited | Level 1 | USD 10,000,000.00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| TongFang Global (Germany) GmbH | Level 2 | EUR 2,025,000.00 | 100.00% | Frankfurt, Germany | Digital TV and other consumer electronics products distribution |
| Tongfang Optoelectronics (Shenyang) Co., Ltd. | Level 2 | HKD 20,000,000.00 | 100.00% | Shenyang, Liaoning | Production and sales of liquid crystal display and related modules |
| Westinghouse Electronics Limited | Level 2 | USD 1,000,000.00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| Tongfang Global Technology (Shenzhen) Co., Ltd. | Level 2 | USD 1,600,000.00 | 100.00% | Shenzhen, Guangdong | Digital TV and other consumer electronics products distribution |
| Tongfang HongKong Limited | Level 1 | USD 8,000,000.00 | 100.00% | Hong Kong, China | Computer product development and sales |
| Tongfang HongKong (Shenzhen) Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Shenzhen, Guangdong | Computer product development and sales |
| Tongfang Computer (Suzhou) Co., Ltd. | Level 3 | RMB 5,000,000.00 | 100.00% | Suzhou, Jiangsu | Computer product development and production |
| Tongfang HongKong (Suzhou) Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Suzhou, Jiangsu | Production and sales of computer and related products |
| THTF U.S.A. Inc. | Level 1 | USD 2,490,000.00 | 100.00% | California, USA | Investment and management of science and technology projects |
| Maxgain Global Investments Limited | Level 2 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| TongFang Global Inc. | Level 3 | USD 1,000,000.00 | 100.00% | California, USA | Digital TV and other consumer electronics products distribution |
| TongFang Global (UK) Co., Limited | Level 3 | GBP 1.00 | 100.00% | Welsh, UK | Digital TV and other consumer electronics products distribution |
| TongFang Global (Canada) Inc. | Level 3 | CAN 100.00 | 100.00% | Ontario, Canada | Digital TV and other consumer electronics products distribution |
| TongFang Asia Pacific (R&D Center) Pte Ltd. | Level 1 | USD 3,000,000.00 | 100.00% | Singapore | Intelligent building engineering technology research and development |
| Tongfang R.I.A. Company Limited. | Level 1 | RMB 70,580,000.00 | 85.00% | Haidian, Beijing | Card base storage, radio frequency identification technology and application; import and export business |
| Beijing Tongfang Software Co., Ltd. | Level 1 | RMB 41,000,000.00 | 90.24% | Haidian, Beijing | Internet of Things applications, support and process control software and related hardware, value-added telecommunications services |
| Wuxi Tongfang Rongda Information Technology Co., Ltd. | Level 2 | RMB 19,000,000.00 | 57.89% | Wuxi, Jiangsu | Internet of things and software system integration |
| Chongqing Tongfang Rongda Information Technology Co., Ltd. | Level 2 | RMB 20,000,000.00 | 100.00% | Beixin, Chongqing | Internet of things and software system integration |

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From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|-----------------------|---|
| Luzhou Tong Fang Wisdom Longcheng Technology Co., Ltd. | Level 3 | RMB 10,000,000.00 | 90.00% | Luzhou, Sichuan | Smart city planning, design, investment, construction and operation |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Level 1 | RMB 80,000,000.00 | 100.00% | Haidian, Beijing | Network information services, electronic publications and database development and sales |
| Shanxi Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Taiyuan, Shanxi | Development of databases, computer hardware and software, computer network system; sales of database, computer hardware and software, computer network system; electronic technology development, technology transfer, technical advice. |
| Shanxi Tongfang Knowledge Network Printing Co., Ltd. | Level 2 | RMB 20,000,000.00 | 100.00% | Taiyuan, Shanxi | Publications, other prints. Advertising production; packaging binding; import and export business |
| Beijing Tongfang Compact Disc Co., Ltd. | Level 1 | RMB 40,000,000.00 | 100.00% | Haidian, Beijing | Electronic communication equipment, network system equipment, CD-ROM audio-visual equipment and CD-ROM materials |
| Beijing Tongfang Biochip Technology Co., Ltd. | Level 2 | RMB 22,000,000.00 | 100.00% | Miyun, Beijing | Technology development, consultation, communication, promotion, diffusion, transfer; application software services; sales of computers, software and auxiliary equipment, instrumentation; import and export of technology, import and export of agents, import and export of goods |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Level 1 | RMB 318,000,000.00 | 100.00% | Shenyang, Liaoning | Development and production of digital television and digital audio and video products, LCD module product |
| Shenyang Tongzhen Precision Electronic Technology Co., Ltd. | Level 2 | RMB 18,000,000.00 | 100.00% | Shenyang, Liaoning | Wire and connector development and production |
| Tongfang Optoelectronic (HK) Limited | Level 1 | USD 20,000,000.00 | 45.00% | Hong Kong, China | LCD module products, LED chip and light bar, light guide plate and optical materials development, production, technical services |
| Guangdong Tongfang Lighting Co., Ltd. | Level 2 | HKD 40,500,000.00 | 100.00% | Guangzhou, Guangdong | Semiconductor application technology development; semiconductor devices, electronic components, lighting electrical equipment, electronic display, lighting manufacturing and installation |
| Shenzhen Tongfang Optoelectronics Technology Co., Ltd. | Level 2 | HKD 28,000,000.00 | 100.00% | Shenzhen, Guangdong | LED LCD module production and operation, research and development of LCD, LED chips and light bar, light guide plate, optical materials, etc; technical advisory services |
| Shenyang Tongfang Technology Park Co., Ltd. | Level 1 | RMB 160,000,000.00 | 100.00% | Shenyang, Liaoning | Construction, development and management of supporting facilities of science and technology park; project investment; housing leasing; property management |
| Liaoning Tongfang Yinzhou Science and Technology Parks Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Shenyang, Liaoning | Science and technology park and supporting facilities development and management |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|-----------------------|--|
| Beijing Tongfang Lingxun Technology Co., Ltd. | Level 1 | RMB 250,000,000.00 | 94.48% | Haidian, Beijing | Microelectronics integrated circuits, radio and television, information appliances |
| Beijing Tongfang Gigamega Technology Co., Ltd. | Level 1 | RMB 120,000,000.00 | 100.00% | Haidian, Beijing | Radio and television transmission, communication channels and industrial control equipment |
| Anshan Tongfang Jizhao Radio and Television Equipment Co., Ltd | Level 2 | RMB 6,000,000.00 | 100.00% | Anshan, Liaoning | Radio and television transmission and differential transmission equipment |
| Beijing Tongfang Jizhao Radio and Television Equipment Co., Ltd | Level 2 | RMB 2,000,000.00 | 100.00% | Miyun, Beijing | TV transmitter, FM transmitter production |
| Beijing ERENEBEN Information Technology Co., Ltd. | Level 1 | RMB 100,000,000.00 | 100.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Beijing Everest Mobile Communications Co., Ltd. | Level 2 | RMB 50,000,000.00 | 60.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Tongfang Health Technology (Beijing) Co., Ltd. (833151.OC) | Level 1 | RMB 52,800,000.00 | 78.48% | Haidian, Beijing | Sports technology products, sports competition management system; import and export of technology goods |
| Beijing Tongfang Education and Training School | Level 1 | RMB 1,000,000.00 | 100.00% | Haidian, Beijing | Education and training |
| Huai'an Tongfang Water Affairs Co., Ltd. | Level 1 | RMB 110,000,000.00 | 49.55% | Huai'an, Jiangsu | Water project investment, construction, operation |
| Wuhu Tongfang Water Affairs Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Wuhu, Anhui | Sewage treatment plant construction, operation |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | Level 2 | RMB 7,000,000.00 | 100.00% | Yangzhou, Jiangsu | Water project investment, construction, operation |
| Huizhou Tongfang Water Affairs Co., Ltd. | Level 1 | RMB 36,000,000.00 | 100.00% | Huizhou, Guangdong | Water project investment, construction, operation |
| Nantong Tongfang Technology Park Co., Ltd. | Level 1 | RMB 200,000,000.00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Nantong Tongjing Property Co., Ltd. | Level 2 | RMB 8,000,000.00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Qingxin Optoelectronics Co., Ltd. | Level 1 | USD 10,000,000.00 | 55.00% | Langfang, Hebei | Development, production and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Liaoning Tongfang Security Technology Co., Ltd. | Level 1 | RMB 4,000,000.00 | 100.00% | Shenyang, Liaoning | Production and sales of fire detectors and other products |
| Tongfang Media (Beijing) Co., Ltd. | Level 1 | RMB 1,100,000.00 | 100.00% | Haidian, Beijing | Advertising agency and distribution |
| Beijing Tongfang Television Media Technology Co., Ltd. | Level 1 | RMB 5,000,000.00 | 60.00% | Haidian, Beijing | Research, development and sales of digital film playback server; digital film advertising services |
| Beijing Tongfang Jiaying Digital Cinema Line Co., Ltd. | Level 2 | RMB 100,000.00 | 100.00% | Haidian, Beijing | Film screenings; production, agency and releasing of advertisement |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(2) Important non-wholly-owned subsidiaries

| Name of the subsidiary | NCI shareholding ratio | Profit or loss attributable to NCI in the current year | Declaration of cash dividends to non-controlling shareholders | Non-controlling interests at the end of the year |
|-----------------------------------|------------------------|--|---|--|
| Technovator International Limited | 65.51% | 150,744,006.13 | 52,897,404.70 | 1,430,661,579.76 |
| Neo-Neon Holdings Limited | 30.32% | 3,518,128.68 | 0.00 | 367,383,427.27 |
| Nuctech Company Limited. | 30.91% | 193,853,834.23 | 51,700,000.00 | 659,232,597.06 |

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

| Name of the subsidiary | Closing balance | | | | | |
|-----------------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Technovator International Limited | 3,045,477,321.35 | 833,562,594.34 | 3,879,039,915.69 | 1,661,250,365.80 | 27,425,830.26 | 1,688,676,196.06 |
| Neo-Neon Holdings Limited | 1,058,544,847.85 | 424,690,937.35 | 1,483,235,785.20 | 259,507,204.45 | 13,836,839.09 | 273,344,043.54 |
| Nuctech Company Limited. | 6,416,820,208.23 | 1,466,774,562.74 | 7,883,594,770.97 | 5,706,966,530.80 | 180,050,873.03 | 5,887,017,403.83 |

(Continued 1)

| Name of the subsidiary | Opening balance | | | | | |
|-----------------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Technovator International Limited | 3,240,874,315.11 | 778,638,465.56 | 4,019,512,780.67 | 1,979,928,724.48 | 33,474,977.92 | 2,013,403,702.40 |
| Neo-Neon Holdings Limited | 964,982,232.84 | 425,595,087.44 | 1,390,577,320.28 | 209,182,786.23 | 17,910,488.96 | 227,093,275.19 |
| Nuctech Company Limited. | 6,633,145,722.79 | 1,005,777,078.53 | 7,638,922,801.32 | 5,831,355,275.02 | 260,609,402.48 | 6,091,964,677.50 |

(Continued 2)

| Name of the subsidiary | Amount for the current year | | |
|-----------------------------------|-----------------------------|-----------------------|--------------------------|
| | Revenue of main business | Cost of main business | Profit before income tax |
| Technovator International Limited | 1,820,202,526.02 | 1,377,406,035.95 | 264,855,286.97 |
| Neo-Neon Holdings Limited | 609,890,687.25 | 418,717,700.43 | 18,745,712.42 |
| Nuctech Company Limited. | 3,844,468,919.64 | 2,388,330,644.92 | 715,744,856.31 |

(Continued 3)

| Name of the subsidiary | Amount for the previous year | | |
|-----------------------------------|------------------------------|-----------------------|--------------------------|
| | Revenue of main business | Cost of main business | Profit before income tax |
| Technovator International Limited | 1,603,477,352.49 | 1,127,120,771.42 | 784,619,663.47 |
| Neo-Neon Holdings Limited | 599,521,025.25 | 431,444,817.04 | 9,476,081.51 |
| Nuctech Company Limited. | 3,491,990,695.28 | 2,192,111,297.48 | 596,257,708.07 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

2. Interests in joint ventures and associates

(1) Joint ventures and associates

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Main business |
|---|----------------------------|-----------------------------|-----------------------|---|
| Aegon THTF Life Insurance Co., Ltd. | 50.00% | 50.00% | Pudong, Shanghai | Life insurance, health insurance and accident insurance and other insurance business and its reinsurance business |
| Chongqing Guo Xin Investment Holding Co., Ltd. | 26.32% | 26.32% | Yubei, Chongqing | Investment holding and provide related services to its invested enterprises |
| Tongfang Investment Co., Ltd. | 45.45% | 45.45% | Weifang, Shandong | Project investment and management, advisory services |
| Tellhow Sci-Tech Co., Ltd. | 15.46% | 15.46% | Nanchang, Jiangxi | Intelligent building electrics, generators and units, equipment, information products |
| Jarun Investment Co., Ltd. | 50.00% | 50.00% | Pudong, Shanghai | Industrial investment, venture capital, investment management and related consultation |
| Tongfang Environment Co., Ltd. | 31.50% | 31.50% | Haidian, Beijing | Environmental engineering consulting, design, construction; general construction contractor; clean new energy power generation and environmental protection technology, engineering research, design, development, transfer, consultation, introduction and service |
| Easyway Technology Co., Ltd. | 28.80% | 28.80% | Haidian, Beijing | Railway passenger dedicated line information service system, ticket system |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 40.00% | 40.00% | Nanchang, Jiangxi | Development, production and operation of animation image and related derivative products |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 37.50% | 37.50% | Kunming, Yunnan | IT and power high-tech products |
| Advanced Systems Development Co., Ltd. | 20.00% | 20.00% | Haidian, Beijing | Computer hardware and software products, application services, labor dispatch, production of Class II medical devices |
| Beijing Global Safety Technology Co., Ltd. | 8.44% | 8.44% | Haidian, Beijing | Research and development, production and sales of public safety emergency equipment, radiation detection instrumentation and related computer hardware and software |
| Tianjin Enorth Netnews Co., Ltd. | 49.00% | 49.00% | Hedong, Tianjin | Construction and management of wireless digital terrestrial broadcasting system |
| NuRay Technology Co., Ltd. | 70.00% | 70.00% | Changzhou, Jiangsu | Research & development, design, production of nano-materials field emission multi-point (including single point) X-ray light source products and their components, sales of own products, and provide after-sale machine-related technical services. |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 35.00% | 35.00% | Zuoyun, Shanxi | Coal gangue power generation |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Quanzhou, Fujian | Construction and management of wireless digital terrestrial broadcasting system |
| Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 40.00% | 40.00% | Xi'an, Shanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 49.00% | 49.00% | Shangqiu, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Military electronic label |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 49.00% | 49.00% | Puyang, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Xuchang, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | 49.00% | 49.00% | Rizhao, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 49.00% | 49.00% | Nanyang, Henan | Digital TV technology consultation, sales of electronic products, communications products; design, production, agency and releasing of advertisement |

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From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Main business |
|---|----------------------------|-----------------------------|-------------------------|---|
| Beijing Maxin Litong Technology Co., Ltd. | 15.00% | 15.00% | Haidian, Beijing | Purchase and sale of communications equipment, computer, software and auxiliary equipment |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Yuncheng, Shanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Zhangjiakou TV Culture Media Co., Ltd. | 49.00% | 49.00% | Zhangjiakou, Hebei | Investment, development, construction, management of terrestrial digital TV, mobile multimedia radio and television, pay TV; research and development, production and sales of electronic products; design, production, agency and releasing of advertisement |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 49.00% | 49.00% | Kaifeng, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 49.00% | 49.00% | Dazhou, Sichuan | Construction and management of wireless digital terrestrial broadcasting system |
| Tongfang Refine Energy Saving Technology Co., Ltd. | 25.00% | 25.00% | Guangzhou, Guangdong | Refrigeration and air conditioning equipment manufacturing, etc |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Tianmen, Hubei | Construction and management of wireless digital terrestrial broadcasting system |
| CINTS Company Limited | 50.00% | 50.00% | Haidian, Beijing | Research and development, production and sales of instrumentation and complete sets of facilities and equipment; insecticide treatment; import or export of goods or technology |
| Luoyang Tongfang Digital Television Co., Ltd | 41.00% | 41.00% | Luoyang, Henan | Development, application, maintenance, technical consulting and service of wireless digital television network; sales and maintenance of terrestrial digital TV receiving terminal products (excluding satellite ground receiving facilities) |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Control system software development |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 46.00% | 46.00% | Changchun, Jilin | Computer and information products, artificial environment control device, instrumentation |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Binzhou, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Tongfang Cloud Computing Technology Co., Ltd. | 26.25% | 26.25% | Shenzhen, Guangdong | Cloud computing technology development; computer hardware and software technology development consulting |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 40.00% | 40.00% | Beixin, Chongqing | Communications equipment, embedded electronic systems, computer hardware and software development, production and marketing and technical services |
| Technovator Qatar | 49.00% | 49.00% | Qatar | |
| Lime PC Multimedia Technologies Co., Limited | 50.00% | 50.00% | Hong Kong, China | Computers, digital TV and other consumer electronics products distribution |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 50.00% | 50.00% | Changping, Beijing | Audio and video products, digital multimedia, broadband network multimedia |
| Tong Wei Jin Fu Technology (Tianjin) Co., Ltd. | 51.00% | 51.00% | Nankai, Tianjin | Scientific research and technical services; software and information technology services; installation and leasing of machinery and equipment, electronic products, instrumentation, computer; |
| Qian'an City Huakong Environmental Investment Co., Ltd. | 27.20% | 27.20% | Qian'an, Hebei | Public infrastructure investment, construction, operation and management; production, supply and sales of tap water; sewage treatment recycling; |
| Warranty Asset Management Co., Ltd. | 48.00% | 48.00% | Futian, Shenzhen | Asset management; investment advice; domestic trade |
| Tongfang Holch Investment Group Co., Ltd. | 45.00% | 45.00% | Haidian, Beijing | Investment management, investment consulting |
| China Railway Capital (Tianjin) Equity Investment Fund Management Co., Ltd. | 25.00% | 25.00% | Tianjin Free Trade Zone | Entrusted management of equity investment enterprises, engaged in investment management and related advisory services. |
| Beijing Haishian Data Technology Co., Ltd | 27.69% | 27.69% | Haidian, Beijing | Network storage, data security, disaster recovery backup solution |
| Beijing Wenlu Laser Technology Co., Ltd. | 20.00% | 20.00% | Changping, Beijing | Laser digital storage electronic disk copy |

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From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Main business |
|---|----------------------------|-----------------------------|-----------------------|---|
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | General construction contractor of chemical engineering projects (polysilicon, coal chemical, etc.) |
| Guangzhou Thomee Lighting Co., Ltd. | 39.00% | 39.00% | Guangzhou, Guangdong | Research and development, production and sales of lighting equipment research and development, production and sales |

(2) Summarized financial information of important joint ventures

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|---|---|---|
| Aegon THTF Life Insurance Co., Ltd. | | |
| Current assets | 576,020,724.00 | 2,570,480,442.00 |
| Non-current assets | 10,513,508,821.00 | 8,899,736,010.00 |
| Total assets | 11,089,529,545.00 | 11,470,216,452.00 |
| Current liabilities | 9,135,598,848.00 | 9,736,816,186.00 |
| Non-current liabilities | 794,742,448.00 | 686,582,911.00 |
| Total liabilities | 9,930,341,296.00 | 10,423,399,097.00 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 1,159,188,249.00 | 1,046,817,355.00 |
| Revenue | 4,104,613,199.00 | 1,304,415,517.00 |
| Net profit attributable to shareholders of the parent company | -289,086,577.00 | -14,332,983.00 |
| Other comprehensive income attributable to shareholders of the parent company | 101,457,472.00 | 19,294,362.00 |
| Total comprehensive income attributable to shareholders of the parent company | -187,629,105.00 | 4,961,379.00 |

(3) Summarized financial information of important associates

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| Chongqing Guo Xin Investment Holding Co., Ltd. | | |
| Current assets | 60,223,334,087.92 | 52,255,940,883.98 |
| Non-current assets | 184,528,889,067.83 | 134,035,681,087.98 |
| Total assets | 244,752,223,155.75 | 186,291,621,971.96 |
| Current liabilities | 177,921,281,134.55 | 131,695,307,807.51 |
| Non-current liabilities | 23,786,001,087.01 | 22,626,351,858.89 |
| Total liabilities | 201,707,282,221.56 | 154,321,659,666.40 |
| Non-controlling interest | 18,703,763,576.96 | 15,222,179,614.16 |
| Total shareholders' equity attributable to shareholders of the parent company | 24,341,177,357.23 | 16,747,782,691.40 |
| Operating income | 12,467,084,716.43 | 11,182,703,120.77 |
| Net profit attributable to shareholders of the parent company | 2,920,809,674.18 | 3,460,509,230.90 |
| Other comprehensive income attributable to shareholders of the parent company | -266,341,023.11 | -709,303,351.44 |
| Total comprehensive income attributable to shareholders of the parent company | 2,654,468,651.07 | 2,751,205,879.46 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(Continued 1)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Warranty Asset Management Co., Ltd. | |
| Current assets | 3,032,596,239.34 | 0.00 |
| Non-current assets | 3,700,194,886.98 | 0.00 |
| Total assets | 6,732,791,126.32 | 0.00 |
| Current liabilities | 4,472,946,373.14 | 0.00 |
| Non-current liabilities | 805,514,882.04 | 0.00 |
| Total liabilities | 5,278,461,255.18 | 0.00 |
| Non-controlling interest | 1,307,730,665.40 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 146,599,205.74 | 0.00 |
| Operating income | 869,703,521.70 | 0.00 |
| Net profit attributable to shareholders of the parent company | -195,113,168.19 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | -40,022,219.05 | 0.00 |
| Other comprehensive income attributable to shareholders of the parent company | -235,135,387.24 | 0.00 |

(Continued 2)

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|---|---|---|
| | Tellhow Sci-Tech Co., Ltd. | |
| Current assets | 5,435,578,332.72 | 4,330,117,037.79 |
| Non-current assets | 3,152,129,946.33 | 2,827,581,186.18 |
| Total assets | 8,587,708,279.05 | 7,157,698,223.97 |
| Current liabilities | 3,288,836,281.49 | 3,634,393,114.43 |
| Non-current liabilities | 1,369,499,725.06 | 287,612,487.26 |
| Total liabilities | 4,658,336,006.55 | 3,922,005,601.69 |
| Non-controlling interest | 121,400,087.38 | 131,678,480.20 |
| Total shareholders' equity attributable to shareholders of the parent company | 3,807,972,185.12 | 3,104,014,142.08 |
| Operating income | 3,901,935,660.39 | 3,488,096,410.81 |
| Net profit attributable to shareholders of the parent company | 123,829,229.30 | 86,000,978.61 |
| Other comprehensive income attributable to shareholders of the parent company | 0.00 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | 123,829,229.30 | 86,000,978.61 |

(Continued 3)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|--------------------|---|--|
| | Tongfang Investment Co., Ltd. | |
| Current assets | 669,581,855.65 | 451,427,667.82 |
| Non-current assets | 788,858,862.15 | 945,484,255.06 |

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(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| | 1,458,440,717.80 | 1,396,911,922.88 |
|---|------------------|------------------|
| Current liabilities | 267,837,518.88 | 385,697,231.75 |
| Non-current liabilities | 6,423,562.66 | 8,203,240.18 |
| Total liabilities | 274,261,081.54 | 393,900,471.93 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 1,184,179,636.26 | 1,003,011,450.95 |
| Operating income | 4,179,010.78 | 4,181,596.80 |
| Net profit attributable to shareholders of the parent company | 195,657,533.83 | 178,808,397.20 |
| Other comprehensive income attributable to shareholders of the parent company | -5,339,032.54 | -66,796,365.12 |
| Total comprehensive income attributable to shareholders of the parent company | 190,318,501.29 | 112,012,032.08 |

(Continued 4)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Jarun Investment Co., Ltd. | |
| Current assets | 65,656,521.83 | 60,725,226.82 |
| Non-current assets | 556,121,441.90 | 578,351,965.06 |
| Total assets | 621,777,963.73 | 639,077,191.88 |
| Current liabilities | 16,249,134.09 | 40,570,886.94 |
| Non-current liabilities | 0.00 | 0.00 |
| Total liabilities | 16,249,134.09 | 40,570,886.94 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 605,528,829.64 | 598,506,304.94 |
| Operating income | 0.00 | 0.00 |
| Net profit attributable to shareholders of the parent company | 7,022,524.70 | 9,079,170.82 |
| Other comprehensive income attributable to shareholders of the parent company | 0.00 | 0.00 |
| Total comprehensive income attributable to shareholders of the parent company | 7,022,524.70 | 9,079,170.82 |

(4) Summarized financial information of non-important joint ventures and associates

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|--|---|---|
| Joint ventures: | | |
| Total carrying amount of investment | 26,928,276.17 | 124,655,134.57 |
| The Company's share of the following items | | |
| - Net profit | -20,921,337.69 | -6,598,748.29 |
| - Other comprehensive incomes | 0.00 | 0.00 |
| - Total comprehensive income | -20,921,337.69 | -6,598,748.29 |
| Associates: | | |
| Total carrying amount of investment | 1,048,241,104.44 | 814,490,241.44 |
| The Company's share of the following items | | |
| - Net profit | 73,857,978.16 | 42,735,136.35 |
| - Other comprehensive incomes | 254,228.15 | 89,248.71 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|------------------------------|---|---|
| - Total comprehensive income | 74,112,206.31 | 42,824,385.06 |

IX. Risks related to financial instruments

Major financial instruments of the Company include bank borrowings (including short-term loans and long-term loans), bonds payable (including medium-term notes, super short-term commercial paper and short-term commercial paper listed in other current liabilities), account receivables, account payables, long-term account receivables, long-term account payables, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, etc. See Note VI for more details about each financial instrument. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows. The management of the Company manages and monitors the risk exposure, to ensure that the risks mentioned above are controlled to the extent limited.

1. Objectives and policies of various risk management

The objective of the risk management activities of the Company is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the operational performance of the Company and to maximize interest of shareholders and other equity investors. Based on this objective of risk management, the basic strategy of risk management of the Company is to identify and analyze the risks of all kinds the Company faces, so as to set a proper bottom line of risk tolerance for risk management, and to supervise the risks of all kinds in a timely and reliable way, so as to control the risks to the limited range.

(1) Market risk

1) Foreign exchange risks

The Company's foreign exchange risk is mainly related to USD, EUR, HKD and other currencies. Subsidiaries of the Company: Nuctech Company Limited., TongFang Global Limited, Tongfang HongKong Limited, Technovator International Limited, Neo-Neon Holdings Limited, Tsinghua Tongfang Knowledge Network Technology Co., Ltd. (Beijing) and other holding subsidiaries carrying out product purchase and sale and technical services business in international markets that settled in foreign currency. Most of the transactions for business units other than the above-mentioned subsidiaries are settled in RMB. As of 31 December 2016, except for assets and liabilities denominated in foreign currency set out in Note VI 58, all other assets and liabilities of the Company are reported in RMB. The risk associated with the assets and liabilities denominated in foreign currency may have influence on the Company's business performance.

The Company will pay close attention to the impact of exchange rate fluctuation on the Company. With the overseas business development and changes in market share, if RMB appreciation or depreciation occurred, which are beyond the Company's control, the Company will implement measures such as procurement and sales strategy adjustment, RMB cross-border settlement and concentration and rational use of exchange rate swap tools towards effective prevention and control RMB appreciation or depreciation.

Notes to the Financial Statements of Tongfang Co., Ltd.

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2) Interest rate risk

The Company's interest rate risk arises from bank borrowings, bonds payable and other interest-bearing debts. The Company is exposed to cash flow interest rate risk in relation to variable-rate bearing financial liabilities, and fair value interest rate risk in relation to fixed-rate bearing financial liabilities. The Company chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions.

As a non-financial enterprise, the interest rate risks currently faced by the Company are mainly from the existence of medium and long-term variable-rate debts. Under the situation of the rate hike contemplation being explicit or rate hike having occurred, drawing upon its overall strengths and advantages in corporate credit rating and multiple financing methods, the Company will substitute variable-rate debts exposed to high rate hike risk with other medium and long-term financing instruments bearing lower interest rate (including but not limited to medium-term notes or corporate bonds issued by the Company).

3) Price risk

The selling prices of the Company are based on the market prices. The Company, therefore, is influenced by the variation of market prices.

(2) Credit risk

As at 31 December 2016, maximum credit risk exposure which may cause financial loss to the Company is mainly because the counterparties of an economic contract fail to perform their obligations so as to lead to losses of financial assets to the Company, including:

The carrying amounts of the financial assets that have been recognized in the consolidated balance sheet; for any financial instrument measured at the fair value, the carrying amount indicates its risk exposure, but not its maximum risk exposure, which will change along with the fluctuation in the fair value in the future.

In order to minimize the credit risk, the Company has set up a special department responsible for the determination of credit limits, credit approval and other monitoring procedures, to ensure that follow-up action is taken to recover due or overdue debts. In addition, the Company will review the recoverable amount of each receivable on each balance sheet date, to ensure that adequate bad debt provision is made for the unrecoverable amount. In view of this, the Company's management believes that the Company's credit risk has been effectively controlled.

(3) Liquidity risk

Liquidity risk is a risk that the Company cannot perform its financial obligations till the due date. For management of the Company's liquidity risk, enough financial liquidity shall be guaranteed to perform the matured obligation and thus to avoid unacceptable losses or damages to the Company's credit. The Company will analyze the debts structure and duration regularly so as to make sure sufficient liquidity. The management of the Company monitors the utilization condition of bank borrowings, and ensures adherence to loan agreements. Meanwhile, the Company will maintain close collaboration with financial institutions to keep a certain credit line and reduce the liquidity risk.

Notes to the Financial Statements of Tongfang Co., Ltd.

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2. Sensitivity analysis

The Company adopts sensitivity analysis method to analyze the potential impact of reasonable possible change in risk variables on current profits & losses or the shareholders' equity. As any risk variable seldom changes alone and correlation between variables greatly accounts for the final amount influenced by change of a certain risk variable, the following content is conducted under the assumption that change of each variable is independent.

(1) Sensitivity analysis of foreign exchange risk

Assumption for sensitivity analysis of foreign exchange risk: all cash flow hedges and hedges of a net investment in a foreign operation (if any) are highly effective.

Based on the assumption above, if other variables stay the same, pre-tax impact of reasonable potential fluctuation of exchange rate on the current profits & losses and equity is shown as follows:

| Item | Fluctuation of exchange rate | Impact on comprehensive income for year 2016 |
|--------------------------|------------------------------|--|
| For monetary assets | 5% appreciated against RMB | 274,742,980.81 |
| For monetary liabilities | 5% appreciated against RMB | -220,322,654.16 |
| For monetary assets | 5% depreciated against RMB | -274,742,980.81 |
| For monetary liabilities | 5% depreciated against RMB | 220,322,654.16 |

(2) Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumption:

Fluctuation of market interest rate influences interest income or expense of variable-rate bearing financial instrument;

As for fixed-rate bearing financial instrument measured in the fair value, market interest rate only influences its interest income or expense;

Based on the assumption above, if other variables remain same, pre-tax impact of reasonable potential fluctuation of interest rate on the current profits or losses and equity is shown as follows:

| Item | Changes in interest rate | Year 2016 | | Year 2015 | |
|----------------------------------|--------------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | | Impact on net profits | Impact on the shareholders' equity | Impact on net profits | Impact on the shareholders' equity |
| Variable-rate bearing borrowings | Increase by 1% | -30,330,394.63 | -30,330,394.63 | -49,580,967.24 | -49,580,967.24 |
| Variable-rate bearing borrowings | Decrease by 1% | 30,330,394.63 | 30,330,394.63 | 49,580,967.24 | 49,580,967.24 |

X. Fair value

1. The value of assets and liabilities measured at fair value at the end of the year and fair value hierarchy.

| Item | Fair value at the end of the year | | | |
|---|-----------------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| I. Recurring fair value measurement | | | | |
| (I) Financial assets at fair value through profit or loss | | | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Fair value at the end of the year | | | |
|---|-----------------------------------|-----------------------|-------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 1. Financial assets held for trading | | | | |
| Equity instruments investment | 126,425,852.01 | 0.00 | 0.00 | 126,425,852.01 |
| 2. Financial assets designated as measured at fair value through profit or loss | | | | |
| Equity instruments investment measured at fair value | 723,568,901.08 | 15,000,000.00 | 0.00 | 738,568,901.08 |
| (II) Available-for-sale financial assets | | | | |
| Equity instruments investment | 2,921,915,246.99 | 0.00 | 0.00 | 2,921,915,246.99 |
| (III) Investment properties | | | | |
| Rented buildings | 0.00 | 14,700,000.00 | 0.00 | 14,700,000.00 |
| (IV) Other non-current assets | | | | |
| Unlisted asset management plan and investment fund | 0.00 | 516,073,399.22 | 0.00 | 516,073,399.22 |
| Total assets that are measured at fair value | 3,771,910,000.08 | 545,773,399.22 | 0.00 | 4,317,683,399.30 |

2. The basis of prices determined for recurring and non-recurring fair value measurements of Level 1 of fair value hierarchy.

At the Level 1 inputs are unadjusted quoted prices in active markets.

3. Qualitative and quantitative information of valuation techniques and key inputs for recurring and non-recurring fair value measurements of Level 2 of fair value hierarchy.

The Company estimates future cash flows at the expected rate of return, and discounts it by a discount rate that can reflect the credit risk of counterparties as the fair value measurement of financial assets, non-listed asset management plan and investment fund. The fair value of investment properties is on the basis of a valuation. The valuation is made on the assumption that the seller sells the property interests in the market, and is determined based on direct comparison approach by reference to recent market prices for similar properties in the similar locations and conditions.

XI. Related parties and transactions

(I) Relationships of related parties

1. Controlling shareholder

(1) Controlling shareholder

| Name of controlling shareholder | Place of registration | Nature of business | Registered capital | Shareholding ratio | Voting rights ratio |
|---------------------------------|-----------------------|--------------------|----------------------|--------------------|---------------------|
| Tsinghua Holdings Co., Ltd. | Haidian, Beijing | Asset management | RMB 2,500,000,000.00 | 25.42% | 25.42% |

(2) Registered capital of the controlling shareholder and changes

| Controlling shareholder | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|-----------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Tsinghua Holdings Co., Ltd. | RMB 2,500,000,000.00 | 0.00 | 0.00 | RMB 2,500,000,000.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(3) Shares held by controlling shareholders and changes

| Controlling shareholder | Amount of shareholding | | Shareholding ratio | |
|-----------------------------|------------------------|-----------------|-----------------------|------------------------|
| | Closing balance | Opening balance | Ratio of current year | Ratio of previous year |
| Tsinghua Holdings Co., Ltd. | 753,310,910.00 | 753,310,910.00 | 25.42% | 25.42% |

2. Subsidiaries

See relevant contents of “VIII 1(1) Constitution of the Group” in the Notes for details.

3. Joint ventures and associates

See relevant contents of “VIII 2(1) Joint ventures and associates” in the Notes for details of joint ventures and associates of the Company. Joint ventures and associates entered into transactions with the Company during the year, or during the prior year and those with remaining closing balance were as follows:

| Name of joint ventures or associates | Relationship with the Company |
|---|----------------------------------|
| Aegon THTF Life Insurance Co., Ltd. | Joint venture |
| Chongqing Guo Xin Investment Holding Co., Ltd. | Associate |
| Chongqing International Trust Inc. | Subsidiary of associate |
| Chongqing Three Gorges Bank Co., Ltd. | Subsidiary of associate |
| Warranty Asset Management Co., Ltd. | Associate |
| Shenzhen Huakong Seg Co., Ltd. | Subsidiary of associate |
| Tsinghua Holdings Human Settlements Environment Institute | Subsidiary of associate |
| Beijing Zhonghuan Shiji Engineering&Design Co., Ltd | Subsidiary of associate |
| Beijing Huakong Yijing Instrument Co., Ltd. | Subsidiary of associate |
| Beijing Ziguang Pharmaceutical Co., Ltd. | Subsidiary of associate |
| Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Subsidiary of associate |
| Beijing Huakong Kangtai Healthcare Management Co., Ltd. | Subsidiary of associate |
| Tellhow Sci-Tech Co., Ltd. | Associate |
| Tellhow Software Co., Ltd. | Subsidiary of associate |
| Jiangxi Tellhow Military Industry Group Co., Ltd. | Subsidiary of associate |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | Subsidiary of associate |
| Changchun Tellhow Electronic Equipment Co., Ltd | Subsidiary of associate |
| Tongfang Investment Co., Ltd. | Associate |
| Tongfang Environment Co., Ltd. | Associate |
| Tongfang Ecological (Macau) One-person Ltd. | Subsidiary of associate |
| Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | Subsidiary of associate |
| Easyway Technology Co., Ltd. | Associate |
| Easyway (Suzhou) New Technology Co., Ltd. | Subsidiary of associate |
| Easyway (Suzhou) Software Co., Ltd. | Subsidiary of associate |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | Holding subsidiary of associates |
| Suzhou Yitong Chengda Property Management Co., Ltd. | Subsidiary of associate |
| Beijing Easyway Huachuang System Engineering Co., Ltd. | Subsidiary of associate |
| Advanced Systems Development Co., Ltd. | Associate |
| Beijing Global Safety Technology Co., Ltd. | Associate |
| Shanxi BC&TV Tongfang Digital Television Co., Ltd. | Associate |

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From 1 January 2016 to 31 December 2016

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| Name of joint ventures or associates | Relationship with the Company |
|--|-------------------------------|
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | Associate |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Luoyang BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | Associate |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | Associate |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | Associate |
| Zhangjiakou TV Culture Media Co., Ltd. | Associate |
| Beijing Haishian Data Technology Co., Ltd | Associate |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | Associate |
| Beijing Tongfang Time Link Electronic Co., Ltd. | Associate |
| Beijing Wenlu Laser Technology Co., Ltd. | Associate |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | Associate |
| Tongfang Refine Energy Saving Technology Co., Ltd. | Associate |
| Guangzhou Thomee Lighting Co., Ltd. | Associate |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | Associate |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd | Associate |
| Shenzhen Tongfang Information Technology Co., Ltd. | Associate |
| Tongfang Cloud Computing Technology Co., Ltd. | Associate |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | Associate |
| CINTS Company Limited | Associate |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | Associate |

4. Other related parties

| Name of other related parties | Relationship with the Company |
|--|--|
| Tsinghua University | De facto controller of the controlling shareholder |
| Beijing Tsinghua Industrial Development Research Institute | Tsinghua University subordinate unit |
| Beijing Tsinghua Changgung Hospital | Tsinghua University subordinate unit |
| Beijing Tongli Huaque Technology Co., Ltd. | Tsinghua University subordinate unit |
| Hebei Huakong Hongyi Technology Co., Ltd. | Tsinghua University subordinate unit |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | Company controlled by the controlling shareholder |
| Anhui Zezhong Safety Technology Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing CapitalBio Technology Co., Ltd | Company controlled by the controlling shareholder |
| Beijing CapitalBio Medical Laboratory Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Lihua Technology Development Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Yinghua Biotechnology Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Chengzhi Yongchang Chemicals Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | Company controlled by the controlling shareholder |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of other related parties | Relationship with the Company |
|---|---|
| Beijing Huahuan Electronics Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Huahuan Electronic Equipment Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Huaqing Property Management Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Muhua Information Inc | Company controlled by the controlling shareholder |
| Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Qingda Wenyuan Technology Co., Ltd. | Company controlled by the controlling shareholder |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | Company controlled by the controlling shareholder |
| Tongfang Microelectronics Company | Company controlled by the controlling shareholder |
| Capitalbio Corporation | Company controlled by the controlling shareholder |
| TusPark Ventures | Company controlled by the controlling shareholder |
| Tsinghua University Press | Company controlled by the controlling shareholder |
| Architectural Design and Research Institute of Tsinghua University | Company controlled by the controlling shareholder |
| Tsinghua Science Park (Jiangxi) | Company controlled by the controlling shareholder |
| Tsinghua Tongfang Optical Disc Electronic Press | Company controlled by the controlling shareholder |
| Tsinghua Holdings SDX Joint Venture Capital (Beijing) Co., Ltd. | Company controlled by the controlling shareholder |
| Shaoxing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Company controlled by the controlling shareholder |
| Tibet Ziguang Chunhua Investment Co., Ltd. | Company controlled by the controlling shareholder |
| Unisplendour Corporation Limited. | Company controlled by the controlling shareholder |
| Unigroup Guoxin Co., Ltd. (Originally known as "Tongfang Guoxin Electronics Co., Ltd.") | Company controlled by the controlling shareholder |
| Tsinghua UniGroup | Company controlled by the controlling shareholder |
| Unisplendour Software Systems Co., Ltd. | Company controlled by the controlling shareholder |
| Unisplendour Digital Group | Company controlled by the controlling shareholder |
| Shenzhen Ao Rong Xin Investment Development Co., Ltd. | Company controlled by directors and executives |

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

(1) Purchase of goods and receiving of services

| Related parties | Amount for the current year | Amount for the previous year |
|---|-----------------------------|------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 55,238,773.61 | 132,920,029.31 |
| Beijing Tongli Huaqing Technology Co., Ltd. | 6,744,314.96 | 427,350.45 |
| Tsinghua University Machinery Factory | 0.00 | 12,552,389.11 |
| Controlling shareholder and companies controlled by the controlling shareholder: | | |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 60,702,478.29 | 83,299,531.17 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Related parties | Amount for the current year | Amount for the previous year |
|--|------------------------------------|-------------------------------------|
| Beijing Huahuan Electronics Co., Ltd. | 3,067,151.57 | 0.00 |
| Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 1,210,000.00 | 698,113.21 |
| Tongfang Microelectronics Company | 1,010,710.26 | 0.00 |
| Beijing Huahuan Electronic Equipment Co., Ltd. | 593,297.48 | 0.00 |
| Beijing Muhua Information Inc | 75,471.70 | 0.00 |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | 0.00 | 7,147,330.68 |
| Beijing Like Education Technology Co., Ltd. | 0.00 | 650,000.00 |
| Joint ventures and associates: | | |
| Aegon THTF Life Insurance Co., Ltd. | 36,353,070.32 | 5,793,240.19 |
| Beijing Zhonghua Shiji Engineering&Design Co., Ltd | 28,350,574.20 | 0.00 |
| Tongfang Refine Energy Saving Technology Co., Ltd. | 7,022,536.86 | 19,658.12 |
| Tongfang Environment Co., Ltd. | 6,692,601.80 | 43,403,776.56 |
| Shenzhen Huakong Seg Co., Ltd. | 4,025,842.25 | 0.00 |
| Advanced Systems Development Co., Ltd. | 2,888,580.75 | 503,247.86 |
| Jiangxi Qinghua Tellhow Sanbo Motor Co., Ltd. | 2,271,544.00 | 588,717.95 |
| Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | 2,174,203.64 | 33,828,320.91 |
| Guangzhou Thomee Lighting Co., Ltd. | 1,315,717.77 | 0.00 |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 1,265,779.68 | 18,941,204.13 |
| Shenzhen Tongfang Information Technology Co., Ltd. | 752,230.77 | 0.00 |
| Tsinghua Holdings Human Settlements Environment Institute | 736,631.93 | 4,048,175.86 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 676,235.15 | 2,407,735.33 |
| Tongfang Cloud Computing Technology Co., Ltd. | 69,599.14 | 358,635.53 |
| Beijing Haishian Data Technology Co., Ltd | 0.00 | 1,157,198.56 |
| LargeV Instrument Corporation Limited | 0.00 | 396,340.33 |
| Total | 223,237,346.13 | 349,140,995.26 |

(2) Sale of goods and rendering of services

| Related parties | Amount for the current year | Amount for the previous year |
|---|------------------------------------|-------------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 12,659,042.26 | 7,231,328.63 |
| Beijing Tsinghua Changgung Hospital | 110,750.68 | 0.00 |
| Beijing Tongli Huaqing Technology Co., Ltd. | 75,213.68 | 0.00 |
| Controlling shareholder and companies controlled by the controlling shareholder: | | |
| Unisplendour Digital Group | 51,895,187.25 | 15,698,085.49 |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 1,642,733.89 | 28,461,270.64 |
| Tongfang Microelectronics Company | 923,213.17 | 0.00 |
| Unigroup Guoxin Co., Ltd. (Originally known as "Tongfang Guoxin Electronics Co., Ltd.") | 661,624.58 | 0.00 |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | 308,627.08 | 0.00 |
| Anhui Zezhong Safety Technology Co., Ltd. | 200,000.00 | 0.00 |
| Tsinghua University Press | 108,463.75 | 98,643.37 |
| Beijing Chengzhi Yinghua Biotechnology Co., Ltd. | 66,423.89 | 0.00 |
| Beijing Chengzhi Lihua Technology Development Co., Ltd. | 50,275.78 | 0.00 |
| Beijing Capital Bio Medical Laboratory Co., Ltd. | 28,205.12 | 47,692.31 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Related parties | Amount for the current year | Amount for the previous year |
|--|------------------------------------|-------------------------------------|
| Beijing Chengzhi Yongchang Chemicals Co., Ltd. | 22,643.40 | 0.00 |
| Tsinghua Holdings Co., Ltd. | 8,234.48 | 125,376.06 |
| Capital Bio Corporation | 4,769.23 | 15,384.62 |
| Beijing CapitalBio Technology Co., Ltd | 4,358.97 | 0.00 |
| Architectural Design and Research Institute of Tsinghua University | 3,196.59 | 2,538.46 |
| Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 358.97 | 358.98 |
| Tsinghua Tongfang Optical Disc Electronic Press | 0.00 | 5,187,169.83 |
| Unispplendour Software Systems Co., Ltd. | 0.00 | 464.00 |
| Capital Bio eHealth Science & Technology (Beijing) Co., Ltd. | 0.00 | 73,076.93 |
| Beijing Ziguang Land Investment Management Co., Ltd. | 0.00 | 57,692.31 |
| Chengdu Capital Bio Independent Medical Laboratory Co., Ltd. | 0.00 | 21,538.46 |
| Joint ventures and associates: | | |
| CINTS Company Limited | 101,347,165.84 | 5,403,234.19 |
| Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 8,750,863.76 | 4,225,281.78 |
| Tongfang Refine Energy Saving Technology Co., Ltd. | 7,508,187.39 | 2,142,755.90 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 2,666,499.61 | 975,982.83 |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | 2,066,239.32 | 1,745,269.24 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 1,726,705.02 | 2,330,728.52 |
| Tongfang Kawasaki Advanced Energy-Saving Machine Co., Ltd. | 1,704,390.48 | 1,610,952.14 |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 1,689,765.77 | 2,943,616.92 |
| Easyway Technology Co., Ltd. | 1,503,970.56 | 37,316,028.26 |
| Luoyang BC&TV Tongfang Digital Television Co., Ltd | 1,331,087.14 | 2,125,220.97 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd | 1,160,806.68 | 1,576,392.19 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 1,117,911.21 | 1,559,893.78 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 1,052,516.17 | 515,569.02 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 901,897.13 | 401,918.56 |
| Tongfang Environment Co., Ltd. | 873,784.61 | 899,739.37 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd | 851,196.14 | 809,391.02 |
| Beijing Ziguang Pharmaceutical Co., Ltd. | 699,008.21 | 317,134.05 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 501,756.85 | 315,240.34 |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 437,600.97 | 1,097,380.10 |
| Zhangjiakou TV Culture Media Co., Ltd. | 414,326.19 | 605,384.61 |
| Jiangxi Tellhow Military Industry Group Co., Ltd. | 310,785.36 | 0.00 |
| Tongfang Investment Co., Ltd. | 281,210.11 | 263,085.83 |
| Tsinghua Holdings Human Settlements Environment Institute | 188,590.75 | 0.00 |
| Aegon THTF Life Insurance Co., Ltd. | 150,314.18 | 33,845.49 |
| Tellhow Sci-Tech Co., Ltd. | 105,767.98 | 119,255.25 |
| Changchun Tellhow Electronic Equipment Co., Ltd | 100,090.74 | 68,953.50 |
| Tongfang Cloud Computing Technology Co., Ltd. | 96,901.60 | 35,384.62 |
| Warranty Asset Management Co., Ltd. | 77,427.35 | 0.00 |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 24,622.64 | 61,965.81 |
| Guangzhou Thomee Lighting Co., Ltd. | 18,837.61 | 129,999.16 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 8,700.85 | 246,282.04 |
| Beijing Huakong Kangtai Healthcare Management Co., Ltd. | 8,521.37 | 0.00 |

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From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Related parties | Amount for the current year | Amount for the previous year |
|---|------------------------------------|-------------------------------------|
| Beijing Huakong Yijing Instrument Co., Ltd. | 7,025.66 | 0.00 |
| Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | 6,923.07 | 0.00 |
| Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 0.00 | 760,396.28 |
| Jiangxi Qinghua Tellhow Micro Electro-machine Co., Ltd. | 0.00 | 196,395.61 |
| LargeV Instrument Corporation Limited | 0.00 | 75,585.80 |
| Tellhow Software Co., Ltd. | 0.00 | 6,478.63 |
| Beijing Yi Hao Technology Co., Ltd. | 0.00 | 211.11 |
| Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 203.42 |
| Shenzhen Tongfang Information Technology Co., Ltd. | -3,063,587.74 | 7,960,022.00 |
| Total | 205,401,133.35 | 135,895,798.43 |

2. Transfer of assets with related parties

| Name of related parties | Transaction content | Amount for the current year | Amount for the previous year |
|---|---|------------------------------------|-------------------------------------|
| Tsinghua Holdings Co., Ltd. | Aquisition of 40% equity in Warranty Asset Management Co Ltd. | 1,013,617,600.00 | 0.00 |
| Shenzhen Ao Rong Xin Investment Development Co., Ltd. | Aquisition of 4% equity in Warranty Asset Management Co Ltd. | 101,361,760.00 | 0.00 |
| Tibet Ziguang Chunhua Investment Co., Ltd. | Disposition of 36.39% equity in Unigroup Guoxin Co., Ltd., See note VII 1 for details | 7,011,511,250.00 | 0.00 |

3. Entrusted management for related party

| Name of Trustor | Name of Trustee | Entrustment type | start date | termination date | Basis for trust income | Trust income recognized this year |
|-----------------------------|--|-------------------------|-------------------|-------------------------|-------------------------------|--|
| Tsinghua Holdings Co., Ltd. | Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Asset management | 01/04/2014 | 01/04/2024 | — | None |

Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. agreed to accept the condition that it would exercise the management and decision-making rights as the agent for transferring 100% equity in “China Academic Journal (CD)” Electronic Magazine Co., Ltd. to Tsinghua Holdings Co., Ltd..

4. Lease

(1) As lessor

| Name of lessor | Name of lessee | Type of leased assets | Leasing income recognized in the current year | Leasing income recognized in the previous year |
|-----------------------------|--|------------------------------|--|---|
| Tsinghua Tongfang Co., Ltd. | Tsinghua Holdings Human Settlements Environment Institute | Office place | 5,253,187.50 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Unigroup Guoxin Co., Ltd. (Originally known as “Tongfang Guoxin Electronics Co., Ltd.”) | Office place | 3,981,139.80 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Tongfang Environment Co., Ltd. | Office place | 3,855,309.80 | 3,753,538.09 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of lessor | Name of lessee | Type of leased assets | Leasing income recognized in the current year | Leasing income recognized in the previous year |
|--|---|-----------------------|---|--|
| Tsinghua Tongfang Co., Ltd. | Tongfang Microelectronics Company | Office place | 3,621,304.30 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Easyway Technology Co., Ltd. | Office place | 2,479,068.57 | 370,170.28 |
| Tsinghua Tongfang Co., Ltd. | Beijing Ziguang Pharmaceutical Co., Ltd. | Office place | 2,313,941.54 | 1,419,231.89 |
| Tsinghua Tongfang Co., Ltd. | Tongfang Investment Co., Ltd. | Office place | 903,936.54 | 930,421.50 |
| Tsinghua Tongfang Co., Ltd. | Beijing Tongfang Time Link Electronic Co., Ltd. | Office place | 550,297.95 | 175,420.82 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Advanced Systems Development Co., Ltd. | Office place | 384,455.24 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Aegon THTF Life Insurance Co., Ltd. | Office place | 311,533.43 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Office place | 232,757.33 | 266,612.94 |
| Tsinghua Tongfang Co., Ltd. | Advanced Systems Development Co., Ltd. | Office place | 81,809.52 | 0.00 |
| Beijing Tongfang Compact Disc Co., Ltd. | Tsinghua Holdings SDX joint Venture Capital (Beijing) Co., Ltd. | Office place | 65,178.57 | 0.00 |
| Beijing Tongfang Compact Disc Co., Ltd. | Tsinghua University | Office place | 1,904.76 | 0.00 |
| Tsinghua Tongfang Co., Ltd. | Beijing Spreadtrum Hi-Tech Communications Technology Co., Ltd. | Office place | 0.00 | 577,375.25 |
| Tongfang Computer Co., Ltd. | LargeV Instrument Corporation Limited | Office place | 0.00 | 576,301.53 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | Office place | 0.00 | 286,642.36 |
| Tongfang Computer Co., Ltd. | Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | Office place | 0.00 | 280,900.00 |
| Tsinghua Tongfang Co., Ltd. | Beijing ASK Tongfang Technology Co., Ltd. | Office place | 0.00 | 4,250.00 |
| Tsinghua Tongfang Co., Ltd. | Chengdu Hao Wei Environmental Technology Co., Ltd. | Office place | 0.00 | 3,094.00 |
| Total | | | 24,035,824.85 | 8,643,958.66 |

(2) As Lessee

| Name of lessor | Name of lessee | Type of leased assets | Leasing expense recognized in the current year | Leasing expense recognized in the previous year |
|---|---|-----------------------|--|---|
| Beijing Qingda Wenyuan Technology Co., Ltd. | Nuctech Company Limited. | Office place | 601,294.05 | 0.00 |
| Tsinghua University | Nuctech Company Limited. | Office place | 145,631.04 | 132,815.52 |
| Tsinghua UniGroup | Nuctech Company Limited. Unigroup Guoxin Co., Ltd. | Office place | 107,766.48 | 0.00 |
| Tsinghua University | (Originally known as "Tongfang Guoxin Electronics Co., Ltd.") | Conference room | 0.00 | 100,000.00 |
| Total | | | 854,691.57 | 232,815.52 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

5. Guarantees between related parties

(1) Guarantees provided for subsidiaries by the Company

As at 31 December 2016, the Company has provided joint and several liability guarantees of bank loans, letters of credit, bank acceptance notes and letters of guarantee for the following subsidiaries:

1) Loans

a) General loans (working capital loans, long-term loans)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|---|-------------------------------------|-----------------------|-----------------------|
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden sub-branch | RMB 1,000.00 | 2016.07.28-2017.07.28 | 2016.07.28-2019.07.28 |
| Huai'an Water Affairs Co., Ltd. | Agricultural Bank of Tongfang China, Huai'an Water Affairs Co., agricultural development sub office | RMB 20,100.00 | 2015.04.28-2023.04.28 | 2015.04.28-2025.04.28 |
| Huizhou Water Affairs Co., Ltd. | China Construction Bank, Beijing Tsinghua Garden sub branch | RMB 3,633.00 | 2009.11.10-2020.09.18 | 2009.11.10-2022.09.18 |
| Tongfang Electronic Science & Technology Co., Ltd. | Industrial and Commercial Bank of China, Jiujiang City Xunzhong sub branch | RMB 2,850.00 | 2016.12.19-2017.12.18 | 2016.12.19-2019.12.18 |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | Industrial and Commercial Bank of China, Yinan County sub branch | RMB 2,800.00 | 2016.06.20-2017.09.29 | 2016.06.20-2019.09.29 |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | Bank of China, Yinan County sub branch | RMB 1,200.00 | 2016.02.01-2017.02.01 | 2016.02.01-2019.02.01 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang Chengnei sub branch | RMB 12,712.07 | 2016.05.24-2017.06.23 | 2016.05.24-2019.06.23 |
| Tongfang Co., Ltd. | Industry China Merchants Bank, Beijing Branch | RMB 5,000.00 | 2016.03.24-2017.03.23 | 2016.03.24-2019.03.23 |
| Tongfang Co., Ltd. | Industry China Construction Bank, Beijing Tsinghua Garden sub branch | RMB 18,000.00 | 2016.02.02-2017.12.21 | 2016.02.02-2019.12.21 |
| TongFang Global Limited | Hong Kong DBS Bank | USD 4,500.00 Appr. RMB 31,216.50 | 2016.07.25-2017.08.01 | 2016.07.25-2019.08.01 |
| TongFang Global Limited | Singapore OCBC Bank | USD 2,000.00 Appr. RMB 13,874.00 | 2016.11.21-2017.11.08 | 2016.11.21-2019.11.08 |
| Tongfang Saving Technology Co., Ltd. | Energy Engineering Bank of Beijing, Tsinghua Garden sub branch | RMB 2,700.00 | 2016.03.30-2017.09.29 | 2016.03.30-2019.09.29 |
| TsingHua TongFang Co., Ltd. | Artificial Environment Tsinghua Garden sub branch | RMB 2,000.00 | 2016.11.25-2017.11.25 | 2016.11.25-2019.11.25 |
| TsingHua TongFang Co., Ltd. | Artificial Environment Communications, Lin Cui Road sub branch | RMB 2,000.00 | 2016.11.07-2017.08.22 | 2016.11.07-2019.08.22 |
| Nuctech Company | The Export-Import | RMB 20,000.00 | 2015.09.28-2017.09.28 | 2015.09.28- |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the subsidiary | Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|---|--|--------------------------------------|-----------------------|-----------------------|
| Limited. | Bank of China | | | 2019.09.28 |
| Nantong Tongfang Technology Park Co., Ltd. | China Development Bank, Jiangsu Province Branch | RMB 12,500.00 | 2011.04.28-2023.04.24 | 2011.04.28-2025.04.24 |
| Beijing ERENEBEN Information Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 100.00 | 2016.06.29-2017.02.22 | 2016.06.29-2019.02.22 |
| Resuccess Investments Limited | Bank of China, Macau Branch | USD 12,200.00 Appr. RMB 84,631.40 | 2014.07.17-2019.07.16 | 2014.07.17-2021.07.16 |
| Beijing Tongfang Software Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 5,700.00 | 2016.06.06-2017.10.20 | 2016.06.06-2019.10.20 |
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Branch Xishan sub branch | RMB 10,000.00 | 2016.02.16-2017.12.16 | 2016.02.16-2019.12.16 |
| Tongfang Computer (Suzhou) Co., Ltd. | China Merchants Bank, Wuxi Branch | RMB 6,000.00 | 2016.10.14-2017.10.13 | 2016.10.14-2019.10.13 |
| Tongfang Computer (Suzhou) Co., Ltd. | China Construction Bank, Suzhou Industrial Park sub branch | USD 980.93 Appr. RMB 6,804.74 | 2016.10.14-2017.01.22 | 2016.10.14-2019.01.22 |
| Tongfang Computer (Suzhou) Co., Ltd. | Bank of China, Wuxi Branch Xishan sub branch | RMB 6,900.00 | 2016.12.05-2017.06.05 | 2016.12.05-2019.06.05 |
| Tongfang Computer (Suzhou) Co., Ltd. | China CITIC Bank, Suzhou Park sub branch | RMB 5,000.00 | 2016.11.09-2017.05.09 | 2016.11.09-2019.05.09 |
| Heshan Tongfang Lighting Technology Co., Ltd. | China Construction Bank, Heshan sub branch | RMB 3,500.00 | 2016.10.18-2017.10.17 | 2016.10.18-2019.10.17 |
| Total | | Appr. RMB 280,221.71 | | |

b) Trade financing loans

| Guaranteed party | Loan bank | Loan amount(,0000) | Loan term | Trade financing category |
|---|---|-------------------------------------|-----------------------|--------------------------|
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang Chengnei sub branch | USD 4,765.00 Appr. RMB 33,054.81 | 2016.08.10-2017.11.10 | Risk participation |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang Chengnei sub branch | USD 297.02 Appr. RMB 2,060.46 | 2016.05.24-2017.07.17 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC, Shenyang branch | USD 276.78 Appr. RMB 1,920.01 | 2016.11.07-2017.03.29 | Documentary bills |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China CITIC Bank, Shenyang branch | USD 72.36 Appr. RMB 501.98 | 2016.07.22-2017.01.20 | Refinancing |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China CITIC Bank, Shenyang branch | USD 946.52 Appr. RMB 6,566.04 | 2016.07.20-2017.03.29 | Documentary bills |
| TongFang Global Limited | HSBC Hongkong branch | USD 1,452.09 Appr. RMB 10,073.14 | 2016.11.10-2017.04.10 | Documentary bills |
| Total | | Appr. RMB 54,176.44 | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

2) Letters of credit

| Guaranteed party | Loan bank | Amount of letter of credit,(0000) | Term of letter of credit |
|---|-----------------------------------|------------------------------------|--------------------------|
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC Shenyang branch | USD 1,022.87 Appr. RMB 7,095.64 | 2016.10.14-2017.03.30 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China CITIC Bank, Shenyang branch | USD 264.53 Appr. RMB 1,835.06 | 2016.07.01-2017.02.23 |
| TongFang Global Limited | HSBC Hongkong branch | USD 13.05 Appr. RMB 90.53 | 2016.10.18-2017.03.20 |
| Total | | Appr. RMB 9,021.23 | |

3) Bank acceptance notes

| Guaranteed party | Loan bank | Amount of bank acceptance note,(0000) | Term of bank acceptance note |
|--|--|---------------------------------------|------------------------------|
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 685.00 | 2016.12.23-2017.06.23 |
| Beijing ERENEBEN Information Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 589.53 | 2016.11.04-2017.01.04 |
| Guangdong Tongfang Lighting Co., Ltd. | Bank of China, Guangzhou Liwan sub branch | RMB 648.55 | 2016.09.29-2017.04.26 |
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Branch Xishan sub branch | RMB 5,409.27 | 2016.10.26-2017.02.24 |
| Tongfang Computer Co., Ltd. | China Merchants Bank, Wuxi Branch | RMB 2,642.55 | 2016.12.22-2017.03.22 |
| Heshan Tongfang Lighting Technology Co., Ltd. | China Construction Bank, Heshan sub branch | RMB 532.56 | 2016.06.15-2017.03.23 |
| Total | | Appr. RMB 10,507.46 | |

4) Letters of guarantee

| Name of the subsidiary | Loan bank | Amount of letter of guarantee,(0000) | Term of letter of guarantee |
|--|---|--------------------------------------|-----------------------------|
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Communications, Beijing Lin Cui Road sub Branch | RMB 9.10 | 2013.11.19-2017.06.30 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 91.20 | 2016.05.12-2017.06.30 |
| Tongfang Jiangxin Shipbuilding Co., Ltd | Bank of Jiujiang | RMB 2,210.61 | 2015.12.14-2018.01.31 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden sub branch | RMB 12.90 | 2016.01.15-2017.01.14 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Communications, Lin Cui Road sub branch | RMB 12.70 | 2016.10.25-2017.11.03 |
| Nuctech Company Limited. | Bank of China, Beijing Branch | ILS 20.00 Appr. RMB 36.15 | 2011.02.25-2017.02.28 |
| Nuctech Company Limited. | Bank of China, Beijing Branch | EUR 84.58 Appr. RMB 618.00 | 2009.06.19-2017.12.31 |
| Nuctech Company Limited. | Bank of China, Beijing Branch | HKD 496.98 Appr. RMB 444.55 | 2012.06.08-Open |
| Beijing Tongfang Software Co., Ltd. | China Merchants Bank, Beijing Branch | RMB 64.40 | 2015.12.30-2017.12.31 |
| Beijing Tongfang Software Co., | Bank of Beijing, Tsinghua Garden | RMB 89.87 | 2016.05.10- |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Name of the subsidiary | Loan bank | Amount of letter of guarantee(,0000) | Term of letter of guarantee |
|--------------------------------------|--|--------------------------------------|-----------------------------|
| Ltd. | sub branch | | 2019.06.01 |
| Tongfang Computer (Suzhou) Co., Ltd. | China Construction Bank, Suzhou Industrial Park sub branch | RMB 1,000.00 | 2016.09.23-2017.09.22 |
| Total | | | Appr. RMB 4,589.48 |

(2) Guarantees among the subsidiaries

1) As at 31 December 2016, Shandong Tsinghua Tongfang Luying Electronics Co., Ltd, in which the Company holds 97% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary Yinan Don's Electronic Components Co., Ltd. with 72.73% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|--|--------------------|-----------------------|-----------------------|
| Agricultural Bank of China, Yinan sub branch | RMB 2,200.00 | 2016.06.29-2017.06.28 | 2016.06.29-2019.06.28 |
| Total | | | RMB 2,200.00 |

2) As at 31 December 2016, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary Nuctech Warsaw Co., Limited Sp. z o.o. with 99.99% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|--|------------------------------------|-----------------------|---------------------------|
| Industrial and Commercial Bank of China, Warsaw branch | EUR 1,000.00 Appr. RMB 7,306.80 | 2016.05.25-2017.05.24 | 2016.05.25-2019.05.24 |
| Total | | | Appr. RMB 7,306.80 |

3) As at 31 December 2016, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loan for its subsidiary GRANPECT COMPANY LIMITED with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|---|--------------------|-----------------------|-----------------------|
| Bank of Beijing, Tsinghua Garden sub branch | RMB 10.00 | 2016.02.24-2017.02.24 | 2016.02.24-2019.02.24 |
| Total | | | RMB 10.00 |

4) As at 31 December 2016, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loans for its subsidiary Tongfang Nuctech Jiangsu Technology Co., Ltd. with 100.00% of shares held:

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|----------------------------------|--------------------|-----------------------|-----------------------|
| Huaxia Bank, Jintan sub branch | RMB 5,000.00 | 2016.10.12-2017.10.12 | 2016.10.12-2019.10.12 |
| Bank of China, Jintan sub branch | RMB 3,005.00 | 2016.11.31-2017.12.25 | 2016.11.31-2019.12.25 |
| Total | | | RMB 8,005.00 |

5) As at 31 December 2016, Neo-Neon Holdings Limited, in which the Company holds 69.68% of the share capital, has provided joint and several liability guarantee for the following bank loan of its subsidiary Neo-Neon LED Lighting International Limited with 100.00% of shares held:

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Loan bank | Loan amount(,0000) | Loan term | Guarantee period |
|---|--------------------------------|-----------------------|-----------------------|
| Taishin International Bank, Hong Kong Branch | USD 120.10 Appr. RMB 833.14 | 2016.07.22-2017.02.03 | 2016.07.22-2019.02.03 |
| Total | Appr. RMB 833.14 | | |

(3) Guarantees provided for other related parties by the Company

As at 31 December 2016, the Company has provided joint and several liability guarantee of the borrowing provided by shareholder mentioned below for Tongfang Investment Co., Ltd.: the Company's associates Tongfang Investment Co., Ltd. lended RMB 18,400.00 ten thousand to Chengdu Yuanhong Innovation Investment Co., Ltd., the borrowing period is 15 December 2016-14 June 2017. The Company has provided joint and several liability guarantees for this loan, and the guarantee period is 15 December 2016-14 June 2017. Tongfang Investment Co., Ltd. has provided counter-guarantee pledge to the Company with its shares in Chengdu Yuanhong Innovation Investment Co., Ltd.

6. Borrowings between related parties

(1) Year 2016

None

(2) Year 2015

| Related party | Borrowing from related party | | Notes |
|-----------------------------|------------------------------|-------------|---|
| | Amount | Balance | |
| Tsinghua Holdings Co., Ltd. | -1,933,706,071.30 | 0.00 | Chongqing Guoxin project |
| Tsinghua Holdings Co., Ltd. | -208,993,111.11 | 0.00 | Entrusted loan for BOT project principal and interest |
| Tsinghua Holdings Co., Ltd. | -20,000,000.00 | 0.00 | Stock subscription margin |
| Tsinghua UniGroup | -5,000,000.00 | 0.00 | Stock subscription margin |
| Total | -2,167,699,182.41 | 0.00 | |

7. License fee payment

The Company and its subsidiaries made a provision of RMB 69,635,849.05 for Tsinghua University patent technological achievements licensing fee in 2016, and actually paid RMB 48,438,679.32. The Company made a provision of RMB 51,268,868.01 for Tsinghua University patent technological achievements licensing fee in 2015, and actually paid RMB 130,254,860.31 (including the amount provided that has not been paid in the previous year).

8. Joint research and development

| Name of related party | Amount for the current year | Amount for the previous year |
|-----------------------|-----------------------------|------------------------------|
| Tsinghua University | 25,000,000.00 | 0.00 |
| Total | 25,000,000.00 | 0.00 |

9. Financial services

| Item | Name of related party | Amount for the current year | Amount for the previous year |
|-------------------------------------|------------------------------------|-----------------------------|------------------------------|
| Purchase of collective trust scheme | Chongqing International Trust Inc. | 2,000,000,000.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Name of related party | Amount for the current year | Amount for the previous year |
|------------------------------------|---------------------------------------|-----------------------------|------------------------------|
| Deposits in financial institutions | Chongqing Three Gorges Bank Co., Ltd. | 847,200,000.00 | 0.00 |

10. Donations

| Name of related party | Amount incurred in this period | Amount incurred in the previous period |
|-----------------------|--------------------------------|--|
| Tsinghua University | 1,320,000.00 | 0.00 |
| Total | 1,320,000.00 | 0.00 |

11. Compensation of key management personnel

| Item | Amount for the current year | Amount for the previous year |
|--------------------|-----------------------------|------------------------------|
| Total remuneration | RMB 11,797,000.00 | RMB 15,169,700.00 |

(III) Balance of transactions with related parties

1. Receivables

| Item | Related party | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts receivable | Tsinghua University | 11,695,043.29 | 3,748,041.39 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Accounts receivable | Shaoxing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 180,400.00 | 180,400.00 |
| Accounts receivable | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 55,545.00 | 0.00 |
| Accounts receivable | Tsinghua Tongfang Optical Disc Electronic Press | 48,891.27 | 48,891.27 |
| Accounts receivable | Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 12,880.00 | 12,880.00 |
| Accounts receivable | Tsinghua University Press | 11,689.40 | 11,689.40 |
| Accounts receivable | Tsinghua Science Park (Jiangxi) | 10,000.00 | 10,000.00 |
| Accounts receivable | Architectural Design and Research Institute of Tsinghua University | 5,518.00 | 5,518.00 |
| Accounts receivable | Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 198.00 | 198.00 |
| Accounts receivable | Tsinghua Holdings Co., Ltd. | 0.00 | 26,595.00 |
| Joint ventures and associates: | | | |
| Accounts receivable | CINTS Company Limited | 71,017,925.65 | 8,773,127.00 |
| Accounts receivable | Easyway Technology Co., Ltd. | 63,897,589.00 | 86,819,002.75 |
| Accounts receivable | Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 10,658,920.00 | 4,663,070.00 |
| Accounts receivable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 6,904,929.95 | 6,904,929.95 |
| Accounts receivable | Tongfang Environment Co., Ltd. | 6,041,741.93 | 6,189,945.32 |
| Accounts receivable | Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 5,480,896.00 | 5,480,896.00 |
| Accounts receivable | Luoyang BC&TV Tongfang Digital Television Co., Ltd | 2,761,930.53 | 1,638,508.53 |
| Accounts receivable | Zhangjiakou TV Culture Media Co., Ltd. | 1,145,256.40 | 1,958,630.00 |
| Accounts receivable | Easyway (Suzhou) Software Co., Ltd. | 1,008,000.00 | 1,008,000.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---|--|------------------------|------------------------|
| receivable | | | |
| Accounts receivable | Jiangxi /Tsinghua Tellhow Sanbo Motor Co., Ltd. | 963,116.73 | 1,011,116.73 |
| Accounts receivable | Tongfang Refine Energy Saving Technology Co., Ltd. | 638,218.00 | 156,566.80 |
| Accounts receivable | Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 609,900.00 | 460,000.00 |
| Accounts receivable | Easyway (Suzhou) New Technology Co., Ltd. | 402,781.50 | 832,028.75 |
| Accounts receivable | Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 370,000.00 | 0.00 |
| Accounts receivable | Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 291,000.00 | 62,500.00 |
| Accounts receivable | Tellhow Software Co., Ltd. | 235,000.00 | 235,000.00 |
| Accounts receivable | Easyway (Suzhou) Electronic Technology Co., Ltd. | 219,740.00 | 219,740.00 |
| Accounts receivable | Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 200,000.00 | 212,500.00 |
| Accounts receivable | Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 164,400.00 | 174,000.00 |
| Accounts receivable | Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 138,110.00 | 273,035.00 |
| Accounts receivable | Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 90,107.50 | 90,107.50 |
| Accounts receivable | Rizhao BC&TV Tongfang Digital Television Co., Ltd | 49,000.00 | 255,485.00 |
| Accounts receivable | Tellhow Sci-Tech Co., Ltd. | 36,268.00 | 36,268.00 |
| Accounts receivable | Puyang BC&TV Tongfang Digital Television Co., Ltd | 30,260.00 | 480,000.00 |
| Accounts receivable | Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 4,400.00 | 226,700.00 |
| Accounts receivable | Tongfang Investment Co., Ltd. | 110.00 | 110.00 |
| Accounts receivable | Shenzhen Tongfang Information Technology Co., Ltd. | 0.00 | 3,535,680.65 |
| Accounts receivable | Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | 0.00 | 2,474,489.00 |
| Accounts receivable | Tongfang Cloud Computing Technology Co., Ltd. | 0.00 | 457,137.02 |
| Accounts receivable | Nanyang BC&TV Tongfang Digital Television Co., Ltd | 0.00 | 62,000.00 |
| Accounts receivable | Beijing Ziguang Pharmaceutical Co., Ltd. | 0.00 | 58,800.00 |
| Accounts receivable | Advanced Systems Development Co., Ltd. | 0.00 | 55,500.00 |
| Accounts receivable | Guangzhou Thomee Lighting Co., Ltd. | 0.00 | 33,879.00 |
| Tsinghua University and its subordinate units: | | | |
| Other receivables | Tsinghua University | 0.00 | 12,500.00 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Other receivables | Tsinghua Tongfang Optical Disc Electronic Press | 57,320.23 | 57,320.23 |
| Other receivables | Beijing Chengzhi Yongchang Chemicals Co., Ltd. | 25,015.28 | 25,015.28 |
| Other receivables | Beijing Huaqing Property Management Co., Ltd. | 3,236.59 | 3,236.59 |
| Other receivables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 1,200.93 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---|--|------------------------|------------------------|
| Other receivables | Unisplendour Corporation Limited. | 0.00 | 8,000,000.00 |
| Joint ventures and associates: | | | |
| Other receivables | Tongfang Cloud Computing Technology Co., Ltd. | 6,000,000.00 | 11,530,000.00 |
| Other receivables | Beijing Haishian Data Technology Co., Ltd | 4,911,783.12 | 4,911,783.12 |
| Other receivables | Tellhow Sci-Tech Co., Ltd. | 3,250,000.00 | 3,250,000.00 |
| Other receivables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,108,656.15 | 2,108,656.15 |
| Other receivables | Chongqing Tongfang Hezhi Technology Co., Ltd. | 858,040.43 | 658,040.43 |
| Other receivables | Easyway Technology Co., Ltd. | 223,795.12 | 31,274.18 |
| Other receivables | Advanced Systems Development Co., Ltd. | 13,634.92 | 0.00 |
| Other receivables | Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | 0.00 | 38,628,255.23 |
| Other receivables | Shenzhen Tongfang Information Technology Co., Ltd. | 0.00 | 162,418.79 |
| Other receivables | Easyway (Suzhou) New Technology Co., Ltd. | 0.00 | 32,977.10 |
| Other receivables | Beijing Tongfang Time Link Electronic Co., Ltd. | 0.00 | 27,636.80 |
| Other receivables | Tongfang Investment Co., Ltd. | 0.00 | 7,429.15 |
| Other receivables | Tongfang Environment Co., Ltd. | 0.00 | 6,179.75 |
| Other receivables | Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 0.00 | 5,236.87 |
| Tsinghua University and its subordinate units: | | | |
| Advance payments | Beijing Tongli Huaqing Technology Co., Ltd. | 5,181,666.71 | 8,535,875.00 |
| Advance payments | Hebei Huakong Hongyi Technology Co., Ltd. | 300,000.00 | 0.00 |
| Advance payments | Tsinghua University | 75,820.22 | 75,820.22 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Advance payments | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 5,962,883.40 | 16,024,047.69 |
| Advance payments | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 261,000.00 | 261,000.00 |
| Advance payments | Unisplendour Software Systems Co., Ltd. | 5,000.00 | 5,000.00 |
| Joint ventures and associates: | | | |
| Advance payments | Easyway Technology Co., Ltd. | 10,029,874.50 | 0.00 |
| Advance payments | Tongfang Environment Co., Ltd. | 2,604,000.00 | 2,454,000.00 |
| Advance payments | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,206,284.17 | 2,206,284.17 |
| Advance payments | Tongfang Refine Energy Saving Technology Co., Ltd. | 397,908.00 | 10,236,560.00 |
| Advance payments | Beijing Tongfang Time Link Electronic Co., Ltd. | 323,086.09 | 1,019,608.29 |
| Advance payments | Shenzhen Tongfang Information Technology Co., Ltd. | 45,000.00 | 45,000.00 |
| Advance payments | Tellhow Sci-Tech Co., Ltd. | 44,433.35 | 44,433.35 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Related party | Closing balance | Opening balance |
|---------------------------------------|--|-----------------|-----------------|
| Advance payments | Beijing Wenlu Laser Technology Co., Ltd. | 28,000.00 | 28,000.00 |
| Joint ventures and associates: | | | |
| Dividends receivable | Tongfang Environment Co., Ltd. | 16,813,440.00 | 0.00 |
| Dividends receivable | Advanced Systems Development Co., Ltd. | 3,964,000.00 | 17,068,000.00 |
| Dividends receivable | Tongfang Investment Co., Ltd. | 0.00 | 90,909,090.91 |

2. Payables

| Item | Related parties | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts payable | Tsinghua University | 157,269,739.67 | 156,183,290.80 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Accounts payable | Unisplendour Corporation Limited. | 556,250.00 | 556,250.00 |
| Accounts payable | Architectural Design and Research Institute of Tsinghua University | 550,000.00 | 550,000.00 |
| Accounts payable | Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute Co., Ltd. | 450,000.00 | 0.00 |
| Accounts payable | Beijing Huahuan Electronics Co., Ltd. | 164,544.89 | 0.00 |
| Accounts payable | Tongfang Microelectronics Company | 60,345.91 | 0.00 |
| Joint ventures and associates: | | | |
| Accounts payable | Beijing Zhonghuan Shiji Engineering & Design Co., Ltd | 13,586,696.82 | 0.00 |
| Accounts payable | Tongfang Environment Co., Ltd. | 10,392,115.59 | 15,367,889.52 |
| Accounts payable | Beijing Tsinghua Holdings Human Settlements Environment Institute | 3,766,360.65 | 4,804,302.58 |
| Accounts payable | Shenzhen Huakong Seg Co., Ltd. | 3,297,164.37 | 0.00 |
| Accounts payable | Tongfang Refine Energy Saving Technology Co., Ltd. | 2,992,401.00 | 921,819.00 |
| Accounts payable | Beijing Tongfang Time Link Electronic Co., Ltd. | 1,920,000.00 | 1,920,000.00 |
| Accounts payable | Advanced Systems Development Co., Ltd. | 1,342,069.50 | 812,805.50 |
| Accounts payable | Guangzhou Thomee Lighting Co., Ltd. | 1,023,478.36 | 22,480.00 |
| Accounts payable | Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 987,550.00 | 0.00 |
| Accounts payable | Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | 80,000.00 | 80,000.00 |
| Accounts payable | Beijing Haishian Data Technology Co., Ltd | 48,822.00 | 48,822.00 |
| Accounts payable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 36,684.00 | 36,684.00 |
| Accounts payable | Easyway Technology Co., Ltd. | 21,000.00 | 2,124,022.00 |
| Accounts payable | Tellhow Sci-Tech Co., Ltd. | 20,506.81 | 20,506.81 |
| Accounts payable | Tongfang Cloud Computing Technology Co., Ltd. | 11,000.00 | 230,945.35 |
| Accounts payable | Tongfang Kawasaki Advanced Energy Saving Machine Co., Ltd. | 0.00 | 57,677,347.00 |
| Tsinghua University and its subordinate units: | | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Other payables | Tsinghua University | 3,703,256.68 | 3,703,256.68 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Other payables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 2,998,273.78 | 2,291,659.46 |
| Other payables | Tsinghua Tongfang Optical Disc Electronic Press | 261,355.38 | 261,355.38 |
| Other payables | Tsinghua Holdings SDX joint Venture Capital (Beijing) Co., Ltd. | 50,000.00 | 0.00 |
| Other payables | Unisplendour Software Systems Co., Ltd. | 20,000.00 | 0.00 |
| Other payables | Beijing Huaqing Property Management Co., Ltd. | 14,400.00 | 14,400.00 |
| Other payables | Tongfang Microelectronics Company | 5,400.00 | 0.00 |
| Other payables | Tibet Ziguang Chunhua Investment Co., Ltd. | 0.00 | 2,103,453,375.00 |
| Joint ventures and associates: | | | |
| Other payables | Tongfang Environment Co., Ltd. | 576,570.43 | 100.00 |
| Other payables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 538,000.00 | 528,470.47 |
| Other payables | Easyway Technology Co., Ltd. | 446,041.75 | 10,446,041.75 |
| Other payables | Aegon THTF Life Insurance Co., Ltd. | 404,078.91 | 0.00 |
| Other payables | Tsinghua Holdings Human Settlements Environment Institute | 371,790.00 | 463,490.00 |
| Other payables | Beijing Tongfang Time Link Electronic Co., Ltd. | 200,000.00 | 200,000.00 |
| Other payables | Beijing Global Safety Technology Co., Ltd. | 136,930.50 | 0.00 |
| Other payables | Tongfang Investment Co., Ltd. | 57,648.75 | 57,648.75 |
| Other payables | Tellhow Sci-Tech Co., Ltd. | 45,572.00 | 45,572.00 |
| Other payables | Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 1,368.38 | 0.00 |
| Other payables | Beijing Ziguang Pharmaceutical Co., Ltd. | 1,030.00 | 1,030.00 |
| Other payables | Rizhao BC&TV Tongfang Digital Television Co., Ltd | 528.00 | 0.00 |
| Other payables | Beijing Easyway Huachuang System Engineering Co., Ltd. | 300.00 | 0.00 |
| Other payables | Tongfang Cloud Computing Technology Co., Ltd. | 39.96 | 14,224.24 |
| Other payables | Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00 | 30.00 |
| Other payables | Advanced Systems Development Co., Ltd. | 0.00 | 101,084.00 |
| Other payables | Tongfang Ecological (Macau) One-person Ltd. | 0.00 | 58.84 |
| Tsinghua University and its subordinate units: | | | |
| Advance receipts | Tsinghua University | 676,605.76 | 519,828.10 |
| Advance receipts | Beijing Tongli Huaqing Technology Co., Ltd. | 33,000.00 | 0.00 |
| Advance receipts | Beijing Tsinghua Industrial Development Research Institute | 2,432.40 | 2,432.40 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |

Notes to the Financial Statements of Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Advance receipts | Unispplendour Digital Group | 1,617,957.70 | 100,707.00 |
| Advance receipts | Tsinghua Holdings SDX joint Venture Capital (Beijing) Co., Ltd. | 65,178.57 | 0.00 |
| Advance receipts | Tsinghua Holdings Co., Ltd. | 9,820.00 | 9,820.00 |
| Advance receipts | CapitalBio Corporation | 3,200.00 | 3,200.00 |
| Advance receipts | TusPark Ventures | 200.00 | 0.00 |
| Joint ventures and associates: | | | |
| Advance receipts | CINTS Company Limited | 3,476,307.70 | 0.00 |
| Advance receipts | Nanyang BC&TV Tongfang Digital Television Co., Ltd | 200,000.00 | 0.00 |
| Advance receipts | Easyway Technology Co., Ltd. | 127,024.04 | 72,300.00 |
| Advance receipts | Beijing Global Safety Technology Co., Ltd. | 117,431.00 | 0.00 |
| Advance receipts | Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 76,100.00 | 76,100.00 |
| Advance receipts | Tellhow Software Co., Ltd. | 64,400.00 | 62,000.00 |
| Advance receipts | Jilin Tongfang Science and Technology Trade Co., Ltd. | 53,280.00 | 53,280.00 |
| Advance receipts | Beijing Ziguang Pharmaceutical Co., Ltd. | 7,128.98 | 0.00 |
| Advance receipts | Tongfang Environment Co., Ltd. | 3,758.30 | 3,758.30 |
| Advance receipts | Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | 2,810.00 | 0.00 |
| Advance receipts | Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 1,800.00 | 0.00 |
| Advance receipts | Beijing Tongfang Time Link Electronic Co., Ltd. | 895.00 | 895.00 |
| Advance receipts | Aegon THTF Life Insurance Co., Ltd. | 450.00 | 0.00 |
| Advance receipts | Beijing Tsinghua Holdings Human Settlement Environment Research Institute | 0.00 | 51,934.33 |
| Controlling shareholder and other companies controlled by the controlling shareholder: | | | |
| Dividends payable | Tsinghua Holdings Co., Ltd. | 0.00 | 60,264,872.80 |
| Joint ventures and associates: | | | |
| Dividends payable | Tongfang Investment Co., Ltd. | 10,216,800.00 | 10,216,800.00 |

XII Contingencies

As at 31 December 2016, there is nothing significant to be disclosed.

XIII Commitments

As at 31 December 2016, there is nothing significant to be disclosed.

XIV Events after the balance sheet date

1. Dividend for ordinary shares proposed

According to the resolution of the 15th meeting of the 7th Board of Directors of the Company passed on 16 April 2017, the dividend distribution and not to convert capital premium into share capital plan proposed by the Board of Directors of the Company was:

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

Based on the total share capital of 2,963,898,951 shares as at 31 December 2016, the cash dividend of RMB 2.5 (tax included) for every 10 shares is distributed to all shareholders, totaling at RMB 740,974,737.75, and the remaining profit of RMB 7,156,483,410.55 is left to be distributed in later years. There is no capitalization from capital premium.

2. Except as disclosed in the above, the Company has no other significant events after balance sheet date to be disclosed.

XV Other significant matters

1. Segment information

(1) Recognition basis and accounting policies of segments report

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

- 1) that engaged in business activities from which it may earn revenues and incur expenses;
- 2) whose operating results are regularly reviewed by the Company's management to make decisions about the resources to be allocated to the segment and assess its performance; and
- 3) for which discrete information on financial position, operating results and cash flows is available for the Company.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and the segments are similar in each of the following aspects:

- 1) the nature of each product and service;
- 2) the nature of production process;
- 3) the type of customers for their products and services;
- 4) the methods used to distribute the products or provide their services;
- 5) the influence of legislations, administrative regulations on production of goods and rendering of services.

Based on operating segments, considering the principle of importance, comparability and consistency of the information of different accounting periods, the Company finalized the report segments as "public safety", "Internet service and terminal", "Smart city", "Energy saving and environmental protection", "science and technology park", "headquarters and investment".

Accounting policies adopted for the segment report are consistent with those for the consolidated financial statements.

(2) Financial information of reporting segment for current year

| Reporting segment | 31 December 2016 | | Year 2016 | | |
|-------------------------------|-------------------|-------------------|-----------------------|---------------------|--------------------------|
| | Total assets | Total liabilities | Main operating income | Main operating cost | Profit before income tax |
| Public safety | 9,541,153,928.79 | 6,658,305,795.35 | 4,582,168,146.43 | 2,986,247,533.65 | 613,854,408.39 |
| Internet service and terminal | 12,384,251,361.96 | 7,731,127,035.60 | 15,003,687,523.41 | 13,265,488,027.60 | 6,093,003,508.62 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Reporting segment | 31 December 2016 | | | Year 2016 | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Total assets | Total liabilities | Main operating income | Main operating cost | Profit before income tax |
| Smart City | 4,068,237,623.51 | 3,170,177,131.95 | 2,764,267,049.41 | 2,376,342,264.94 | -49,508,850.75 |
| Energy saving and environmental protection | 9,433,981,640.56 | 5,069,937,829.79 | 4,768,430,789.37 | 3,764,849,090.82 | -643,579,927.68 |
| Science and Technology Park | 3,395,425,068.37 | 2,092,123,180.80 | 137,316,950.77 | 103,218,722.67 | 78,939,883.00 |
| Headquarters and investment | 19,241,552,501.82 | 8,786,360,568.97 | 13,012,987.76 | 11,087,886.28 | -620,399,095.92 |
| Sub-total | 58,064,602,125.01 | 33,508,031,542.46 | 27,268,883,447.15 | 22,507,233,525.96 | 5,472,309,925.66 |
| Elimination between segments | -452,310,972.45 | -452,087,222.81 | -321,654,395.17 | -314,203,563.04 | 0.00 |
| Total | 57,612,291,152.56 | 33,055,944,319.65 | 26,947,229,051.98 | 22,193,029,962.92 | 5,472,309,925.66 |

(Continued)

| Reporting segment | 31 December 2015 | | | Year 2015 | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Total assets | Total liabilities | Main operating income | Main operating cost | Profit before income tax |
| Public safety | 9,505,186,338.84 | 7,127,874,701.15 | 4,927,808,315.39 | 3,354,350,854.17 | 609,860,945.51 |
| Internet service and terminal | 15,706,436,948.74 | 9,909,746,481.98 | 15,568,907,079.08 | 13,480,557,503.34 | 9,883,314.18 |
| Smart City | 3,615,732,275.27 | 2,628,129,580.64 | 3,325,791,838.00 | 2,840,935,417.18 | 141,563,233.41 |
| Energy saving and environmental protection | 16,662,039,299.59 | 10,966,077,664.08 | 4,655,865,670.53 | 3,409,413,983.95 | 796,119,492.38 |
| Science and Technology Park | 3,132,351,809.43 | 2,412,765,556.75 | 117,484,521.26 | 85,272,318.50 | 61,304,381.69 |
| Headquarters and investment | 9,220,657,653.31 | 2,141,750,120.19 | 0.00 | 0.00 | 754,631,862.02 |
| Sub-total | 57,842,404,325.18 | 35,186,344,104.79 | 28,595,857,424.26 | 23,170,530,077.14 | 2,373,363,229.19 |
| Elimination between segments | -981,568,452.59 | -981,344,705.95 | -363,848,024.18 | -359,924,163.35 | 0.00 |
| Total | 56,860,835,872.59 | 34,204,999,398.84 | 28,232,009,400.08 | 22,810,605,913.79 | 2,373,363,229.19 |

XVI Notes to significant items in the parent company's financial statements

1. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 2,053,720,795.72 | 100.00% | 369,440,682.81 | 17.99% | 1,684,280,112.91 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 2,053,720,795.72 | 100.00% | 369,440,682.81 | 17.99% | 1,684,280,112.91 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classified by the characteristics of credit risk | 1,720,036,442.56 | 100.00% | 321,398,412.57 | 18.69% | 1,398,638,029.99 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 100.00% | 0.00 |
| Total | 1,720,036,442.56 | 100.00% | 321,398,412.57 | 18.69% | 1,398,638,029.99 |

1) Aging portfolios

| Account age | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Accounts receivable | % of total amount | Provision for bad debt |
| Within 1 year | 1,280,776,181.87 | 62.97% | 12,807,761.80 |
| 1-2 years | 273,023,162.30 | 13.42% | 13,651,158.11 |
| 2-3 years | 88,776,253.50 | 4.36% | 13,316,438.04 |
| 3-4 years | 40,628,774.12 | 2.00% | 12,188,632.24 |
| 4-5 years | 66,356,780.21 | 3.26% | 33,178,390.12 |
| More than 5 years | 284,298,302.50 | 13.99% | 284,298,302.50 |
| Total | 2,033,859,454.50 | 100.00% | 369,440,682.81 |

2) Related party portfolios :

| Item | Closing balance | | |
|--------------------------|----------------------|------------------------|-----------------|
| | Accounts receivable | Provision for bad debt | Provision ratio |
| Related party portfolios | 19,861,341.22 | 0.00 | 0.00 |
| Total | 19,861,341.22 | 0.00 | — |

(2) The top 5 largest accounts receivable at the end of the year is RMB 545,166,539.04, making up of 26.55% of the total balance, provision for bad debts at the end of the year is RMB 9,309,900.83.

2. Other receivables

(1) Classification of other receivables

| Type | Closing balance | | | | |
|---|-----------------|-------------------|------------------------|-----------------|-----------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

| Type | Closing balance | | | | |
|---|--------------------------|-------------------|------------------------|-----------------|--------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision ratio | Carrying amount |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 10,350,327,066.01 | 100.00% | 175,416,071.66 | 1.69% | 10,174,910,994.35 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 10,350,327,066.01 | 100.00% | 175,416,071.66 | 1.69% | 10,174,910,994.35 |

(Continued)

| Type | Opening balance | | | | |
|---|--------------------------|-------------------|------------------------|-----------------|--------------------------|
| | Book balance | | Provision for bad debt | | |
| | Amount | % of total amount | Amount | Provision ratio | Carrying amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 10,855,252,878.76 | 100.00% | 165,810,468.50 | 1.53% | 10,689,442,410.26 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | 10,855,252,878.76 | 100.00% | 165,810,468.50 | 1.53% | 10,689,442,410.26 |

1) Aging portfolios

| Account age | Closing balance | | |
|-------------------|-----------------------|-------------------|------------------------|
| | Other receivables | % of total amount | Provision for bad debt |
| Within 1 year | 657,322,540.02 | 73.52% | 6,573,225.41 |
| 1-2 years | 34,346,273.69 | 3.84% | 1,717,313.69 |
| 2-3 years | 28,356,458.60 | 3.17% | 4,253,468.79 |
| 3-4 years | 12,929,738.61 | 1.45% | 3,878,921.57 |
| 4-5 years | 4,256,503.40 | 0.48% | 2,128,251.71 |
| More than 5 years | 156,864,890.49 | 17.54% | 156,864,890.49 |
| Total | 894,076,404.81 | 100.00% | 175,416,071.66 |

2) Related party portfolios

| Item | Closing balance | | |
|--------------------------|-------------------------|------------------------|-----------------|
| | Other receivables | Provision for bad debt | Provision ratio |
| Related party portfolios | 9,456,250,661.20 | 0.00 | 0.00 |
| Total | 9,456,250,661.20 | 0.00 | — |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes to are denominated in RMB.)

(2) Classification of other receivables by nature

| Nature | Closing balance | Opening balance |
|--|--------------------------|--------------------------|
| Intercourse funds | 9,576,915,114.19 | 10,670,189,798.84 |
| Equity transfer price | 564,800,000.00 | 0.00 |
| Guarantee deposit and security deposit | 166,529,926.99 | 136,803,776.34 |
| Petty cash | 33,516,816.16 | 38,752,776.11 |
| Payments for other entities | 5,371,087.25 | 5,550,061.08 |
| Others | 3,194,121.42 | 3,956,466.39 |
| Total | 10,350,327,066.01 | 10,855,252,878.76 |

(3) The top 5 largest other receivables at the end of the year is RMB 8,462,040,980.68, making up of 81.76% of the total balance, provision for bad debts at the end of the year is RMB 0.00.

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

3. Long-term equity investments

(1) Long-term equity investments by category

| Item | Closing balance | | | Opening balance | |
|--|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment |
| Investment in subsidiaries | 9,303,747,174.52 | 45,757,599.40 | 9,257,989,575.12 | 6,573,756,444.48 | 45,757,599.40 |
| Investments in joint venture or associates | 3,512,766,112.67 | 0.00 | 3,512,766,112.67 | 3,225,689,714.23 | 0.00 |
| Total | 12,816,513,287.19 | 45,757,599.40 | 12,770,755,687.79 | 9,799,446,158.71 | 45,757,599.40 |
| (2) Investment in subsidiaries | | | | | 9,753,688,559.31 |

| Investee | Opening balance | Increase in current year | Decrease in current year | Closing balance | Provision for impairment for the current year | Provision for impairment Ending Balance | |
|--|------------------|--------------------------|--------------------------|-----------------|---|---|-----------------|
| | | | | | | Provision for impairment | Carrying amount |
| Tongfang Financial Holding (Shenzhen) Co., Ltd. (Originally known as Beijing Tongfang Innovation Investment Co., Ltd.) | 169,666,900.00 | 3,600,000,000.00 | | 0.00 | 3,769,666,900.00 | 0.00 | 0.00 |
| Tongfang Computer Co., Ltd. Beijing ERENEBEN Information Technology Co., Ltd. | 599,910,000.00 | 750,000,000.00 | | 0.00 | 1,349,910,000.00 | 0.00 | 0.00 |
| TsingHua TongFang Artificial Environment Co., Ltd. | 1,213,925,700.00 | 0.00 | | 0.00 | 1,213,925,700.00 | 0.00 | 0.00 |
| Tongfang Industry Co., Ltd. Shenyang Tongfang Multimedia Technology Co., Ltd. | 434,834,441.73 | 21,480,000.00 | | 0.00 | 456,314,441.73 | 0.00 | 0.00 |
| Beijing Tongfang Lingxun Technology Co., Ltd. Nantong Tongfang Technology Park Co., Ltd. | 400,000,000.00 | 0.00 | | 0.00 | 400,000,000.00 | 0.00 | 0.00 |
| Shenyang Tongfang Lingxun Technology Co., Ltd. Beijing Tongfang Lingxun Technology Co., Ltd. | 315,870,970.73 | 0.00 | | 0.00 | 315,870,970.73 | 0.00 | 0.00 |
| Nantong Tongfang Technology Park Co., Ltd. Shenyang Tongfang Technology Park Co., Ltd. Resuccess Investments Limited | 247,000,000.00 | 0.00 | | 0.00 | 247,000,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Gigamega Technology Co., Ltd. Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 117,771,000.00 | 3,490,654.00 | | 0.00 | 121,261,654.00 | 0.00 | 0.00 |
| | 100,054,351.74 | 0.00 | | 0.00 | 100,054,351.74 | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increase in current year | Decrease in current year | Closing balance | Provision for impairment for the current year | Provision for impairment Ending Balance |
|--|-----------------|--------------------------|--------------------------|-----------------|---|---|
| Beijing Tongfang Electronic Payment Technology Co., Ltd. | 0.00 | 100,000,000.00 | 0.00 | 100,000,000.00 | 0.00 | 0.00 |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 82,866,626.66 | 15,875,804.00 | 0.00 | 98,742,430.66 | 0.00 | 0.00 |
| Tongfang Global Limited | 65,228,000.00 | 0.00 | 0.00 | 65,228,000.00 | 0.00 | 0.00 |
| Tongfang R.I.A. Company Limited. | 60,000,000.00 | 0.00 | 0.00 | 60,000,000.00 | 0.00 | 0.00 |
| Huai'an Tongfang Water Affairs Co., Ltd. | 57,260,000.00 | 0.00 | 0.00 | 57,260,000.00 | 0.00 | 0.00 |
| Nuctech Company Limited. | 57,000,000.00 | 0.00 | 0.00 | 57,000,000.00 | 0.00 | 0.00 |
| Tongfang HongKong Limited | 52,708,800.00 | 0.00 | 0.00 | 52,708,800.00 | 0.00 | 0.00 |
| Tongfang Technology Park Co., Ltd. | 51,640,000.00 | 0.00 | 0.00 | 51,640,000.00 | 0.00 | 0.00 |
| Qingxin Optoelectronics Co., Ltd. | 45,757,599.40 | 0.00 | 0.00 | 45,757,599.40 | 0.00 | 45,757,599.40 |
| Technovator International Limited | 43,363,900.00 | 0.00 | 0.00 | 43,363,900.00 | 0.00 | 0.00 |
| Tongfang Optoelectronic (HK) Limited | 39,478,529.25 | 0.00 | 0.00 | 39,478,529.25 | 0.00 | 0.00 |
| Huizhou Tongfang Water Affairs Co., Ltd. | 36,000,000.00 | 0.00 | 0.00 | 36,000,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Software Co., Ltd. | 34,864,600.00 | 0.00 | 0.00 | 34,864,600.00 | 0.00 | 0.00 |
| Tongfang Asia Pacific (R&D Center) Pte. Ltd. | 21,772,500.00 | 0.00 | 0.00 | 21,772,500.00 | 0.00 | 0.00 |
| Beijing Tongfang Compact Disc Co., Ltd. | 21,479,648.26 | 0.00 | 0.00 | 21,479,648.26 | 0.00 | 0.00 |
| THTF USA, Inc. | 20,641,105.00 | 0.00 | 0.00 | 20,641,105.00 | 0.00 | 0.00 |
| Tongfang Health Technology (Beijing) Co., Ltd. | 17,500,000.00 | 0.00 | 0.00 | 17,500,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Property Management Co., Ltd. | 9,530,000.00 | 0.00 | 0.00 | 9,530,000.00 | 0.00 | 0.00 |
| Beijing Tongfang Education and Training School | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 0.00 | 0.00 |
| Tongfang Media (Beijing) Co., Ltd. | 0.00 | 1.00 | 0.00 | 1.00 | 0.00 | 0.00 |
| Liaoning Tongfang Security Technology Co., Ltd. | 0.00 | 1.00 | 0.00 | 1.00 | 0.00 | 0.00 |
| Beijing Tongfang Television Media Technology Co., Ltd. | 0.00 | 1.00 | 0.00 | 1.00 | 0.00 | 0.00 |
| Shenzhen Tongfang Multimedia Technology Co., Ltd. | 300,000,000.00 | 1,550,000,000.00 | 1,850,000,000.00 | 0.00 | 0.00 | 0.00 |
| Nantong Tongfang Semiconductor Co., Ltd. | 814,000,000.00 | 2,408,500,000.00 | 3,222,500,000.00 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increase in current year | Decrease in current year | Closing balance | Provision for impairment for the current year | Provision for impairment Ending Balance |
|---|-------------------------|--------------------------|--------------------------|-------------------------|---|---|
| Unigroup Guoxin Co., Ltd. (Originally known as "Tongfang Guoxin Electronics Co., Ltd.") | 369,770,200.00 | 0.00 | 369,770,200.00 | 0.00 | 0.00 | 0.00 |
| Longjiang Environmental Protection Group Co., Ltd. | 277,085,530.96 | 0.00 | 277,085,530.96 | 0.00 | 0.00 | 0.00 |
| Total | 6,573,756,444.48 | 8,449,346,461.00 | 5,719,355,730.96 | 9,303,747,174.52 | 0.00 | 45,757,599.40 |

(3) Investments in joint venture or associates

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | Provision for impairment Ending Balance |
|---|------------------|-----------------------|-----------------------|---|----------------------------|------------------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income | Other equity movements | |
| Movements during the current year | | | | | | | |
| I. Joint ventures | | | | | | | |
| Aegon THTF Life Insurance Co., Ltd. | 1,190,570,589.99 | 150,000,000.00 | 0.00 | -144,543,288.50 | 50,728,736.00 | 0.00 | 0.00 |
| II. Associates | | | | | | | |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 1,289,079.92 | 0.00 | 0.00 | -26,666.37 | 0.00 | 0.00 | 1,262,413.55 |
| Beijing ASK Tongfang Technology Co., Ltd. | 2,350,581.93 | 0.00 | 0.00 | -1,961,050.30 | 0.00 | 0.00 | 389,531.63 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 81,657,187.77 | 0.00 | 0.00 | 4,713,454.63 | 0.00 | 0.00 | 85,198,941.00 |
| Tongfang Investment Co., Ltd. | 364,730,999.25 | 0.00 | 0.00 | 71,148,122.97 | -1,941,464.44 | -3,327,384.30 | 0.00 |
| Beijing Tongfang Electronic Commerce Co., Ltd. | 28,426,313.02 | 0.00 | 0.00 | 1,550,908.35 | 0.00 | 0.00 | 29,977,221.37 |
| Jarun Investment Co., Ltd. | 323,058,276.68 | 0.00 | 0.00 | 3,511,262.35 | 0.00 | 0.00 | 326,569,539.03 |
| Tongfang Environment Co., Ltd. | 145,441,738.17 | 0.00 | 0.00 | 14,364,996.06 | 223,624.67 | 0.00 | 143,216,918.90 |
| Tongfang Tellhow Comic And Animation Group Co., Ltd. | 156,971,635.56 | 0.00 | 0.00 | 724,986.38 | 0.00 | 0.00 | 157,696,621.94 |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 680,069.17 | 0.00 | 0.00 | -680,069.17 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | Closing balance | Provision for impairment Ending Balance |
|--|-------------------------|-----------------------|-----------------------|---|----------------------------|------------------------|-------------------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income | Other equity movements | | |
| Beijing Global Safety Technology Co., Ltd. | 46,981,935.44 | 0.00 | 0.00 | 7,070,171.58 | -8,005,24 | 21,716,566.54 | 0.00 | 75,760,668.32 |
| Tellhow Sci-Tech Co., Ltd. | 538,213,740.77 | 0.00 | 0.00 | 19,143,998.85 | 0.00 | 59,170,594.51 | 8,200,987.60 | 0.00 |
| Beijing Zhonggu TongFang Culture & Communication Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Shipbuilding Co., Ltd. | 324,307,627.21 | 0.00 | 0.00 | -15,859,077.35 | 0.00 | 0.00 | 0.00 | 308,448,549.86 |
| Advanced Systems Development Co., Ltd. | 21,009,939.35 | 0.00 | 0.00 | 6,069,397.24 | 23,973.64 | 0.00 | 1,600,000.00 | 0.00 |
| Qian'an City Environmental Investment Co., Ltd. | 0.00 | 73,085,312.00 | 0.00 | -36,542.66 | 0.00 | 0.00 | 0.00 | 73,048,769.34 |
| Total | 3,225,689,714.23 | 223,085,312.00 | 0.00 | -34,809,425.94 | 49,026,864.63 | 77,559,776.75 | 27,786,129.00 | 0.00 |
| | | | | | | | 3,512,766,112.67 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

4. Revenue and costs

| Item | Amount for the current year | | Amount for the previous year | |
|----------------|-----------------------------|-------------------------|------------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 4,770,400,826.33 | 4,384,538,908.48 | 6,430,684,346.64 | 6,026,522,986.84 |
| Other business | 167,648,315.89 | 39,547,233.03 | 157,774,524.49 | 62,483,791.63 |
| Total | 4,938,049,142.22 | 4,424,086,141.51 | 6,588,458,871.13 | 6,089,006,778.47 |

5. Investment income

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Investment income on disposal of financial assets at fair value through profit or loss | 111,924.61 | 577,715,118.47 |
| Income from long-term equity investments under cost method | 123,200,000.00 | 153,815,524.40 |
| Income from long-term equity investments under equity method | -34,809,425.94 | 110,639,878.88 |
| Investment income on disposal of long-term equity investments | 4,616,077,588.54 | 99,726,230.91 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 6,069,324.07 | 4,566,936.30 |
| Entrusted loan income | 459,135.00 | 1,584,148.75 |
| Investment income during the holding period of available-for-sale financial assets | 1,942,717.41 | 205,853.00 |
| Total | 4,713,051,263.69 | 948,253,690.71 |

XVII Approval of financial reports

Approved and authorized for issue by the board of directors on 16 April 2017.

Supplementary Information to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this supplementary information are denominated in RMB.)

Supplementary information to financial statements

1. Statement of non-recurring profit or loss for current year

(1) Under the requirements in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Their Securities to the Public - Non-recurring Profit or Loss (2008) issued by CSRC, the non-recurring profit or loss for the Company in 2016 is listed below:

| Item | Amount for the current year |
|--|------------------------------------|
| Profit or loss on disposal of non-current assets | 5,434,612,362.79 |
| Government grants recognized in current profit or loss | 156,387,316.80 |
| Gain/loss from Changes in fair value arising from holding financial assets (liabilities) at fair value through profit or loss and investment gains/loss arising from disposal of financial assets (liabilities) at fair value through profit or loss and available-for-sale financial assets, except for the effective hedging activities related to the company's ordinary activities | -366,356,400.42 |
| Other non-operating income or expenses other than the above items | -8,020,232.98 |
| Other profit or loss items that fall within the scope of non-recurring profit or loss | -101,446,633.36 |
| Sub-total | 5,115,176,412.83 |
| Effect on income tax | 643,812,582.90 |
| Effect of non-controlling interests (after tax) | 34,016,842.39 |
| Total | 4,437,346,987.54 |

2. Return on net assets and earnings per share

Under the requirements in Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No.9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 revision) issued by the CSRC, the weighted average return on net assets, basic earnings per share and diluted earnings per share for the Company in 2016 is listed below:

| Profit during the reporting period | Weighted average return on net assets | Earnings per share | |
|---|--|-------------------------------------|---|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to shareholders of the parent company | 19.99% | 1.45 | 1.45 |
| Net profit attributable to shareholders of the parent company after deducting non-recurring profits or losses | -0.63% | -0.05 | -0.05 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2016 to 31 December 2016

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

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信永中和会计师事务所
ShineWing
certified public accountants

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Audit report

XYZH/ 2016BJA80165

To The Shareholders of Tongfang Co., Ltd:

We have audited the financial statements of Tongfang Co.,Ltd. (hereinafter referred to as "Tongfang") enclosed which include the consolidated balance sheet and balance sheet of the parent company dated 31 December 2015, the consolidated income statement and the income statement of the parent company of year 2015 and the consolidated cash flow statement and the cash flow statement of the parent company, consolidated statement of changes in shareholders'equity and the statement of changes in shareholders' equity of the parent company and notes to the financial statements.

A. Management's Responsibility for the Financial Statements

The management of Tongfang is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (i) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises, and fairly reflecting the financial statements; (ii) designing, implementing and maintaining the necessary internal control, so that the financial statements are free of any material misstatement due to fraud or error.

B. Responsibility of Certified Public Accountant

It is our responsibility to express our audit opinions, based on the implementation of our audit work, on these financial statements. We have conducted our audit in accordance with the Chinese CPA Standards on Auditing. The audit standards require that we follow the Code of Professional Ethics to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit includes implementation of audit procedures to obtain evidence relevant to the amounts and disclosures in the financial statements. The chosen audit procedures depend on the judgments of Certified Public Accountants, which include an assessment of the material misstatement in the financial statements due to fraud and errors. When making the assessment, CPA needs to design appropriate audit procedures according to the internal controls related to the

preparation and fair presentation of the financial statements. Our audit also includes an assessment on the appropriateness of accounting policies, reasonableness of accounting assumptions used by the management, and the overall presentations of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

C. Audit Opinion

We believe that accounting statements of the Tongfang are in accordance with Accounting Standard for Business Enterprises and Enterprise Accounting System in all major aspects and truly reflect financial standing of the consolidated and parent companies as of December 31, 2015 and business performance and cash flow of the consolidated and parent companies in 2015.

ShineWing Certified Public Accountants



Beijing, China

Certified Public Accountant:



Certified Public Accountant:



18 April 2016

Consolidated Balance Sheet

2015-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2015/12/31 | 2014/12/31 |
|---|--------|-------------------|-------------------|
| Current assets: | | | |
| Cash at bank and on hand | VI. 1 | 9,859,562,531.60 | 6,468,361,807.09 |
| Financial assets at fair value through profit or loss | VI. 2 | 1,233,687,014.15 | 1,491,222,598.08 |
| Notes receivable | VI. 3 | 285,472,593.45 | 226,106,009.57 |
| Accounts receivable | VI. 4 | 8,008,046,816.82 | 6,780,758,988.08 |
| Prepayments | VI. 5 | 1,203,273,891.79 | 1,189,254,615.87 |
| Interest receivable | | 134,514.92 | 211,162.42 |
| Dividends receivable | VI. 6 | 107,977,090.91 | 13,461,958.59 |
| Other receivables | VI. 7 | 953,854,194.17 | 835,081,161.46 |
| Inventories | VI. 8 | 9,168,374,867.43 | 8,261,994,457.95 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | | 0.00 | 0.00 |
| Total current assets | | 30,820,383,515.24 | 25,266,452,759.11 |
| Non-current assets: | | | |
| Available-for-sale financial assets | VI. 9 | 158,215,044.75 | 173,341,605.13 |
| Held-to-maturity investments | | 0.00 | 0.00 |
| Long-term receivables | VI. 10 | 3,859,957,171.15 | 3,445,846,928.28 |
| Long-term equity investments | VI. 11 | 9,489,774,271.84 | 8,550,039,820.36 |
| Investment properties | VI. 12 | 14,700,000.00 | 15,300,000.00 |
| Fixed assets | VI. 13 | 5,297,775,933.06 | 5,677,217,883.49 |
| Construction in progress | VI. 14 | 639,135,932.62 | 869,274,299.39 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | VI. 15 | 2,845,937,526.38 | 2,609,765,511.74 |
| Development expenditure | VI. 16 | 908,729,223.42 | 726,268,545.91 |
| Goodwill | VI. 17 | 2,064,049,695.08 | 2,028,038,718.73 |
| Long-term deferred expenses | VI. 18 | 86,330,225.26 | 83,223,882.68 |
| Deferred tax assets | VI. 19 | 227,650,030.13 | 174,738,951.14 |
| Other non-current assets | VI. 20 | 448,197,303.66 | 105,500,000.00 |
| Non-current assets | | 26,040,452,357.35 | 24,458,556,146.85 |
| Total assets | | 56,860,835,872.59 | 49,725,008,905.96 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Balance Sheet (Continued)

2015-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Liabilities and equity | Note | 2015/12/31 | 2014/12/31 |
|---|--------|--------------------------|--------------------------|
| Current liabilities: | | | |
| Short-term loans | VI. 22 | 7,381,530,048.58 | 10,432,700,867.49 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | VI. 23 | 707,564,087.82 | 1,034,851,536.61 |
| Accounts payable | VI. 24 | 8,167,839,518.21 | 7,598,707,575.29 |
| Advances receipts | VI. 25 | 4,603,960,489.78 | 2,281,174,220.89 |
| Employee benefits payable | VI. 26 | 462,416,146.22 | 395,519,485.99 |
| Taxes payable | VI. 27 | 187,129,298.62 | -165,440,927.24 |
| Interests payable | VI. 28 | 75,756,755.59 | 92,178,963.02 |
| Dividends payable | VI. 29 | 73,895,834.68 | 65,706,899.68 |
| Other payables | VI. 30 | 2,958,592,096.96 | 2,708,164,205.84 |
| Non-current liabilities due within one year | VI. 31 | 1,154,589,981.72 | 1,874,981,561.48 |
| Other current liabilities | VI. 32 | 2,019,407,123.29 | 1,003,164,383.56 |
| Total current liabilities | | 27,792,681,381.47 | 27,321,708,772.61 |
| Non-current liabilities: | | | |
| Long-term loans | VI. 33 | 3,541,088,094.61 | 4,084,258,459.42 |
| Bonds payable | VI. 34 | 1,500,000,000.00 | 1,500,000,000.00 |
| Long-term payables | VI. 35 | 322,104,274.81 | 339,518,752.01 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | VI. 36 | 11,359,992.00 | 13,490,000.00 |
| Provisions | VI. 37 | 2,915,029.01 | 3,127,733.04 |
| Deferred income | VI. 38 | 919,937,970.33 | 781,541,391.34 |
| Deferred tax liabilities | VI. 19 | 114,912,656.61 | 109,861,701.17 |
| Other non-current liabilities | VI. 39 | 0.00 | 207,510,517.19 |
| Total non-current liabilities | | 6,412,318,017.37 | 7,039,308,554.17 |
| Total liabilities | | 34,204,999,398.84 | 34,361,017,326.78 |
| Shareholders' equity: | | | |
| Share capital | VI. 40 | 2,963,898,951.00 | 2,197,882,238.00 |
| Capital surplus | VI. 41 | 9,454,639,314.91 | 4,815,464,376.35 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | VI. 42 | -62,042,717.52 | 259,087,330.74 |
| Special reserve | | 0.00 | 0.00 |
| Surplus reserve | VI. 43 | 884,278,173.27 | 758,118,836.27 |
| Undistributed profits | VI. 44 | 4,410,668,665.65 | 3,512,346,548.71 |
| Total shareholders' equity attributable to shareholders of the parent company | | 17,651,442,387.31 | 11,542,899,330.07 |
| Non-controlling interests | | 5,004,394,086.44 | 3,821,092,249.11 |
| Total shareholders' equity | | 22,655,836,473.75 | 15,363,991,579.18 |
| Total equity and liabilities | | 56,860,835,872.59 | 49,725,008,905.96 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Income Statement

Year 2015

Prepared by Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2015 | Year 2014 |
|--|--------|-------------------|-------------------|
| I. Revenue | VI. 45 | 28,447,284,180.28 | 25,993,724,026.86 |
| II. Operating costs and expenditures | | 28,929,419,873.17 | 25,869,843,463.09 |
| Including: Costs | VI. 45 | 22,930,738,937.57 | 20,829,692,216.26 |
| Business taxes and surcharges | VI. 46 | 166,126,555.94 | 107,847,318.32 |
| Selling and distribution expenses | VI. 47 | 1,964,452,807.79 | 1,702,955,135.50 |
| General and administrative expenses | VI. 48 | 2,428,925,970.20 | 1,819,071,593.99 |
| Financial expenses | VI. 49 | 960,733,804.39 | 1,133,948,001.75 |
| Impairment losses on assets | VI. 50 | 478,441,797.28 | 276,329,197.27 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | VI. 51 | -229,039,605.97 | 128,133,757.82 |
| Investment income (loss is denoted by "-") | VI. 52 | 2,641,676,433.65 | 877,402,615.56 |
| Including: Income from joint venture and associates investment | | 1,358,888,257.26 | 853,612,638.62 |
| III. Operating profit (loss is denoted by "-") | | 1,930,501,134.79 | 1,129,416,937.15 |
| Add: non-operating income | VI. 53 | 454,990,629.64 | 379,200,935.30 |
| Including: Proceeds on disposal of non-current assets | | 28,138,021.22 | 60,460,323.94 |
| Less: Non-operating expenses | VI. 54 | 12,128,535.24 | 85,437,828.80 |
| Including: Losses from disposal of non-current assets | | 3,440,305.08 | 58,290,610.80 |
| IV. Profit before income tax (loss is denoted by "-") | | 2,373,363,229.19 | 1,423,180,043.65 |
| Less: Income tax expenses | VI. 55 | 210,555,970.31 | 209,769,351.52 |
| V. Net profit (net loss is denoted by "-") | | 2,162,807,258.88 | 1,213,410,692.13 |
| Net profit attributable to shareholders of the parent company | | 1,261,593,370.02 | 755,641,901.57 |
| Net profit attributable to non-controlling interests | | 901,213,888.86 | 457,768,790.56 |
| VI. Other comprehensive income after tax | VI. 56 | -291,105,102.84 | 176,504,590.10 |
| Other comprehensive income after tax attributable to shareholders of the parent company | | -321,130,048.26 | 197,717,804.70 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | -321,130,048.26 | 197,717,804.70 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity | | -293,121,344.38 | 212,578,694.45 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | -8,034,787.24 | -298,193.64 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | -19,973,916.64 | -14,562,696.11 |
| 6. Others | | 0.00 | 0.00 |
| Other comprehensive income after tax attributable to non-controlling interest after tax | | 30,024,945.42 | -21,213,214.60 |
| VII. Total comprehensive income | | 1,871,702,156.04 | 1,389,915,282.23 |
| Total comprehensive income attributable to shareholders of the parent company | | 940,463,321.76 | 953,359,706.27 |
| Total comprehensive income attributable to non-controlling interests | | 931,238,834.28 | 436,555,575.96 |
| VIII. Earnings per share | | | |
| (I) Basic earnings per share | | 0.44 | 0.34 |
| (II) Diluted earnings per share | | 0.44 | 0.34 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Consolidated Cash Flow Statement

Year 2015

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2015 | Year 2014 |
|--|--------|-------------------|-------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 30,265,730,845.07 | 26,565,901,992.29 |
| Refund of taxes and surcharges | | 512,391,381.59 | 441,609,530.93 |
| Cash received relating to other operating activities | VI. 57 | 1,384,444,623.43 | 1,306,601,616.23 |
| Sub-total of cash inflows from operating activities | | 32,162,566,850.09 | 28,314,113,139.45 |
| Cash paid for goods and services | | 22,938,855,521.84 | 21,487,811,203.45 |
| Cash paid to and on behalf of employees | | 2,879,508,916.09 | 2,522,127,235.43 |
| Payments of taxes and surcharges | | 1,017,744,835.57 | 881,801,396.48 |
| Cash paid relating to other operating activities | VI. 57 | 2,825,692,568.27 | 2,566,269,999.40 |
| Sub-total of cash outflows from operating activities | | 29,661,801,841.77 | 27,458,009,834.76 |
| Net cash flows from operating activities | | 2,500,765,008.32 | 856,103,304.69 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 724,963,868.36 | 38,202,964.32 |
| Cash received from returns on investments | | 70,796,974.64 | 25,000,133.69 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 20,174,009.20 | 28,823,272.49 |
| Net cash received from disposal of subsidiaries | | 2,748,752,737.46 | 32,126,245.16 |
| Cash received relating to other investing activities | VI. 57 | 43,628,703.43 | 234,954,374.33 |
| Sub-total of cash inflows from investing activities | | 3,608,316,293.09 | 359,106,989.99 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 1,161,567,029.79 | 952,919,258.89 |
| Cash paid to acquire investments | | 676,568,015.19 | 1,265,985,245.39 |
| Net cash paid to acquire subsidiaries | | 131,643,529.22 | 92,676,970.94 |
| Cash paid relating to other investing activities | VI. 57 | 82,720,041.30 | 74,695,532.15 |
| Sub-total of cash outflows from investing activities | | 2,052,498,615.50 | 2,386,277,007.37 |
| Net cash flows from investing activities | | 1,555,817,677.59 | -2,027,170,017.38 |
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 6,090,683,931.24 | 9,809,680.00 |
| Including: Cash received from capital contributions by non-controlling interests of subsidiaries | | 615,483,931.90 | 9,809,680.00 |
| Cash received from borrowings | | 14,591,080,152.40 | 16,973,862,949.17 |
| Cash received from bond issue | | 5,000,000,000.00 | 2,500,000,000.00 |
| Cash received relating to other financing activities | VI. 57 | 301,088,497.54 | 225,404,875.47 |
| Sub-total of cash inflows from financing activities | | 25,982,852,581.18 | 19,709,077,504.64 |
| Cash repayments of borrowings | | 23,152,141,641.22 | 16,164,796,992.57 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 1,349,197,171.29 | 1,228,345,978.95 |
| Including: Cash payments for distribution of dividends or profits to non-controlling interests of subsidiaries | | 91,870,272.40 | 79,185,136.20 |
| Cash payments relating to other financing activities | VI. 57 | 2,145,575,303.93 | 252,188,799.67 |
| Sub-total of cash outflows from financing activities | | 26,646,914,116.44 | 17,645,331,771.19 |
| Net cash flows from financing activities | | -664,061,535.26 | 2,063,745,733.45 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | 117,907,531.74 | -59,936,729.60 |
| V. Net increase in cash and cash equivalents | | 3,510,428,682.39 | 832,742,291.16 |
| Add: Cash and cash equivalents at beginning of the year | | 6,177,305,953.83 | 5,344,563,662.67 |
| VI. Cash and cash equivalent at end of the year | | 9,687,734,636.22 | 6,177,305,953.83 |

Legal representative of the Company:



Person in charge of finance:

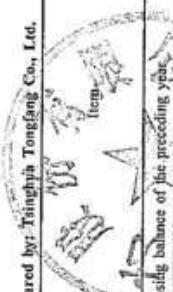


Head of accounting department:



Prepared by: Tonghua Tongfang Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity
Year 2015



| | | Attributable to shareholders of the Parent Company | | | | | | | | |
|--|------------------|--|-----------------|----------------------|----------------------------|-----------------|------------------|----------------------|---------------------------|----------------------------|
| | | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Non-controlling interests | Total shareholders' equity |
| I. Closing balance of the preceding year | | 4,815,464,376.35 | 0.00 | 259,087,330.74 | 0.00 | 758,118,836.27 | 3,512,346,548.71 | 3,821,092,249.11 | 15,363,991,579.18 | |
| Add: Changes in accounting policies | | | | | | | | | 0.00 | |
| Corrections of prior years' errors | | | | | | | | | 0.00 | |
| Business combination under common control | | | | | | | | | 0.00 | |
| Others | | | | | | | | | 0.00 | |
| II. Opening balance of the current year | 2,197,882,238.09 | 4,815,464,376.35 | 0.00 | 259,087,330.74 | 0.00 | 758,118,836.27 | 3,512,346,548.71 | 3,821,092,249.11 | 15,363,991,579.18 | |
| III. Changes in equity for the year (decrease is denoted by "—") | 766,016,713.00 | 4,639,174,938.56 | 0.00 | -321,130,048.26 | 0.00 | 126,159,317.00 | 898,1322,116.94 | 1,183,301,837.33 | 7,291,844,894.57 | |
| (I) Total comprehensive income | | | | | | | 1,261,593,370.02 | 931,238,534.28 | 1,871,702,156.04 | |
| (II) Capital contribution and withdrawal by shareholders | 766,016,713.00 | 4,900,611,797.78 | 0.00 | -321,130,048.26 | 0.00 | 0.00 | 342,965,612.10 | 6,009,594,172.88 | | |
| 1. Capital contribution by shareholders | 766,016,713.00 | 4,691,656,684.67 | 0.00 | 0.00 | 0.00 | 0.00 | 601,961,199.85 | 6,059,655,197.52 | | |
| 2. Increase in capital surplus resulted from share-based payment exerted by company | | | | | | | | | | |
| 3. Others | | 208,955,113.11 | 0.00 | 0.00 | 0.00 | 0.00 | 126,159,337.00 | -258,996,187.73 | -50,041,074.64 | |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 126,159,337.00 | -90,946,472.40 | -328,058,188.45 | |
| 1. Appropriation to surplus reserve | | | | | | | | | 0.00 | |
| 2. Profit distribution to shareholders | | | | | | | | | | |
| 3. Others | | | | | | | | | | |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 1. Capitalization of capital surplus | | | | | | | | | | |
| 2. Capitalization of surplus reserve | | | | | | | | | | |
| 3. Loss covered by surplus reserve | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 1. Provision in the current year | | | | | | | | | | |
| 2. Utilization in the current year | | | | | | | | | | |
| (VI) Others | -26,436,459.22 | 9,454,639,314.91 | 0.00 | -62,042,717.52 | 0.00 | 864,278,173.27 | 4,410,668,665.65 | 43,653.35 | -261,994,195.87 | |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,454,639,314.91 | 0.00 | | | | | 5,004,394,086.44 | 22,655,836,473.75 | |

Legal representative of the Company:
业周印立

Person in charge of finance:
东刻印立

Head of accounting department:



5

Consolidated Statement of Changes in Shareholders' Equity
Year 2014

Unit: RMB Yuan

| Item | Share capital | Capital surplus | Attributable to shareholders of the Parent Company | | | | Non-controlling interests | Total shareholders' equity |
|---|------------------|------------------|--|----------------------------|-----------------|-----------------|---------------------------|----------------------------|
| | | | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | | |
| I. Closing balance of the preceding year | 2,197,882,238.00 | 4,764,040,871.64 | 0.00 | 61,369,526.04 | 0.00 | 682,554,646.11 | 3,052,057,061.10 | 2,916,303,308.79 |
| Add: Changes in accounting policies | | | | | | | | 13,674,207,651.68 |
| Corrections of prior years' errors | | | | | | | | 0.00 |
| Business combination under common control | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,197,882,238.00 | 4,764,040,871.64 | 0.00 | 61,369,526.04 | 0.00 | 682,554,646.11 | 3,052,057,061.10 | 2,916,303,308.79 |
| III. Changes in equity for the year (decrease is denoted by "-") | 0.00 | 34,423,504.71 | 0.00 | 197,717,804.70 | 0.00 | 75,564,190.16 | 460,259,487.61 | 904,785,940.32 |
| (I) Total comprehensive income | | | | | | | | 1,689,783,927.50 |
| (II) Capital contribution and withdrawal by shareholders | | | | | | | | 1,389,915,262.23 |
| 1. Capital contribution by shareholders | 0.00 | 39,546,592.47 | 0.00 | 0.00 | 0.00 | 0.00 | 545,772,272.32 | 585,318,864.79 |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | 0.00 | | | | | 556,100,246.00 | 556,100,246.00 |
| 3. Others | | 39,546,592.47 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (III) Profit distribution | | | | | | | | -10,327,973.68 |
| 1. Appropriation to surplus reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 75,564,190.16 | -295,352,413.96 | -83,785,36.20 |
| 2. Profit distribution to shareholders | | | | | | | -219,788,223.80 | -83,785,36.20 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 11,876,912.24 | 0.00 | 259,087,330.74 | 0.00 | 758,118,836.27 | 3,512,346,548.71 | 6,246,238.24 |
| (V) Closing balance of the current year | 2,197,882,238.00 | 4,815,464,376.35 | 0.00 | 259,087,330.74 | 0.00 | 758,118,836.27 | 3,512,346,548.71 | 3,871,092,249.11 |
| | | | | | | | | 15,363,991,579.18 |

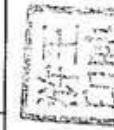
Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Balance Sheet of the Parent Company

2015-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Assets | Note | 2015/12/31 | 2014/12/31 |
|---|--------|--------------------------|--------------------------|
| Current assets: | | | |
| Cash at bank and on hand | | 1,053,960,066.32 | 827,303,750.08 |
| Financial assets at fair value through profit or loss | | 894,997,221.67 | 1,170,794,074.63 |
| Notes receivable | | 12,360,790.63 | 13,640,014.00 |
| Accounts receivable | XVI. 1 | 1,398,638,029.99 | 1,395,682,882.60 |
| Prepayments | | 1,217,177,324.64 | 1,352,510,620.83 |
| Interest receivable | | 0.00 | 0.00 |
| Dividends receivable | | 326,437,138.08 | 165,461,734.24 |
| Other receivables | XVI. 2 | 10,689,442,410.26 | 5,452,079,347.65 |
| Inventories | | 1,940,500,638.14 | 2,221,101,982.21 |
| Non-current assets due within one year | | 0.00 | 0.00 |
| Other current assets | | 0.00 | 0.00 |
| Total current assets | | 17,533,513,619.73 | 12,598,574,406.24 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | 31,605,581.32 | 29,581,085.99 |
| Held-to-maturity investments | | 19,000,000.00 | 63,867,075.00 |
| Long-term receivables | | 0.00 | 0.00 |
| Long-term equity investments | XVI. 3 | 9,753,688,559.31 | 9,594,086,365.46 |
| Investment properties | | 0.00 | 0.00 |
| Fixed assets | | 1,010,004,725.31 | 1,092,627,418.76 |
| Construction in progress | | 979,000.00 | 0.00 |
| Construction materials | | 0.00 | 0.00 |
| Fixed asset in liquidation | | 0.00 | 0.00 |
| Productive biological assets | | 0.00 | 0.00 |
| Oil and gas assets | | 0.00 | 0.00 |
| Intangible assets | | 195,167,902.74 | 261,664,672.32 |
| Development expenditure | | 24,369,813.90 | 83,923,951.79 |
| Goodwill | | 0.00 | 0.00 |
| Long-term deferred expenses | | 14,509,433.87 | 17,068,805.48 |
| Deferred tax assets | | 56,025,211.58 | 30,836,666.66 |
| Other non-current assets | | 0.00 | 0.00 |
| Non-current assets | | 11,105,350,228.03 | 11,173,656,041.46 |
| Total assets | | 28,638,863,847.76 | 23,772,230,447.70 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



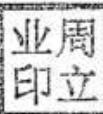
Balance Sheet of the Parent Company (Continued)

2015-12-31

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Liabilities and equity | Note | 2015/12/31 | 2014/12/31 |
|--|------|-------------------|-------------------|
| Current liabilities: | | | |
| Short-term loans | | 3,898,518,783.26 | 6,568,900,000.00 |
| Financial liabilities at fair value through profit or loss | | 0.00 | 0.00 |
| Notes payable | | 585,935,480.75 | 675,285,795.64 |
| Accounts payable | | 1,874,089,426.99 | 1,678,023,934.35 |
| Advances receipts | | 586,916,686.43 | 804,770,386.11 |
| Employee benefits payable | | 57,939,514.16 | 38,253,264.44 |
| Taxes payable | | -967,454.04 | 26,507,353.17 |
| Interests payable | | 52,893,073.06 | 64,026,948.63 |
| Dividends payable | | 60,264,872.80 | 47,475,937.80 |
| Other payables | | 4,246,990,656.24 | 2,187,555,345.16 |
| Non-current liabilities due within one year | | 61,727,600.00 | 766,535,500.00 |
| Other current liabilities | | 2,019,407,123.29 | 1,003,164,383.56 |
| Total current liabilities | | 13,443,715,762.94 | 13,860,498,848.86 |
| Non-current liabilities: | | | |
| Long-term loans | | 0.00 | 60,416,500.00 |
| Bonds payable | | 1,500,000,000.00 | 1,500,000,000.00 |
| Long-term payables | | 49,483.11 | 49,483.11 |
| Long-term employee benefits payable | | 0.00 | 0.00 |
| Special payables | | 8,100,000.00 | 8,100,000.00 |
| Provisions | | 0.00 | 0.00 |
| Deferred income | | 51,574,988.72 | 65,854,855.31 |
| Deferred tax liabilities | | 0.00 | 0.00 |
| Other non-current liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 1,559,724,471.83 | 1,634,420,838.42 |
| Total liabilities | | 15,003,440,234.77 | 15,494,919,687.28 |
| Shareholders' equity: | | | |
| Share capital | | 2,963,898,951.00 | 2,197,882,238.00 |
| Capital surplus | | 9,178,270,672.12 | 4,431,975,989.56 |
| less: treasury stock | | 0.00 | 0.00 |
| Other comprehensive income | | 22,244,949.84 | 35,603,418.27 |
| Surplus reserve | | 883,160,184.89 | 756,539,965.35 |
| Undistributed profits | | 587,848,855.14 | 855,309,149.24 |
| Total shareholders' equity | | 13,635,423,612.99 | 8,277,310,760.42 |
| Total equity and liabilities | | 28,638,863,847.76 | 23,772,230,447.70 |



Legal representative of the Company:

Person in charge of finance:



Head of accounting department:



Income Statement of the Parent Company

Year 2015

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2015 | Year 2014 |
|--|--------|------------------|------------------|
| I. Revenue | XVI. 4 | 6,588,458,871.13 | 8,170,863,983.94 |
| II. Operating costs and expenditures | XVI. 4 | 6,089,006,778.47 | 7,638,837,350.57 |
| Business taxes and surcharges | | 37,051,116.90 | 39,181,691.75 |
| Selling and distribution expenses | | 214,311,106.45 | 178,441,360.56 |
| General and administrative expenses | | 533,370,439.63 | 242,479,170.46 |
| Financial expenses | | 447,467,690.28 | 406,344,909.66 |
| Impairment losses on assets | | 111,782,778.16 | 62,193,601.94 |
| Add: Gains or losses from changes in fair value (loss is denoted by "-") | | -247,627,897.51 | 35,340,851.90 |
| Investment income (loss is denoted by "-") | XVI. 5 | 948,253,690.71 | 320,925,224.24 |
| Including: Income from joint venture and associates investment | | 110,639,878.88 | 116,850,327.54 |
| II. Operating profit (loss is denoted by "-") | | -143,905,245.56 | -40,348,024.86 |
| Add: non-operating income | | 227,226,813.34 | 22,115,264.93 |
| Including: Proceeds on disposal of non-current assets | | 167,293.19 | 0.00 |
| Less: Non-operating expenses | | 17,064,058.24 | 28,091,719.90 |
| Including: Losses from disposal of non-current assets | | 12,801.84 | 27,138,090.61 |
| III. Profit before income tax (loss is denoted by "-") | | 66,257,509.54 | -46,324,479.83 |
| Less: Income tax expenses | | -25,405,506.54 | -54,139,195.39 |
| IV. Net profit (net loss is denoted by "-") | | 91,663,016.08 | 7,814,715.56 |
| V. Other comprehensive income after tax | | -13,358,468.43 | 9,310,663.04 |
| (I) Other comprehensive income that will not be reclassified subsequently to profit or loss | | 0.00 | 0.00 |
| 1. Re-measurement of defined benefit obligations | | 0.00 | 0.00 |
| 2. Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | | 0.00 | 0.00 |
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | -13,358,468.43 | 9,310,663.04 |
| 1. Share of other comprehensive income of the invested entity to be reclassified subsequently to profit or loss under the equity method | | -14,636,942.51 | 5,809,728.97 |
| 2. Gains or losses from changes in fair value of available-for-sale financial assets | | 1,278,474.08 | 3,500,934.07 |
| 3. Gains or losses of held-to-maturity investment that can be classified as available-for-sale financial assets | | 0.00 | 0.00 |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | | 0.00 | 0.00 |
| 5. Exchange differences on translating foreign currency financial statements | | 0.00 | 0.00 |
| 6. Others | | 0.00 | 0.00 |
| VI. Total comprehensive income | | 78,304,547.65 | 17,125,378.60 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Cash Flow Statement of the Parent Company

Year 2015

Prepared by: Tsinghua Tongfang Co., Ltd.

Unit: RMB Yuan

| Item | Note | Year 2015 | Year 2014 |
|---|------|-------------------|-------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 6,893,076,160.51 | 9,518,396,363.34 |
| Refund of taxes and surcharges | | 1,436,592.24 | 1,993,847.92 |
| Cash received relating to other operating activities | | 591,613,871.60 | 356,258,450.38 |
| Sub-total of cash inflows from operating activities | | 7,486,126,624.35 | 9,876,648,661.64 |
| Cash paid for goods and services | | 6,381,811,957.40 | 9,044,246,022.72 |
| Cash paid to and on behalf of employees | | 232,299,145.13 | 204,188,811.32 |
| Payments of taxes and surcharges | | 107,056,077.14 | 72,937,815.13 |
| Cash paid relating to other operating activities | | 710,692,820.53 | 500,153,941.53 |
| Sub-total of cash outflows from operating activities | | 7,431,860,000.20 | 9,821,526,590.70 |
| Net cash flows from operating activities | | 54,266,624.15 | 55,122,070.94 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 2,979,390,057.58 | 28,511,439.50 |
| Cash received from returns on investments | | 150,757,483.40 | 171,714,328.34 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 6,000.00 | 5,000.00 |
| Net cash received from disposal of subsidiaries | | 204,864,419.59 | 37,471,700.00 |
| Cash received relating to other investing activities | | 894,550,624.76 | 1,481,435,065.48 |
| Sub-total of cash inflows from investing activities | | 4,229,568,585.33 | 1,719,137,533.32 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 94,634,006.44 | 145,859,085.20 |
| Cash paid to acquire investments | | 301,835,793.06 | 1,054,082,130.00 |
| Net cash paid to acquire subsidiaries | | 0.00 | 0.00 |
| Cash paid relating to other investing activities | | 3,832,349,406.06 | 2,387,530,396.61 |
| Sub-total of cash outflows from investing activities | | 4,228,819,205.56 | 3,587,471,611.81 |
| Net cash flows from investing activities | | 749,379.77 | -1,868,334,078.49 |
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 5,475,199,999.34 | 0.00 |
| Cash received from borrowings | | 5,887,800,000.00 | 8,542,616,000.00 |
| Cash received from bond issue | | 5,000,000,000.00 | 2,500,000,000.00 |
| Cash received relating to other financing activities | | 58,035,742.76 | 379,972,489.45 |
| Sub-total of cash inflows from financing activities | | 16,421,035,742.10 | 11,422,588,489.45 |
| Cash repayments of borrowings | | 13,330,269,000.00 | 9,027,810,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 747,089,551.89 | 676,515,281.89 |
| Cash payments relating to other financing activities | | 2,122,905,129.75 | 52,954,103.93 |
| Sub-total of cash outflows from financing activities | | 16,200,263,681.64 | 9,757,279,385.82 |
| Net cash flows from financing activities | | 220,772,060.46 | 1,665,309,103.63 |
| IV. Effect of foreign currency exchange rate changes on cash and cash equivalents | | 131,035.82 | 505,105.91 |
| V. Net increase in cash and cash equivalents | | 275,919,100.20 | -147,397,798.01 |
| Add: Cash and cash equivalents at beginning of the year | | 777,666,289.84 | 925,064,087.85 |
| VI. Cash and cash equivalent at end of the year | | 1,053,585,390.04 | 777,666,289.84 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:



Statement of Changes in Shareholders' Equity of the Parent Company
Year 2015

Prepared by: Tianjin Huafengfang Co., Ltd.



Unit: RMB Yuan

| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,197,882,238.00 | 4,431,975,589.56 | 0.00 | 35,603,418.27 | 0.00 | 756,539,965.35 | 855,309,149.24 | 8,277,310,760.42 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years' errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,197,882,238.00 | 4,431,975,589.56 | 0.00 | 35,603,418.27 | 0.00 | 756,539,965.35 | 855,309,149.24 | 8,277,310,760.42 |
| III. Changes in equity for the year (decrease is denoted by "-") | 766,016,713.00 | 4,746,294,682.56 | 0.00 | -13,358,468.43 | 0.00 | 126,670,219.54 | -267,460,294.10 | 5,358,112,852.57 |
| (I) Total comprehensive income | | | | -13,358,468.43 | | | | 91,653,016.08 |
| (II) Capital contribution and withdrawal by shareholders | 766,016,713.00 | 4,691,656,684.67 | 0.00 | 0.00 | 0.00 | | 0.00 | 5,457,673,397.67 |
| 1. Capital contribution by shareholders | 766,016,713.00 | 4,691,656,684.67 | | | | | | 5,457,673,397.67 |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | 0.00 |
| 3. Others | | | | | | | | 0.00 |
| (III) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 126,159,337.00 | -363,271,253.08 | -237,111,916.08 |
| 1. Appropriation to surplus reserve | | | | | | 126,159,337.00 | -126,159,337.00 | 0.00 |
| 2. Profit distribution to shareholders | | | | | | | -237,111,916.08 | -237,111,916.08 |
| 3. Others | | | | | | | | 0.00 |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | 0.00 |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | 54,637,997.89 | | | | 460,882.54 | 4,147,942.90 | 59,246,823.33 |
| IV. Closing balance of the current year | 2,963,898,951.00 | 9,178,270,672.12 | 0.00 | 22,244,949.84 | 0.00 | 883,160,184.89 | 587,848,855.14 | 13,635,423,612.99 |

Legal representative of the Company:



Person in charge of finance:



Head of accounting department:





Prepared by: Tsingtao Tongfeng Co., Ltd.

Statement of Changes in Shareholders' Equity of the Parent Company
Year 2014

| | Share capital | Capital surplus | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' equity |
|---|------------------|------------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| I. Closing balance of the preceding year | 2,197,882,238.00 | 4,433,190,204.89 | 0.00 | 26,292,755.23 | 0.00 | 680,975,775.19 | 1,142,846,847.64 | 8,481,187,820.95 |
| Add: Changes in accounting policies | | | | | | | | 0.00 |
| Corrections of prior years errors | | | | | | | | 0.00 |
| Others | | | | | | | | 0.00 |
| II. Opening balance of the current year | 2,197,882,238.00 | 4,433,190,204.89 | 0.00 | 26,292,755.23 | 0.00 | 680,975,775.19 | 1,142,846,847.64 | 8,481,187,820.95 |
| III. Changes in equity for the year (decreases is denoted by "-") | 0.00 | -1,214,215.33 | 0.00 | 9,310,663.04 | 0.00 | 75,564,190.16 | -287,537,698.40 | -203,877,060.53 |
| (I) Total comprehensive income | | | | 9,310,663.04 | | | 7,814,715.56 | 17,125,378.60 |
| (II) Capital contribution and withdrawal by shareholders | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Capital contribution by shareholders | | | | | | | | |
| 2. Increase in capital surplus resulted from share-based payment exercised by company | | | | | | | | |
| 3. Others | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| (III) Profit distribution | 0.00 | | | | | | | |
| 1. Appropriation to surplus reserve | | | | | | | 75,564,190.16 | -295,352,413.96 |
| 2. Profit distribution to shareholders | | | | | | | 75,564,190.16 | -219,788,223.80 |
| 3. Others | | | | | | | | |
| (IV) Transfer within shareholders' equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| 1. Capitalization of capital surplus | | | | | | | | 0.00 |
| 2. Capitalization of surplus reserve | | | | | | | | 0.00 |
| 3. Loss covered by surplus reserve | | | | | | | | 0.00 |
| 4. Others | | | | | | | | 0.00 |
| (V) Special reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1. Provision in the current year | | | | | | | | |
| 2. Utilization in the current year | | | | | | | | 0.00 |
| (VI) Others | | -1,214,215.33 | | | | | | -1,214,215.33 |
| IV. Closing balance of the current year | 2,197,882,238.00 | 4,431,975,989.56 | 0.00 | 35,603,418.27 | 0.00 | 756,539,965.35 | 855,309,149.24 | 8,277,310,760.42 |

Legal representative of the Company:

周业 印立

Person in charge of finance:

刘东 印卫

王印 济

Head of accounting department:

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

I. Basic Information of the Company

Tsinghua Tongfang Co., Ltd. (hereinafter referred to as “the Company”) is a stock limited company established through public offering by Tsinghua Holdings Co., Ltd (formerly known as “Beijing Tsinghua University Enterprise Group”) as the main promoter, approved by the State Commission for Restructuring the Economy and the State Education Commission. In June 1997, the Company issued 110,700,000 RMB ordinary shares with the approval of the China Securities Regulatory Commission (hereinafter referred to as CSRC) (Reference No.: Zheng Jian Fa [1997] 316), of which 68,700,000 shares were held by the promoters (representing 62.06% of the entire share capital) and 42,000,000 shares were held by domestic public holders (representing 37.94% of the entire share capital). The Company was registered with the State Administration for Industry and Commerce on 25 June 1997, and the registered capital was RMB 110,700,000. The Company has its shares in initial public offering listed on the Shanghai Stock Exchange on 27 June 1997.

In January 1998, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 166,050,000 shares, of which 103,050,000 shares were held by the promoters (representing 62.06% of the entire share capital). In June 1999, the Company increased its existing share capital by making a right issue to the existing shareholders in the proportion of 3 new shares for every 10 shares, the total number of shares after right issue increased to 189,800,000 shares, of which 107,900,000 shares were held by the promoters (representing 56.85% of the entire share capital). Upon approval by the CSRC (Reference No.: CSRC [1999] 23) in June 1999, the Company merged with Shandong Luying Electronic Co., Ltd. (Now known as “Shandong Tsinghua Tongfang Luying Electronic Co., Ltd.”) by way of share exchange offer. The Company issued 15,172,328 RMB ordinary shares to all shareholders of Shandong Luying Electronic Co., Ltd., the total number of shares after the issue increased to 204,972,328 shares, of which 113,504,444 shares were held by the promoters (representing 55.38% of the entire share capital). In September 1999, the Company issued bonus shares of 54,366,696 shares in the proportion of 3 shares for every 10 shares held, the total number of shares after the issue increased to 259,339,024 shares, of which 143,610,199 shares were held by the promoters (representing 55.38% of the entire share capital). In May 2000, the Company converted the share premium into share capital in the proportion of 4 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 363,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 55.38% of the entire share capital). In December 2000, the Company issued 20,000,000 RMB ordinary shares to domestic public, the total number of shares after the conversion increased to 383,074,634 shares, of which 201,054,279 shares were held by the promoters (representing 52.48% of the entire share capital). In May 2001, the Company converted the share premium into share capital in the proportion of 5 ordinary shares for every 10 shares of share premium held, the total number of shares after the conversion increased to 574,612,295 shares, of which 301,581,762 shares were held by the promoters (representing 52.48% of the entire share capital).

With the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented the measures on full circulation reform for

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listed companies in February 2006, a total of 103,751,603 shares were paid by non-circulating shareholders to the circulating shareholders in the proportion of 3.8 shares for every 10 shares held, in exchange for the listing and circulation of the Company's non-circulating shares. After the implementation, the total number of shares remained unchanged, of which the number of shares held by the promoters decreased to 197,830,159 shares (representing 34.43% of the entire share capital).

In July 2007, the Company issued 54,000,000 RMB ordinary sharesto specific investors, the total number of shares after the issueincreased to 628,612,295 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 384,625,315 shares.

In May 2008, the Company increased the share capital by making a right issue to the existing shareholders in the proportion of 2 new shares for every 10 shares, the total number of shares after the right issue increased to 751,515,811 shares, of which the number of circulating shares with sale restrictions is 243,986,980 shares, and the number of circulating shares without sale restrictions is 507,528,831 shares.

In August 2008, the Company converted the share premium into share capital in the proportion of 3 ordinary shares for every 10 shares of share premium held, all shareholders were issued with 225,454,743 shares based on the total number of shares of 751,515,811 on 30 May 2008, after the conversion, the total number of shares increased to 976,970,554, of which the number of circulating shares with sale restrictions is 246,983,074 shares, and the number of circulating shares without sale restrictions is 729,987,480 shares.

In February 2009, 246,983,074 circulating shares with sale restrictions were lifted. As at 31 December 2009, the total share capital of the Company was 976,970,554, all of which were circulating shares without sale restrictions.

In July 2010, the Company issued 16,880,000 ordinary shares to Tangshan Jingyuan Electronics Co., Ltd (referred to as "Tongfang Guoxin Electronics Co., Ltd" after the merge), the total number of shares after the issue increased to 993,850,554 shares, of which the number of circulating shares with sale restrictions is 16,880,000 shares, and the number of circulating shares without sale restrictions is 976,970,554 shares.

In May 2011, the Company converted the share premium into share capital in the proportion of 10 ordinary shares for every 10 shares of share premium held, based on the total number of shares of 993,850,554 on 31 December 2010. After the conversion, the Company's total share capital increased from 993,850,554 to 1,987,701,108 shares.

In August 2013, the Company issued 210,181,130 RMB ordinary shares to specific investors, of which 157,724,483 shares were used as the acquisition consideration of 75.27265% of the shares of Beijing ERENEBEN Information Technology Co., Ltd., and the matching funds raised from issuing the remaining 52,456,647 shares were used as the acquisition consideration of 24.72735% of the shares of Beijing ERENEBEN Information Technology Co., Ltd. The total number of shares after the issue increased to 2,197,882,238 shares, of which the number of circulating shares without sale restrictions is 1,987,701,108 shares, and the number of circulating shares with sale restrictions is 210,181,130 shares.

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In February 2015, the Company issued 766,016,713 RMB ordinary specific investors, all of which are circulating shares with sale restrictions.

As at 31 December 2015, the total number of shares of the Company is 2,963,898,951 shares, of which the number of circulating shares without sale restrictions is 2,070,201,441 shares, and the number of circulating shares with sale restrictions is 893,697,510 shares.

The Company's main business scope includes: license management project: Internet information services business without news, publishing, health care, medicines and medical equipment and other contents; the dispatch of labor personnel required for the implementation of overseas projects related to the export of self-produced complete sets of equipment; production of commercial encryption products; sales of commercial encryption products; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; production of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment, instrumentation, optical mechanical and electrical integration equipment; manufacturing of water fountain; class II value-added telecommunications services in the Internet access services business (Beijing 1 municipality as well as Changchun, Nanchang 2 cities) (Value-added telecommunications business license is valid until 3 May 2017). General business projects: production, sales, technical services and maintenance of computer and peripheral equipment; social and public safety equipment, traffic engineering equipment, building intelligent and municipal engineering mechanical and electrical equipment, electrical engineering mechanical and electrical equipment, energy saving; sales and installation of artificial environment control equipment, communications electronics products, microelectronics integrated circuits, office equipment; development and sales of instrumentation, optoelectronic integrated equipment; sales of fire protection products; high-tech project consulting, high-tech transfer and services; property management; import and export business; mechanical and electrical installation project general contracting; engineering, procurement and construction of electromechanical works; intelligent building, urban and road lighting, electronic engineering contractor; indoor air purification project; computer system integration; special engineering design of building intelligent system integration (excluding fire subsystem); water fountain design, installation, commissioning; security engineering (design, construction); cable TV shared antenna design and installation; advertising and agents; vessel rental; engineering survey and design; design, sales of lighting equipment; basic software services, application software services; sales of machinery and equipment, hardware and electrical supplies, household appliances, software and auxiliary equipment, radio and television equipment, communications equipment, electronic products.

II. Scope of consolidated financial statements

The scope of the company's consolidated financial statements consists of 214 companies, including Nuctech Company Limited, Tongfang Computer Co., Ltd, Technovator International Limited and TsingHua TongFang Artificial Environment Co., Ltd.

See relevant contents of "VII Variation of Scope of Consolidated Financial Statement" and "VIII Rights and Interests in Other Entities" in the Notes for details.

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III. Basis of the financial statements preparation

1. Basis of preparation

On the basis of the going concern and in reference to actual transactions and events, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China, the accounting policies and accounting estimates stated in "IV Significant Accounting Policies and Accounting Estimates" of the Notes to the financial statement as well as other relevant provisions.

2. Going concern

The management of the Company has taken into account factors such as macroeconomic policy risk, market risk, current and long-term profitability, solvency, financial flexibility and management's intention to change operating policies, it does not identify any events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the end of the reporting period.

IV. Significant accounting policies and accounting estimates

The Company has set up accounting policies and estimates on transactions or events such as operating cycle, recognition and measurement of bad debt provision for accounts receivable, measurement of inventories, classification and depreciation of fixed assets, amortization of intangible assets, capitalization of research and development expenses, recognition and measurement of revenue and so on based on the Company's actual production and operation features.

1. Statement of compliance with CASBEs

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and truly and completely reflect the Company's financial position, results of operations, cash flow, and other related information.

2. Accounting period

The accounting year of the Company runs from 1 January to 31 December under the Gregorian calendar.

3. Operating cycle

The Company takes 12 months as the normal operating cycle.

4. Reporting currency

The Company chooses RMB as their reporting currency.

5. Accounting treatments of business combination under and not under common control

The assets and liabilities acquired by the Company, as the acquirer, in the business combination under the control of the same entity shall be calculated based on the carrying amount in the ultimate controlling party's consolidated statements of the acquiree on the acquisition date. Capital reserve shall be adjusted for the difference between the carrying amount of the acquired net assets and the carrying amount of the combination consideration transferred. If the capital reserve is not sufficient for off-setting, retained earnings shall be adjusted.

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The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control shall be measured at their acquisition – date fair value. The consideration transferred includes cash or non-cash assets paid, liabilities issued or assumed, the fair value of equity instruments or debt instruments issued by the Company on the acquisition date for acquiring control rights on the acquiree. The Company shall recognize goodwill as of the acquisition date measure as the excess of the consideration transferred over the fair value of identifiable net assets acquired from the acquiree during business combination. Where the consideration transferred is less than the fair value of the identifiable net assets acquired from the acquiree during business combination, the fair value of all identifiable assets acquired, liabilities and contingent liabilities assumed, as well as the fair value of non-cash assets or equity securities issued shall be reviewed. If that less remains after review, the company shall recognise the resulting gain in current non-operating income.

6. Basis for preparation of consolidated financial statements

The Company brings all its controlled subsidiaries into its consolidation scope.

During preparation of consolidated financial statements, in the event that accounting policy or accounting period adopted by subsidiaries are not in line with that of the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits shall be offset during preparation of consolidated financial statements. The portion of subsidiary shareholders' equity which does not belong to the parent company and the portion of minority equity in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "non-controlling interests, profit or loss attributable to non-controlling interests, other comprehensive income attributable to non-controlling interests, and total comprehensive income attributable to non-controlling interests" in the consolidated financial statements.

For the subsidiary acquired in the business combination under common control, its business performance and cash flow are included into the consolidated financial statements from the beginning of the current period of the merger. During the preparation of the comparing consolidated financial statements, related items in the financial statements of the previous year are adjusted, and it is deemed that the entity of financial statements formed after the combination has existed since the beginning of control by the ultimate controlling party.

For the subsidiary acquired in the business combination not under the control of the same entity, its business performance and cash flow are included into the consolidated financial statements since the date when the Company acquires the control rights. During the preparation of consolidated financial statements, financial statements of the subsidiary are adjusted based on the fair values of identifiable assets, liabilities and contingent liabilities identified on the acquisition date.

During the preparation of consolidated financial statements, when the equity of the invested entity are obtained through business combination not under common control achieved in stages, the Company should first determine whether it is a "package deal". Any transaction

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categorized as package deal is subject to the accounting treatment as one transaction of acquiring the controlling power. If it does not belong to a package deal, the carrying value of the acquirer's previously held equity interest in the acquiree shall be re-measured to fair value at the acquisition date, and the difference between the fair value and its carrying amount shall be included in the current investment income. Other comprehensive income, under equity method rising from the interest held in acquiree in relation to the period before the acquisition, other changes in shareholders' equity except the net profit and loss, other comprehensive income and profit distribution shall be reclassified into investment income at the date on which acquisition is made, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plans of the acquiree.

When the Company does not lose control over a subsidiary due to disposal of partial long-term equity investment, the difference between (i) the disposal price and (ii) respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted to the capital premium or share premium. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

During the preparation of consolidated financial statements, when the Company loses control over a subsidiary due to disposal of certain equity interest or other reasons, the residual equity after disposal shall be re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any residual equity and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date or merging date according to the original proportion of ownership interest shall be recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary shall be reclassified into investment income in the period in which control is lost.

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

Joint arrangements of the Company include joint operations and joint ventures.

For joint operations, the Company as a joint operator shall recognize in relation to its interest in a joint operation: its separately owned assets and liabilities and its share of any assets and liabilities held jointly, and according to related agreements to recognize its revenue or its share of revenue earned and expenses incurred from the joint operation. When the Company, as a joint operator, invests or sells assets (that does not constitute a business) to or purchase assets from joint operations, the Company shall only recognise the part of profit or loss from this transaction attributable to other parties of joint operations.

The Company, as a joint venture, treats investments in joint ventures in accordance with the provisions as set out in "Accounting Standards for Business Enterprises No. 2 - long-term equity investment".

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Company refers to the cash on hand and deposits that are available for payment at any time. Cash equivalent in the cash flow statement

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refers to the investments which have a holding period of no more than 3 months, and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

9. Foreign currency transactions and conversion of foreign currency financial statements

(1) Foreign currency transaction

The foreign currency amount in a foreign currency transaction of the Company shall be converted into RMB amount at the spot exchange rate on the first day of transaction month. Monetary items calculated in foreign currency in the balance sheet shall be translated into RMB at the closing rate. Exchange differences shall be recognized in current profit and loss except that exchange differences arising from specific foreign currency borrowings, which related to the acquisition, construction or production of assets meet the capitalized terms, shall be recognized as per capitalization principle. Foreign currency non-monetary items that are measured at fair value shall be translated at the spot exchange rate on the date the fair value is measured. For foreign currency non-monetary items that are classified as available-for-sale financial assets, the exchange differences between the functional currency amount and the original functional currency amount shall be recognized in capital surplus. For foreign currency non-monetary items at fair value through profit or loss, the difference between the re-translated functional currency amount and the original functional currency amount shall be recognized in profit and loss. Foreign currency non-monetary items that are measured at historical cost shall be still translated at the spot exchange rate of the transaction date, with the RMB amount unchanged.

(2) Conversion of financial statements in foreign currency

The asset and liability items in the balance sheet of a foreign operation shall be translated as per the spot exchange rate on the balance sheet date; the shareholders' equity items, except for the items of "undistributed profit", shall be translated at the spot exchange rate on the dates of transactions. The income and expenditure items in the income statement of a foreign operation shall be translated at exchange rates on the dates of the transactions. The foreign currency exchange difference from above translation shall be recognized in other comprehensive income. During the preparation of consolidated financial statements, if there are any foreign currency monetary items which in substance forms part of the net investment in the foreign operations; exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income. Other comprehensive income related to the foreign operation shall be reclassified from equity to profits and losses in proportion upon disposal of the foreign operations.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The amount of influence of exchange rate change on cash and cash equivalents shall be listed in the cash flow statement separately.

10. Financial assets and financial liabilities

A financial asset or financial liability shall be recognized when the Company becomes a party to the contract of a financial instrument.

(1) Financial assets

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1) Classification, recognition basis and measurement method of financial assets

The financial assets owned by the Company are classified according to the investment purposes and economic nature, including the financial assets at fair value through profit or loss, held-to-maturity investments, receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss at the initial recognition. A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) it has been acquired principally for the purpose of selling in the near term; (ii) it is part of a portfolio of identified financial instruments that the Company manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial instrument may be designated as a financial asset at fair value through profit or loss upon initial recognition if one of the following conditions is satisfied: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (ii) in accordance with the Company's documented risk management or investment strategy, the financial asset forms a part of a group of financial instruments, which is managed and its recorded at fair value, performance is evaluated based on its fair value, and this information is provided internally on that basis to the entity's key management personnel; (iii) the financial instrument contains one or several embedded derivatives, unless the embedded derivatives do not significantly modify the cash flow of the hybrid instrument or it is clear that separation of the embedded derivatives is prohibited; and (iv) the hybrid instrument contains an embedded instrument, which needs to be separated from its host, but is unable to be measured separately at initial recognition or at the end of subsequent financial reporting period. These financial assets shall be subsequently measured at fair value. The changes in fair value of financial assets at fair value through profit or loss shall be included in profit and loss from fair value changes; interests or cash dividends gained during holding of the assets shall be recognized as investment income; at the disposal, the difference between the fair value and the initial book value shall be recognized as investment income and gains and losses arising from changes in fair value shall be adjusted at the same time.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount. Receivables are subsequently measured at amortized cost. Gain or loss arising from derecognition, impairment or amortization shall be recognized in profit or loss.

Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale, and financial assets not identified to other item at the time of initial

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recognition. In such assets, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost. Investments in equity instruments that have a quoted market price in an active market or fair value can be reliably measured shall be measured at fair value, and the changes in fair value shall be recognized in other comprehensive income. For financial assets that are subsequently measured at fair value, changes in the fair values of available-for-sale financial assets shall be recorded into equity except for impairment losses and foreign exchange gains and losses arising from the transaction of monetary financial assets denominated in foreign currencies. When the financial asset is derecognized, the cumulative changes in fair value previously recognized in equity will be recognized in the income statement. Interests on available-for-sale debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the invested entity on available-for-sale equity instruments shall be recognized as investment income in profit or loss for the period.

2) Recognition basis and measurement method of transferred financial assets

The financial assets meeting one of the following conditions shall be de-recognized: ①The contractual rights to receive the cash flow from financial asset expired; ②The financial asset has been transferred substantially all the risks and rewards of ownership of financial assets have been transferred into the transfer-in party by the Company; ③The financial assets have been transferred, although the Company has neither transferred nor retained substantially all the risks and rewards of ownership of financial assets, the Company has gave up the control to the financial assets.

Where the Company does not transfer or retain almost all of the risks and rewards related to the ownership of a financial asset and retained its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize related financial asset and relevant liability accordingly.

If the transfer of a financial asset in its entirety qualifies for derecognition, the difference between the carrying amount of the transferred financial asset and consideration received due to transfer as well as accumulative amount of variation of the fair value that is initially included into the other comprehensive incomes shall be recognized in the current profits and losses.

If the transfer of partial financial asset qualifies for derecognition, the previous carrying amount of the larger financial assets shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. And the difference between the sum of the consideration received in the transfer and the accumulative amount of the changes of the fair value originally recorded in other comprehensive income that shall allocated to the part derecognized and the carrying amount allocated shall be recognized in the current profits and losses.

3) Test and accounting treatment method for financial asset impairment

Except the financial assets at fair value through profits and losses, the Company would check the carrying amount of other financial asset on the balance sheet date, and adjust the loss

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allowance if there are some objective evidences showing the financial asset suffers from impairment. When there is significant or non-temporary decline in the fair value of an available-for-sale financial asset, the cumulative losses that have been recognized in equity as a result of the decline in the fair value shall be removed from equity and recognized as impairment losses. With regard to the debt instrument investment available for sale, the impairment loss of which has been recognized, if the fair value rises in the subsequent period and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the current profits and losses. With regard to the equity instrument investment available for sale, the impairment loss of which has been recognized, the rise in fair value in the subsequent periods and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the shareholders' equity. The impairment losses for an investment in an equity instrument that do not have quoted market prices in active markets and whose fair value cannot be reliably measured shall not be reversed.

(2) Financial Liabilities

1) Classification, recognition basis and measurement method of financial liabilities

The Company shall, at initial recognition, classify all the financial liabilities into the financial liabilities at fair value through profits or losses and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss at the initial recognition. The profit or loss occurred from change of the fair value and the relevant dividend and interest expenditure of such financial liabilities are recorded into the current profits and losses.

Other financial liabilities, including bonds issued by the Company, accounts payable due to the purchase of goods and long-term payables, are subsequently measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

When all or parts of current obligations of the financial liabilities are extinguished, such financial liabilities or parts of that the obligations shall be de-recognized. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability or part of a financial liability extinguished and consideration paid shall be recognized in profit or loss.

(3) Methods of recognition of fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities in the Company shall be measured by the price in the principle market, and in the absence of a principle market, such assets and liabilities shall be measured by the price in the most advantageous market, and then applicable and sufficient data and valuation techniques supported by other information shall be used. Input

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values used for measuring the fair value shall be classified into three levels: Level 1 inputs are the unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. The Company gives highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are used for financial assets at fair value through profit or loss, available-for-sale financial assets that have a quoted market price in an active market or fair value can be reliably measured and financial liabilities at fair value through profit or loss. Level 3 inputs are used for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. The hierarchy of fair value measurement is categorised in the same level as the lowest level of the input significant to the fair value measurement in entirety.

11. Bad debt reserve of receivables

The Company assesses the carrying amount of receivables on each balance sheet date. Provision for bad debts is accrued when receivables cannot be collected in expected time because of business shut-down caused by dismiss, bankruptcy, insolvency, deficit cash flows, serious natural disasters, or other conclusive evidences showing that receivables cannot be collected or are not likely to be collected.

Allowance method is used to calculate the possible losses of bad debts, and impairment test would be taken at the end of the period separately or assembly, provision for bad debts shall be recognized in profit and loss. For receivables that are proved impossible to collect by conclusive evidence, the Company shall write-off the provision for bad debts after approved and listed as impairment loss.

(1) With individually significant amount and identified separately for bad debts provision

Criteria or amount standard for determining whether the individual amount is significant Regard receivables with an individual amount of over RMB10 million as significant receivables

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

(2) Provision for bad debts identified on Portfolios

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics (account age, transaction object, and nature of payment). The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the similar credit risk characteristics. For aging portfolios, the impairment losses are determined based on aging analysis. For other portfolios, the impairment losses are determined based on credit risk characteristics.

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The ratios of accruals on receivables classified by aging

| Account age | Ratio of the provision for accounts receivable | Ratio of the provision for other receivables |
|-------------------|--|--|
| Within 1 year | 1% | 1% |
| 1-2 years | 5% | 5% |
| 2-3 years | 15% | 15% |
| 3-4 years | 30% | 30% |
| 4-5 years | 50% | 50% |
| More than 5 years | 100% | 100% |

(3) Individually insignificant amount but identified separately for bad debts provision

| | |
|--|--|
| Reasons for making individual bad debt provision | Receivables with insignificant and bad debt provision drawn by combination not reflecting risk features of the receivables |
| Drawing method for bad debts provision | The amount of the impairment loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows. |

12. Inventories

The inventories of the Company mainly include materials in transit, raw materials, low value consumables, packing materials, consigned processing materials, work in process, finished goods, goods in stock, consigned finished goods, goods shipped in transit, constructions and so on, disclosed at the lower of cost and net realizable value.

Valuation method in obtaining and issuing inventories: the Company adopts the perpetual inventory system and inventories are measured at the actual cost when acquired. Low value consumables and packaging materials are amortized by one-off write-off method. The actual costs of other requisitioned or issued inventories are determined by the weighted average method.

Accumulation and allocation method of production costs: the main business of the Company is roughly divided into production and sales of various types of high-tech and consumer electronics products, undertake a variety of information networks, artificial environment, energy and environmental protection, mechanical and electrical engineering projects, and provide relevant technical support and consulting services. Among them, the costs from a variety of high-tech products are allocated and distributed in accordance with Cost Accounting Process for Industrial Enterprises; while the costs from a variety of projects are allocated and distributed between direct and indirect costs.

Recognition and measurement of inventories and impairment loss: The Company adopts the lower of cost or net realizable value method to value its inventory. On a basis of comprehensive inventory verification, the Company shall assess at the end of each reporting period whether any inventories are impaired, i.e. the carrying amount is not fully recoverable (e.g. because of damage, obsolescence or declining selling prices). If an item of inventory is impaired, the Company shall measure the inventory at its selling price less costs to complete and sell, and to recognize an impairment loss. Inventory impairment provisions for finished goods and bulk raw materials are drawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

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Determination method for net realizable value of inventories: For inventory directly available for sale such as goods in stock, work in process, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling and distribution expenses and relevant taxes; for raw material held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling and distribution expenses, and related taxes. For inventory held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price. If the quantity of inventories held is greater than ordered quantity of the sales contract, the net realizable value of the excessive part shall be calculated based on the general selling price.

13. Long-term equity investments

The Company's long-term equity investments are mainly investments into subsidiaries, associates, and joint ventures.

The Company's criterion for joint control is that all parties or group of parties collectively control the arrangement, and decisions about the relative activities of the arrangement require the unanimous consent of parties sharing the control.

Significant influence exists when the Company directly or indirectly holds 20% (included) or more but less than 50% shares with voting rights in investee. If holding less than 20% voting rights, the Company shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body of the investee, participation in financial or operating activities policy-making processes, material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

When control exists over the investee, the investee becomes a subsidiary of the Company. The initial investment cost of long-term equity investment acquired through business combination under common control, is the portion of carrying amount of net assets in the ultimate controller's consolidated financial statements of the acquiree on the combination date. If the carrying amount of net assets of the acquiree on the combination date is negative, the long-term equity investment cost shall be recognized at zero.

If equity of the investee under common control is acquired by stages, and business combination incurs in the end, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transactions belong to "package deal". If the transactions do not belong to "package deal", the share of carrying amount of shareholders' equity of the acquiree in consolidated financial statements of the ultimate controlling party on the date of acquisition shall be deemed as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the sum of the carrying amount of long-term equity investment prior to the business combination plus the carrying amount of newly paid consideration for further shares acquired on the date of acquisition shall be adjusted in capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

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For long-term equity investment acquired through business combination under different control, consolidated cost shall be recognized as initial investment cost.

If equity of the invested entity under different control is acquired by stages, which results in business combination, the Company shall conduct accounting treatment on each transaction as one that the control right has been acquired if the transaction belongs to “package deal”. If it does not belong to “package deal”, the original carrying amount of equity investment plus newly increased investment costs are taken as the initial investment costs of long-term equity investment under cost method. If the equity investment is held under equity method before the purchase date, other comprehensive incomes calculated under equity method shall not be adjusted. When disposing of the investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Where the equity held prior to the purchase date as available-for-sale financial assets under fair value model, the accumulative change of the fair value originally included into other comprehensive income shall be transferred into investment income/loss for the period.

Apart from long-term equity investment acquired through business combination mentioned above, the cost of investment for those acquired by cash is the amount of cash actually paid; for those acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For those acquired through non-monetary assets exchange, the investment cost shall be determined according to “Accounting Standard for Business Enterprises No.7 - Non-monetary assets exchange”; for those acquired through debt restructuring, the investment cost shall be determined according to “Accounting Standard for Business Enterprises No.12 - Debt Restructuring”.

The Company uses the cost method to calculate investments in subsidiaries and equity method for investments in associates and joint ventures.

For long-term equity investment subsequently measured under cost method, the cost of long-term equity investment shall be adjusted when adding or withdrawing investment. Cash dividend or profit declared by the investee shall be recognized as investment income for the period.

Long-term equity investments subsequently measured under the equity method shall be adjusted for the carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee’s net profits or losses according to the shareholding attributable to the entity, which is based on the fair value of the investee’s individual identifiable assets at the acquisition date, and after making appropriate adjustments in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures.

For the disposal of long-term equity investment, the difference between the carrying amount and consideration actually received shall be recognized in income for the period. For the long-term equity investment calculated under equity method, the changes of shareholder’s equity, other than the net profit or loss of the investee company, previously recorded in the shareholder’s equity of the Company shall be transferred to investment income/loss for the period of disposal.

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For losing of joint control or significant influence in the investee due to disposal of partial equity investment or other reasons, the remaining equity investment shall be changed to be accounted for as available-for-sale financial assets, and the difference between the fair value and carrying amount of remaining equity investment at the date of losing the joint control or significant influence shall be recognized in the profit and loss for the period. For other comprehensive incomes recognized from previous equity investment underthe equity method shall be accounted for on the same basis as that adopted by the investee for directly disposing related assets or liabilities when stop use the equity method.

For losing control of invested unit due to disposal of partial long-term equity investment, the remaining equity investment, if capable of realizing joint control or applying significant influence in investee, will be changed to the equity method for calculation, the difference between carrying amount of disposed investment and consideration received shall be recognized as investment income, and the remianing investment shall be adjusted accordingly as if it was calculated by the equity method since acquisition. The remianing investment after disposal, if unable to realize joint control or apply significant influence on investee, shall be changed to accounting treatment based on related regulations of available-for-sale financial assets, the difference between carrying amount of disposed and consideration shall be recognized as investment income, and the difference between the fair value and carrying amount of the remaining investment on the date of losing control shall be recognized in profit and loss for the period.

If the Company loses its control through partially disposal of investment by stages and it's not a package deal, the Company shall account for all transactions separately. Any transaction categorized as package deal shall be recognized as one transaction for subsidiary disposal and loss of controlling power. However, before losing control, the difference between the disposal consideration and carrying amount of long-term equity investment disposed which arises from each individual transaction shall be recognized as other comprehensive income until being transferred into profit and loss for the period by the time of losing control.

14. Fixed asset

The Company's fixed assets refer to tangible assets held for use in the production or supply of goods and services, for rental to others (not include rental of premises and buildings), or for administrative purposes and expected to be used during more than one year.

Fixed assets include buildings, general equipment, special equipment, transportation equipment and electronic equipment. Fixed assets shall be initially measured at their actual cost at the date of acquisition.the cost of acquired fixed assets includes the purchase price, value-added tax, import duties, other relevant taxes and other necessary expenditures directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management; the cost of self-constructed assets consists of the necessary expenses for constructing the assets to the expected conditions for use; the fixed assets invested by investors shall be taken as entry value as per the value agreed in the investment contract or agreement; however, if the value agreed in the contract or agreement is not fair, it shall be accounted as fair value; for the fixed assets for financial lease, it shall be

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recognized at the lower of the fair value of leased assets on the lease commencement date and the present value of minimum leasing payment.

Except for the fixed assets fully depreciated but still in use, the Company calculates depreciation for all fixed assets. Straight line method shall be adopted for calculating depreciation of fixed assets. Depreciation rates based on the category, useful life, residual value (residual value rate is 3-5%) of fixed assets listed as follows:

| Type of asset | Depreciation period | Annual depreciation rate |
|--------------------------|---------------------|--------------------------|
| Building | 30-50 years | 2.11-3.23% |
| General equipment | 5-10 years | 9.50-19.40% |
| Special equipment | 5-10 years | 9.50-19.40% |
| Transportation equipment | 10 years | 9.50-9.70% |
| Electronic equipment | 5 years | 19.00-19.40% |

Treatment for subsequent cost of fixed assets: the subsequent costs that are related to fixed assets, including replacement or reformation expenditure and repairing expenditure, which shall be recognized in the cost of fixed assets if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent costs can be measured reliably, The carrying amount of replaced parts shall be de-recognized, and the expenditures which do not conform to the recognition conditions of fixed assets shall be included in current profits and losses when occurred.

On each balance sheet date, the Company will recheck and properly adjust the service life, expected net salvage value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

The carrying amount of the property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from selling, transferring, discarding or damaging of fixed assets shall be recognized in profit and loss after deducting relevant taxes.

15. Construction in Progress

Construction in progress shall be measured according to the actual cost. Self operated projects shall be measured at direct material, direct salary, direct construction cost, etc.; contracted projects shall be measured at payable project cost, etc.; and the cost of equipment installation works shall be determined according to value of installed equipment, installation cost, commissioning expenditure, etc. Costs of projects under construction also include borrowing costs that should be capitalized.

Since the date when the construction in progress reach the expected conditions for use, the projects shall be reclassified into fixed assets based on the estimated value according to project budget, construction cost or actual cost, and depreciation shall be withdrawn from the next month. The original value difference of fixed assets shall be adjusted after the completion and settlement.

16. Borrowing costs

Recognition principles of capitalization of borrowing costs: Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset shall be

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capitalized as part of the cost of the asset. Other borrowing costs are shall be recognized as expense in profit or loss when they are incurred. The assets in compliance with capitalization conditions refer to the fixed assets, intangible assets and inventory that necessarily takes a substantial period of time (usually referred as more than one year) to get ready for its intended use or sale.

Capitalization period of borrowing costs: the company shall begin capitalising borrowing costs as part of the cost of a qualifying asset when the expenditures for the asset have been incurred, borrowing costs have been incurred and activities that are necessary to prepare the asset for its intended use or sale have been undertaken. Where the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the construction or production events of asset begin again. When the qualifying asset under acquisition, construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Calculation method of capitalization amount of borrowing costs: where funds are borrowed specifically for the purpose of acquisition, construction or production of a qualifying asset, the amount of the actual borrowing costs incurred on that borrowing during the period less any interest income earned from depositing the remaining borrowed funds or investment income on the temporary investment of those borrowings shall be capitalized. To the extent that the Company borrows funds generally and uses them for purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset

17. Intangible assets

Intangible assets of the Company mainly included land use rights, house use rights, patents and proprietary technology, franchises, trademarks, software and so on. Acquired Intangible assets shall be measured initially at cost as per actually paid amount and other relevant expenditures. Intangible assets invested by investors shall be confirmed as actual cost as per value as defined in the investment contract or agreement; however, if the value as defined in the investment contract or agreement is not fair, its actual cost shall be confirmed as per fair value.

Land use right of the Company shall be amortized evenly within the amortization period since the remised date Patents and proprietary technology, software and other intangible assets of the Company shall be amortized evenly over the shortest of their estimated useful life, contractual beneficial period and the useful life specified in the law. The amortized amounts shall be recognized in profit or loss or relevant asset costs according to beneficiaries.

The useful life and the amortization method of intangible assets with finite useful life shall be reviewed at the end of each year and an adjustment shall be made if there is a change. The Company shall review the expected useful life of intangible assets with indefinite useful life in each accounting period. If any evidences indicate that the useful life of intangible assets is finite, the useful life shall be estimated and amortized within the finite useful life.

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The expenditures for internal research & development projects are classified into research phase and development phase according to natures of the expenditures and whether a great uncertainty lies in the conversion of the R&D activities into intangible assets.

For internally generated intangible asset, the expenditures in research phase shall be included in the current profits and losses when they are incurred; and the expenditures in development phase which meet the following conditions shall be recognized as an intangible asset:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) there is the intention to complete the intangible asset and use or sell it;
- (3) there is a market for the output of the intangible assets or a market for the intangible assets itself;
- (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (5) the expenditures attributable to the intangible assets in development phase can be measured reliably.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when they are incurred. The expenditures for development stage which have been included in profits and losses cannot be recognized as assets later. The capitalized expenditures for development stage are included in the balance sheet as development expenditures and are converted into intangible assets upon the date when the R&D project is ready for its intended use.

18. Impairment of long-term assets

The Company shall assess at the end of each reporting period whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life of subsidiaries, joint ventures and associates may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. For the intangible assets with an indefinite useful life and goodwill, irrespective of whether there is any indication of impairment, the Company shall test for impairment annually. If it is not possible to estimate the recoverable amount of an individual asset, the Company shall test impairment based on asset group or asset group combination.

If the impairment test shows that the carrying amount of the assets is greater than its recoverable value, the difference between the two is recognized as loss from impairment. Such loss from impairment, once recognized, shall not be reversed in later accounting period. The recoverable amount of assets is the net amount of fair value of assets deducting disposal fees, or present value of expected future cash flow of the assets, whichever is higher.

Indications of possible asset impairments are as follows:

- (1) The current market price of an asset has declined during the period significantly more than would be expected as a result of the passage of time or normal use;

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(2) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

(3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

(4) Evidence is available of obsolescence or physical damage of an asset;

(5) The asset becoming idle, plans to discontinue and plans to dispose of an asset before the previously expected date;

(6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow created by an asset or business profit (or loss) realized (incurred) an asset is lower (higher) than the expected amount, etc.;

(7) Other evidence that indicates that asset impairment has probably occurred.

19. Long-term deferred expenses

Long-term deferred expense is expense that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses shall be amortized evenly over the beneficial period. If long-term deferred expenses cannot benefit the future accounting periods, the residual value shall be transferred into current profit or loss.

20. Employee benefits

Employee benefits of the Company include short-term employee benefits, post-employment benefits and termination benefits and other long-term benefits.

Short-term employee benefits mainly include salaries, bonuses, allowances and subsidies, employee welfare expenses, housing fund, labor union expenditure, personnel education funds and medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurances. During the accounting period when the employees render the related services, the actual amount of short-term employee benefits expected to be paid shall be recognized as a liability, and included in current profits and losses or relevant cost of assets based on different beneficiaries.

Post-employment benefits include basic pension scheme, unemployment insurance, supplementary pension etc. Depending on the obligation and risk borne by the company, post employment benefit can be classified into defined contribution plan. For the defined contribution plan, at the end of the accounting period, a liability shall be recognized based on the contributed amount paid into a separate entity in exchange for the employee's services rendered in the period and it shall be recorded in current profits and losses or relevant cost of assets in according with the beneficiaries.

Termination Benefits are employee benefits provided in exchange for the termination of an employee's employment before the expiration of the labor contract between the Company and the employee. The Company shall recognize a liability and expense for termination benefits at

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the earlier of the following dates: a) when the Company cannot withdraw the offer of dismissal welfare because of an employment termination plan or a curtailment proposal; or b) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall recognize the present value of the termination benefits in current profit and loss.

Other long-term benefits include long-term incentive schemes and long-term benefits. These benefits are accounted for in accordance with the requirements relating to defined contribution plan.

21. Provisions

Where the business related to external guarantee, pending litigations or arbitrations, product warranties, layoff plan, onerous contract, restructuring obligation, environmental pollution remediation, commitment, fixed assets disposal obligations etc. meets the following conditions, the Company shall recognize it as a liability: current obligation borne by the Company; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Provisions are initially measured at the best estimate of expenditure required to settle the relevant present obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the best estimate shall be the present value of relevant future cash outflows. The carrying amount of the provisions shall be reviewed at the end of each reporting period and adjusted (if any change) to reflect current best estimate.

For possible obligation that arised from past transactions or events, its existence and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events; or a present obligation that arised from past transactions or events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, the Company shall disclose the possible obligation or present obligation as contingent liability.

22. Recognition principles and measurement methods of revenue

The operating income of the Company is mainly derived from sale of goods, rendering of services, alienating the right of use assets, construction contracts and Build-Operate-Transfer (BOT). When economic benefits related to transaction can flow into the Company, and relevant revenue can be measured reliably and meet the recognition criteria of special revenue of the following various operating activities, relevant revenue can be recognized.

(1) Sale of goods

The revenue from the sale of goods shall be recognized under the following conditions: all the significant risks and rewards of ownership of the goods have been transferred to the buyer; and neither continuing managerial involvement to the degree usually related to the ownership nor effective control over the goods sold is retained; relevant economic benefits will flow to the company; the amount of revenue can be measured reliably and relevant costs incurred or to be

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incurred in respect of the transaction can be measured reliably.

(2) Rendering of services

If a transaction involving rendering of services is started and completed in the same year, the revenue of labor service associated with the transaction shall be recognized upon completion. If the rendering of services is started and completed in different year, and if the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction involving rendering services, revenue associate with the transaction shall be recognized by reference to the percentage-of-completion method. If an enterprise can not, on the date of the balance sheet, measure the result of a transaction concerning the rendering of services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

- 1)** If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount;
- 2)** If the cost of labor services incurred is not expected to be fully compensated, the revenues from providing labor services are recognized in accordance with the amount received or expected to be received, and the cost of labor services incurred is carried forward. If the revenue recognized is lower than the cost of labor services incurred, the difference shall be recognized in profit and loss for current period;
- 3)** If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services shall be recognized.

(3) Revenue from alienating the right of use assets

The revenue from alienating the right of use assets can be recognized when the economic benefits related to transaction can flow into the Company and the amount of revenue can be measured reliably.

- 1)** The amount of interest income shall be measured and confirmed in accordance with the time and actual interest rate of monetary capital used by other party;
- 2)** The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement;
- 3)** The amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term.
- 4)** If the outcome of a construction contract can be estimated in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. If the outcome of a construction contract cannot be estimated in a reliable way, and if the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period when they are incurred; If the contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized. If the expected total contract costs exceed the total contract revenue, the expected loss shall be recognized as a current expense.

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(5) The principle of recognition of income from participation in public infrastructure construction by means of Build - Operate - Transfer (BOT) is as follows:

1) The Company conducts its public infrastructure construction business using the Build-operate-transfer (BOT) method. If the project company had not provided actual construction services but contracted the infrastructure construction out to other parties, construction service revenue shall not be recognized but shall be recognized as financial assets or intangible assets according to the projects costs paid in construction process and considering the contract provisions. Where the contract stipulates that within certain period after the completion of infrastructures, and the project company may unconditionally collect certain amount of monetary fund or financial assets from the contract awarding party, or when the fees of operating services provided by project company are lower than certain limited amount, and the awarding party shall make price difference compensation for project company as stipulated in the contract, and recognized as financial asset. If the fees are uncertain, it shall be recognized as intangible asset.

2) Operating income from BOT projects after the completion of the project shall be recognized depends on two different circumstances: for projects in which franchising is recorded as intangible assets, all the income during the operation period shall be recognized as operating income. For projects that are paid by the government rather than directly by the service receivers in the form of a service fee, it shall be recorded as financial assets, the operating income shall be determined based on reasonable costs and ROI. The interest income from the financial assets shall be recorded as investment income, by applying the actual interest rate to the amortized cost of the long-term receivables.

3) Any predicted expense to be paid by the Company in line with terms of contract to maintain the certain service capacity of infrastructure or to maintain the certain usability status prior to handing over to the contract awarding party of the infrastructure shall be subject to the provisions in the Accounting Standard for Enterprise No. 13 - Contingencies.

4) For fees that shall be treated as daily maintenance and management fees according to related service agreement, it shall be directly included in the profit or loss during the provision of services. If it is determined that the Company can receive or receive compensation related to maintenance and management from Government, the revenue shall be treated as operating income during the provision of services, with the relevant cost ratio.

5) In some cases, the infrastructure that the Company has built for the purpose of service agreement or purchased from third parties, or existing infrastructure provided by the contractor to the Company for the purpose of the service agreement, shall be subject to the aforesaid BOT business principles.

23. Government Grants

The government Grants shall be recognized when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the subsidy will be received. As the monetary government Grants, it shall be measured based on the actually received amounts; the grants made on the basis of fixed amounts shall be measured at the amount receivable. As the non-monetary government Grants, it shall be measured at fair value.

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Asset-related government grants shall be recognized as deferred income, and shall be recognized in profit or loss on a systematic basis over the useful life of related assets. Income-related government grants used to compensate for related expenses or losses to be incurred in subsequent periods shall be recognized as deferred income and it shall be included in profits and losses when the related expenses are incurred; for those relating to compensation for related expenses or losses already incurred shall be included in current profits and losses directly.

24. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Company shall be recognized by calculating the difference (temporary difference) between the tax base of an asset or liability and its carrying amount. As specified by tax laws, a deferred tax asset shall be recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred tax liabilities shall not be recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax assets and deferred tax liabilities shall not be recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). On balance sheet date, deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

A deferred tax asset shall be recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, tax losses and tax credit can be utilized.

25. Lease

Lease can be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an underlying asset. Other leases are operating lease.

The rental income or expenses of operating leases shall be recognized in the relevant asset costs or in the profits and losses in accordance with the straight-line method over each period of the lease term.

The Company shall recognize assets held under a financial lease in its balance sheet at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The balance between the entering value of leased assets and the minimum lease payment shall be deemed unrecognized finance charges, and amortized using the effective interest method over the lease term. The balance of the minimum lease payments after deducting unrecognized finance charges shall be presented as long-term payables.

26. Significant changes of accounting policy and accounting estimate

(1) Changes in significant accounting policies

There were no changes in significant accounting policies this year.

(2) Changes in significant accounting estimates

There were no changes in significant accounting estimates this year.

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V. Taxes

Main taxes and rates

1. Company income tax

Except for the following companies, the income tax rate applicable to all subsidiaries of the Company is 25%.

(1) Pursuant to "Management Measures for High - tech Enterprises" (Ref. No.: Guo Ke Fa Huo [2008] 172), "Notice of the Key Software Enterprises and Integrated Circuit Design Enterprises Covered by the 2013 - 2014 National Planning Layout Scheme" (Ref. No.: Fa Gai Gao Ji [2013] 2458) issued by the National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Commerce and State Administration of Taxation, "Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries" (Ref. No.: Cai Shui [2012] 27), and "Notice on the Issues Concerning Tax Incentives for the Development of Software and Integrated Circuit Industries (Ref. No.:Cai Shui [2000] 25)" issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, relevant domestic subsidiaries enjoy tax benefits as follows:

| Unit name | Preferential tax rate | Reason |
|---|------------------------------|---|
| Tsinghua Tongfang Co., Ltd. | 15% | High-tech enterprises |
| Tsinghua TongFang Artificial Environment Co., Ltd. | 15% | High-tech enterprises |
| Tongfang Guoxin Electronics Co., Ltd. | 15% | High-tech enterprises |
| Nuctech Company Limited. | 15% | High-tech enterprises |
| Tongfang Knowledge Network Technology Co., Ltd. (Beijing) | 15% | High-tech enterprises |
| Tongfang Knowledge Network Digital Publishing Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Microelectronics Co., Ltd. | 15% | High-tech enterprises |
| Tongfang Health Technology (Beijing) Co., Ltd. | 15% | High-tech enterprises |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Software Co., Ltd. | 15% | High-tech enterprises |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 15% | High-tech enterprises |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 15% | High-tech enterprises |
| Tongfang R.I.A Company Limited | 15% | High-tech enterprises |
| Nantong Tongfang Semiconductor Co., Ltd. | 15% | High-tech enterprises |
| Tongfang Industry Co., Ltd. | 15% | High-tech enterprises |
| Beijing ERENEBEN Information Technology Co., Ltd. | 15% | High-tech enterprises, software enterprisee |

(2) The income tax rate of offshore subsidiaries during the reporting period are as follows:

| Unit name | Tax rate |
|--------------------------------------|-----------------|
| Resuccess Investments Limited | 0% |
| Technovator International Limited | 17% |
| Tongfang Optoelectronic (HK) Limited | 16.50% |
| Tongfang HongKong Limited | 16.50% |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Unit name | Tax rate |
|--|----------|
| Tongfang Global Limited | 16.50% |
| THTF USA, Inc. | 31% |
| Tongfang Asia Pacific (R&D Center) Pte. Ltd. | 17% |

2. Value-Added Tax (VAT)

The sales of goods is applicable to VAT, domestic output tax rate is 17%.

VAT input for raw materials purchased can be claimed against VAT output, with the tax rate being 13% or 17%. The input VAT paid for exporting products can be claimed for reimbursement.

Pursuant to the “Circular on Taxation Policies for Value-added Tax Reform in the Industry of Transport and Certain Modern Services” (Ref. No.: Cai Shui [2013] 37) issued by the Ministry of Finance and the State Administration of Taxation, the Company is subject to VAT on its income from software development, network information processing and service, technology development, technology transfer, technical advice and technical training at 6%.

VAT payable is the balance of the output VAT after deducting the input VAT.

3. Business tax

The Company is subject to business tax on its engineering projects income at 3%.

The Company is subject to business tax on its rental income at 5%.

4. City maintenance and construction tax and education surcharges

The Company’s city maintenance and construction tax and education surcharges shall be based on the payable VAT and business tax with a tax rate of 1-7% and 3% respectively. Tax rate for local education surcharge is 2%.

5. Property tax

Property tax of the Company’s own property is calculated based on 70% of the original property value with a tax rate of 1.2%.

Property tax of the Company’s rental property is calculated based on rental price of the property with a tax rate of 12%.

6. Other taxes

The other taxes applicable are calculated in accordance with relevant state regulations.

VI. Notes to main items in consolidated financial statement

Unless especially noted, among the following disclosed data in the financial statement, “beginning of the year” refers to 1 January, 2015; “end of the year” refers to 31 December 2015; “current year” refers to from 1 January to 31 December 2015; “previous year” refers to from 1 January to 31 December 2014; and monetary unit is RMB.

1. Cash at bank and on hand

| Item | Closing balance | Opening balance |
|---------------------|------------------|------------------|
| Cash on hand | 8,998,325.07 | 8,056,069.65 |
| Bank deposits | 9,596,645,056.04 | 6,154,575,512.64 |
| Other cash balances | 253,919,150.49 | 305,730,224.80 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Total | 9,859,562,531.60 | 6,468,361,807.09 |
| Including: total amount deposited abroad | 1,989,964,563.21 | 1,534,047,289.03 |

As at 31 December 2015, restricted cash at bank and on hand amounted to RMB 171,827,895.38.

2. Financial assets at fair value through profit or loss

| Item | Closing balance | Opening balance |
|---|-------------------------|-------------------------|
| Financial assets held for trading | 138,887,759.80 | 111,192,819.99 |
| Including: equity instruments investment | 138,887,759.80 | 111,192,819.99 |
| Designated as financial assets at fair value through profit or loss | 1,094,799,254.35 | 1,380,029,778.09 |
| Including: equity instruments investment | 1,094,799,254.35 | 1,380,029,778.09 |
| Total | 1,233,687,014.15 | 1,491,222,598.08 |

3. Notes receivable

| Item | Closing balance | Opening balance |
|-----------------------------|-----------------------|-----------------------|
| Bank acceptance notes | 137,376,849.00 | 154,680,687.87 |
| Commercial acceptance notes | 148,095,744.45 | 71,425,321.70 |
| Total | 285,472,593.45 | 226,106,009.57 |

4. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision Ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 8,851,866,785.93 | 99.19% | 843,819,969.11 | 9.53% | 8,008,046,816.82 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 72,664,520.62 | 0.81% | 72,664,520.62 | 100.00% | 0.00 |
| Total | 8,924,531,306.55 | 100.00% | 916,484,489.73 | 10.27% | 8,008,046,816.82 |

(Continued)

| Type | Opening balance | | | | |
|---|-----------------|-------------------|------------------------|-----------------|-----------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Type | Opening balance | | | | |
|--|-----------------------------------|-------------------|---------------------------------|------------------|--------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk Receivables with individual insignificant amount and identified separately for bad debt provision | 7,504,538,131.81 22,353,189.00 | 99.70% 0.30% | 723,779,143.73 22,353,189.00 | 9.64% 100.00% | 6,780,758,988.08 0.00 |
| Total | 7,526,891,320.81 | 100.00% | 746,132,332.73 | 9.91% | 6,780,758,988.08 |

1) Aging portfolios:

| Account age | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Accounts receivable | % of total amount | Provision for bad debt |
| Within a year | 6,361,009,879.03 | 71.86% | 67,138,039.50 |
| 1-2 years | 884,019,679.41 | 9.99% | 45,247,772.76 |
| 2-3 years | 764,837,567.89 | 8.64% | 114,725,635.18 |
| 3-4 years | 200,096,165.09 | 2.26% | 60,028,849.53 |
| 4-5 years | 170,447,644.75 | 1.92% | 85,223,822.38 |
| More than 5 years | 471,455,849.76 | 5.33% | 471,455,849.76 |
| Total | 8,851,866,785.93 | 100.00% | 843,819,969.11 |

2) Receivables with individual insignificant amount and identified separately for bad debt provision

| Unit name | Book balance | Amount of bad debts | Provision ratio | Reasons for provision |
|--|----------------------|----------------------|-----------------|----------------------------|
| 91 companies including Mudanjiang Jiangnan New District Administrative Committee | 72,664,520.62 | 72,664,520.62 | 100.00% | Amount cannot be recovered |
| Total | 72,664,520.62 | 72,664,520.62 | 100.00% | |

(2) The top 5 largest accounts receivable at the end of the year is RMB 1,713,607,872.87, making up of 19.20% of the total balance, provision for bad debts at the end of the year is RMB 78,931,140.96.

5. Prepayments

(1) Age of prepayment

| Item | Closing balance | | Opening balance | |
|-------------------|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | % of total amount | Amount | % of total amount |
| Within a year | 848,777,177.63 | 70.54% | 899,940,137.80 | 75.67% |
| 1-2 years | 197,144,174.97 | 16.38% | 137,033,223.31 | 11.52% |
| 2-3 years | 79,500,201.38 | 6.61% | 68,509,348.97 | 5.76% |
| More than 3 years | 77,852,337.81 | 6.47% | 83,771,905.79 | 7.05% |
| Total | 1,203,273,891.79 | 100.00% | 1,189,254,615.87 | 100.00% |

(2) The top 5 largest prepayments at the end of the year is RMB 164,250,240.06, making up of 13.65% of the total balance.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

6. Dividends receivable

| Invested entity | Closing balance | Opening balance |
|--|------------------------|------------------------|
| Tongfang Investment Co., Ltd. | 90,909,090.91 | 0.00 |
| Advanced Systems Development Co., Ltd. | 17,068,000.00 | 0.00 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 0.00 | 5,344,868.89 |
| Shanghai OCJ Co., Ltd. | 0.00 | 3,934,800.00 |
| Beijing Science Park Zhidi Co., Ltd. | 0.00 | 3,000,000.00 |
| Beijing Global Safety Technology Co., Ltd. | 0.00 | 675,000.00 |
| Bank of Chongqing Co., Ltd. | 0.00 | 507,289.70 |
| Total | 107,977,090.91 | 13,461,958.59 |

7. Other receivables

(1) Classification of other receivables

| Type | Closing balance | | | | |
|---|-------------------------|-------------------------------|------------------------|---------------|--------------------------|
| | Book balance | Provision for bad debt | Carrying amount | Amount | % of total amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 45,325,348.76 | 3.54% | 45,325,348.76 | 100.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,230,551,197.59 | 96.28% | 277,154,517.47 | 22.52% | 953,396,680.12 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 2,263,560.94 | 0.18% | 1,806,046.89 | 79.79% | 457,514.05 |
| Total | 1,278,140,107.29 | 100.00% | 324,285,913.12 | 25.37% | 953,854,194.17 |

(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|-------------------------------|------------------------|---------------|--------------------------|
| | Book balance | Provision for bad debt | Carrying amount | Amount | % of total amount |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,096,338,857.26 | 99.82% | 261,257,695.80 | 23.83% | 835,081,161.46 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 1,932,546.89 | 0.18% | 1,932,546.89 | 100.00% | 0.00 |
| Total | 1,098,271,404.15 | 100.00% | 263,190,242.69 | 23.96% | 835,081,161.46 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

- 1) Other account receivables with individual significant amount and identified separately for bad debt provision**

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for withdrawing |
|--|----------------------|----------------------|-----------------|--------------------------|
| Qinzhou City Tongfang Hechen Precision Electronic Technology Co., Ltd. | 45,325,348.76 | 45,325,348.76 | 100.00% | Unusual corporate credit |
| Total | 45,325,348.76 | 45,325,348.76 | 100.00% | — |

- 2) Aging portfolios**

| Items | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Other receivables | % of total amount | Provision for bad debt |
| Within a year | 640,781,205.46 | 52.07% | 6,407,812.05 |
| 1-2 years | 220,449,084.78 | 17.91% | 11,022,454.24 |
| 2-3 years | 95,634,781.11 | 7.77% | 14,345,217.17 |
| 3-4 years | 21,843,315.02 | 1.78% | 6,552,994.51 |
| 4-5 years | 26,033,543.44 | 2.12% | 13,016,771.72 |
| More than 5 years | 225,809,267.78 | 18.35% | 225,809,267.78 |
| Total | 1,230,551,197.59 | 100.00% | 277,154,517.47 |

- 3) Receivables with individual insignificant amount and identified separately for bad debt provision**

| Name | Book balance | Amount of bad debts | Provision ratio | Reasons for withdrawing |
|--|---------------------|---------------------|-----------------|---------------------------|
| 8 companies including New Dawn Urban Construction Investment Development Co., Ltd. | 2,263,560.94 | 1,806,046.89 | 79.79% | Most can not be recovered |
| Total | 2,263,560.94 | 1,806,046.89 | 79.79% | — |

- (2) Classification of other receivables by nature**

| Nature | Closing book balance | Opening book balance |
|--|-------------------------|-------------------------|
| Intercourse funds | 415,744,836.95 | 385,809,324.24 |
| Guarantee deposit and security deposit | 372,304,299.75 | 261,558,705.04 |
| Petty cash | 119,637,436.19 | 133,180,674.67 |
| Equity transfer price | 107,612,062.90 | 18,341,948.39 |
| Energy-saving appliances subsidies | 21,883,831.00 | 63,651,091.00 |
| Subsidies receivable | 66,900,000.00 | 59,986,300.00 |
| Payments for other entities | 59,678,552.83 | 37,761,502.44 |
| Prepaid taxes | 55,335,031.82 | 33,688,619.29 |
| Tax refund, export tax rebate | 17,693,335.78 | 24,571,484.56 |
| Others | 41,350,720.07 | 79,721,754.52 |
| Total | 1,278,140,107.29 | 1,098,271,404.15 |

(3) The top 5 largest other receivables at the end of the year is RMB 310,120,250.47, making up of 24.26% of the total balance, provision for bad debts at the end of the year is RMB 92,191,746.74.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(4) Accounts receivable involving government grants

| Unit name | Grant project | Closing balance | Item | Expected to be received | | |
|--|--------------------------|----------------------|----------------------------|-------------------------|----------------------|---|
| | | | | Year | Amount | Basis |
| Jiamusi New Times Urban Infrastructure Construction and Investment (Group) Co., Ltd. | Water price compensation | 61,500,000.00 | Within 1 year, 1 - 2 years | 2016 - 2017 | 61,500,000.00 | Jia Xin Cheng Touhan [2015] 21 "Notice on Water Supply Compensation for Jiamusi Water Supply Company" |
| Mudanjiang Finance Bureau | Water price compensation | 5,400,000.00 | 1-2 years | 2016 - 2017 | 5,400,000.00 | Mudanjiang Finance Bureau, Mu Cai Jian [2011] 38 |
| Total | | 66,900,000.00 | | | 66,900,000.00 | |

8. Inventories

(1) Classifications of inventories

| Item | Closing balance | | | Opening balance | | |
|---|--------------------------|---|-------------------------|-------------------------|---|-------------------------|
| | Book balance | Provision for decline in the value of inventories | Carrying amount | Book balance | Provision for decline in the value of inventories | Carrying amount |
| Goods in stock | 2,385,047,710.52 | 163,103,385.45 | 2,221,944,325.07 | 2,192,146,705.34 | 149,472,610.80 | 2,042,674,094.54 |
| Work in process | 2,193,967,061.81 | 246,450,665.44 | 1,947,516,396.37 | 1,687,951,611.18 | 259,026,837.26 | 1,428,924,773.92 |
| Raw materials | 2,177,147,301.40 | 104,463,852.68 | 2,072,683,448.72 | 2,050,175,591.61 | 94,712,193.80 | 1,955,463,397.81 |
| Constructions Goods shipped in transit | 1,222,211,560.93 | 61,919,628.24 | 1,160,291,932.69 | 971,405,067.92 | 23,586,258.53 | 947,818,809.39 |
| | 1,006,262,033.01 | 54,648,024.70 | 951,614,008.31 | 1,073,594,845.29 | 45,720,362.56 | 1,027,874,482.73 |
| Finished goods Consigned processing materials | 833,741,836.85 | 202,259,594.46 | 631,482,242.39 | 878,495,472.38 | 195,623,434.76 | 682,872,037.62 |
| | 107,688,911.99 | 176,888.99 | 107,512,023.00 | 79,566,992.56 | 57.66 | 79,566,934.90 |
| Materials in transit | 73,747,967.39 | 0.00 | 73,747,967.39 | 94,828,357.31 | 0.00 | 94,828,357.31 |
| Low value consumables | 1,581,983.27 | 219,562.49 | 1,362,420.78 | 1,745,889.22 | 0.00 | 1,745,889.22 |
| Packing materials Goods on consignment | 224,174.15 | 4,071.44 | 220,102.71 | 225,680.51 | 0.00 | 225,680.51 |
| | 167,203.56 | 167,203.56 | 0.00 | 345,203.30 | 345,203.30 | 0.00 |
| Total | 10,001,787,744.88 | 833,412,877.45 | 9,168,374,867.43 | 9,030,481,416.62 | 768,486,958.67 | 8,261,994,457.95 |

(2) Provision for impairment

| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|-----------------------|
| | | Provision | Other | Reversals | Other write-offs | |
| Goods in stock | 149,472,610.80 | 46,755,049.76 | 705,946.52 | 33,666,366.73 | 163,854.90 | 163,103,385.45 |
| Work in process | 259,026,837.26 | 10,575,669.42 | 251,408.67 | 8,112,023.71 | 15,291,226.20 | 246,450,665.44 |
| Raw materials | 94,712,193.80 | 26,986,309.17 | 98,996.45 | 2,511,802.52 | 14,821,844.22 | 104,463,852.68 |
| Constructions Goods shipped in transit | 23,586,258.53 | 38,341,725.25 | 0.00 | 8,355.54 | 0.00 | 61,919,628.24 |
| | 45,720,362.56 | 9,032,735.30 | 0.00 | 3,501.68 | 101,571.48 | 54,648,024.70 |
| Finished goods Consigned processing materials | 195,623,434.76 | 78,280,208.17 | 3,819,879.16 | 5,331,522.63 | 70,132,405.00 | 202,259,594.46 |
| | 57.66 | 176,831.33 | 0.00 | 0.00 | 0.00 | 176,888.99 |
| Low value consumables | 0.00 | 219,562.49 | 0.00 | 0.00 | 0.00 | 219,562.49 |
| Packing materials Goods on consignment | 0.00 | 4,071.44 | 0.00 | 0.00 | 0.00 | 4,071.44 |
| | 345,203.30 | 0.00 | 0.00 | 177,999.74 | 0.00 | 167,203.56 |
| Total | 768,486,958.67 | 210,372,162.33 | 4,876,230.80 | 49,811,572.55 | 100,510,901.80 | 833,412,877.45 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Item | Closing balance | | | Opening balance | | |
|---------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Available-for-sale equity instruments | 161,678,330.46 | 3,463,285.71 | 158,215,044.75 | 176,987,626.34 | 3,646,021.21 | 173,341,605.13 |
| Including: Measured at fair value | 76,326,004.13 | 0.00 | 76,326,004.13 | 93,106,629.58 | 0.00 | 93,106,629.58 |
| Measured at historical cost | 85,352,326.33 | 3,463,285.71 | 81,889,040.62 | 83,880,996.76 | 3,646,021.21 | 80,234,975.55 |
| Total | 161,678,330.46 | 3,463,285.71 | 158,215,044.75 | 176,987,626.34 | 3,646,021.21 | 173,341,605.13 |

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

| Item | Available-for-sale equity instruments |
|---|---------------------------------------|
| Cost of equity instrument | 93,491,686.66 |
| Fair value | 76,326,004.13 |
| Exchange differences on translating foreign operations | 3,936,947.68 |
| Amount of changes in fair value accumulatively included in other comprehensive income | -21,102,630.21 |
| Amount of impairment provision provided | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(3) Available-for-sale financial assets measured at historical cost at the end of the year

| Investee | Book balance | | | Provision for impairment | | | Shareholding ratio in investee | Cash dividends in current year |
|---|-----------------|--------------------------|--------------------------|--------------------------|-----------------|--------------------------|--------------------------------|--------------------------------|
| | Opening balance | Increase in current year | Decrease in current year | Closing balance | Opening balance | Increase in current year | | |
| Legend Silicon Corp. | 18,404,728.00 | 0.00 | 0.00 | 18,404,728.00 | 0.00 | 0.00 | 0.00 | 3.66% |
| Longjiang Baisheng Renewable Resources Co., Ltd. | 10,400,000.00 | 0.00 | 0.00 | 10,400,000.00 | 0.00 | 0.00 | 0.00 | 17.33% |
| Tsinghua Agriculture Co., Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 0.00 | 0.00 | 0.00 | 5.00% |
| China Investment & Credit Guaranty Co., Ltd. | 10,000,000.00 | 0.00 | 0.00 | 10,000,000.00 | 0.00 | 0.00 | 0.00 | 1.00% |
| National Engineering Lab. For DTV(Beijing) | 6,250,000.00 | 0.00 | 0.00 | 6,250,000.00 | 0.00 | 0.00 | 0.00 | 12.50% |
| Beijing Science Park Zhidi Co., Ltd. | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 0.00 | 0.00 | 0.00 | 1,000,000.00 |
| Wuhan International Conference & Exhibition Center | 5,000,000.00 | 0.00 | 0.00 | 5,000,000.00 | 0.00 | 0.00 | 0.00 | 2.21% |
| Beijing Zhongtie Yipin Tourist Information Service Co., Ltd. | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 0.00 | 0.00 | 0.00 | 10.00% |
| Guangdong New Light Source Industry Innovation Center of Nanhai District of Foshan City | 3,000,000.00 | 0.00 | 0.00 | 3,000,000.00 | 691,735.71 | 0.00 | 0.00 | 691,735.71 |
| Jiangxi Wan Defu Tape Co., Ltd. | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 | 2,741,550.00 | 0.00 | 0.00 | 2,741,550.00 |
| Guangzhou Xingeng Puhua Medical Technology Co., Ltd. | 2,000,000.00 | 0.00 | 0.00 | 2,000,000.00 | 0.00 | 0.00 | 0.00 | 20.00% |
| Beijing Gaoxiao Innovation Co., Ltd. | 2,000,000.00 | 0.00 | 0.00 | 2,000,000.00 | 0.00 | 0.00 | 0.00 | 2.30% |
| Guangzhou Dianmang Information Technology Co., Ltd. | 0.00 | 2,000,000.00 | 0.00 | 2,000,000.00 | 0.00 | 0.00 | 0.00 | 6.25% |
| Beijing Shoukai Yixin Property Co., Ltd. | 1,540,000.00 | 0.00 | 0.00 | 1,540,000.00 | 0.00 | 0.00 | 0.00 | 0.31% |
| Taiji Huafang (Beijing) System Engineering Co., Ltd. | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 0.00 | 0.00 | 0.00 | 10.00% |
| Guangpu Energy Saving Technology (Shanghai) Co., Ltd. | 1,000,000.00 | 0.00 | 1,000,000.00 | 0.00 | 182,735.50 | 0.00 | 182,735.50 | 0.00 |
| Beijing JoeKai Biotechnology Co., Ltd. | 915,847.70 | 0.00 | 915,847.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Suzhou JoeKai Biotechnology Co., Ltd. | 878,385.00 | 866,769.11 | 0.00 | 1,745,154.11 | 0.00 | 0.00 | 0.00 | 18.17% |
| Yangzhou Huajian Tongfang Water Affairs Co., Ltd. | 700,000.00 | 0.00 | 0.00 | 700,000.00 | 0.00 | 0.00 | 0.00 | 10.00% |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Book balance | | | Provision for impairment | | | Shareholding ratio in investee | Cash dividends in current year |
|--|----------------------|--------------------------|--------------------------|--------------------------|---------------------|--------------------------|--------------------------------|---|
| | Opening balance | Increase in current year | Decrease in current year | Closing balance | Opening balance | Increase in current year | Decrease in current year | |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 520,408.16 | 0.00 | 520,408.16 | 0.00 | 0.00 | 0.00 | 5.10% 0.00 |
| Taiyuan Wuyi Department Store Tongfang Zhihao Education Technology (Beijing) Co., Ltd. | 30,000.00 | 0.00 | 0.00 | 30,000.00 | 30,000.00 | 0.00 | 0.00 | 0.15% 0.00 |
| Total | 83,880,996.76 | 3,387,177.27 | 1,915,847.70 | 85,352,326.33 | 3,646,021.21 | 0.00 | 182,735.50 | 3,463,285.71 — 1,000,000.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(4) Provision for impairment of available-for-sale financial assets

| Classification of available-for-sale financial assets | Available-for-sale equity instruments |
|--|--|
| Amount of impairment provision provided at the beginning of the year | 3,646,021.21 |
| Increase in current year | 0.00 |
| Decrease in current year | 182,735.50 |
| Including: Recovery as a result of the increase in fair value in the subsequent year | 0.00 |
| Amount of impairment provision provided at the end of the year | 3,463,285.71 |

10. Long-term receivables

| Item | Closing balance | | | Opening balance | | |
|---|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Sewage, sludge treatment project (BOT, TOT) | 3,567,660,198.21 | 0.00 | 3,567,660,198.21 | 3,146,914,230.90 | 0.00 | 3,146,914,230.90 |
| Services by installments | 254,635,372.94 | 0.00 | 254,635,372.94 | 298,932,697.38 | 0.00 | 298,932,697.38 |
| Sale of goods by installments | 37,661,600.00 | 0.00 | 37,661,600.00 | 0.00 | 0.00 | 0.00 |
| Total | 3,859,957,171.15 | 0.00 | 3,859,957,171.15 | 3,445,846,928.28 | 0.00 | 3,445,846,928.28 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

11. Long-term equity investments

(1) Details of long-term equity investments

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | Other | Other | Closing balance | Provision for impairment Ending Balance |
|--|------------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|---------------|-------|------------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | | | | |
| I. Joint ventures | | | | | | | | | | |
| Aegon THTF Life Insurance Co., Ltd. | 1,036,388,956.78 | 151,700,943.40 | 0.00 | -7,166,491.48 | 9,647,181.29 | 0.00 | 0.00 | 0.00 | 1,190,570,589.99 | 0.00 |
| Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 96,766,535.73 | 0.00 | 0.00 | -4,483,157.66 | 0.00 | 0.00 | 0.00 | 0.00 | 92,283,378.07 | 0.00 |
| Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 7,679,070.10 | 0.00 | 6,826,972.97 | -852,097.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NuRay Technology Co., Ltd. | 0.00 | 33,635,250.00 | 0.00 | -1,263,493.50 | 0.00 | 0.00 | 0.00 | 0.00 | 32,371,756.50 | 0.00 |
| II. Associates | | | | | | | | | | |
| Chongqing Guo Xin Investment Holding Co., Ltd. | 5,411,123,975.39 | 0.00 | 0.00 | 1,229,200,518.11 | -285,388,975.36 | -324,633,521.16 | 0.00 | 0.00 | 6,030,301,996.08 | 0.00 |
| Tongfang Investment Co., Ltd. | 495,202,032.83 | 0.00 | 0.00 | 81,276,462.90 | -30,361,953.79 | 706,298.04 | 90,909,090.91 | 0.00 | 455,913,749.07 | 0.00 |
| Tellhow SciTech Co., Ltd. | 493,748,179.15 | 0.00 | 4,326,445.43 | 14,901,794.26 | 0.00 | 52,611,495.83 | 6,150,740.70 | 0.00 | 550,784,283.11 | 0.00 |
| Jianun Investment Co., Ltd. | 327,203,081.27 | 0.00 | 0.00 | 4,539,585.41 | 0.00 | 0.00 | 8,684,390.00 | 0.00 | 323,058,276.68 | 0.00 |
| Tongfang Environment Co., Ltd. | 165,895,332.10 | 0.00 | 0.00 | 13,098,166.44 | 86,029.79 | -10,904.16 | 33,626,880.00 | 0.00 | 145,441,738.17 | 0.00 |
| Easyway Technology Co., Ltd. | 112,645,446.10 | 0.00 | 0.00 | 16,669,541.23 | 0.00 | 0.00 | 0.00 | 0.00 | 129,314,987.33 | 0.00 |
| Tongfang Tellhow Comic And Animation Industry Investment Co., Ltd. | 79,615,482.24 | 80,000,000.00 | 0.00 | -2,643,846.68 | 0.00 | 0.00 | 0.00 | 0.00 | 156,971,635.56 | 0.00 |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 72,256,643.04 | 0.00 | 0.00 | 11,717,014.01 | 0.00 | 0.00 | 2,316,469.28 | 0.00 | 81,657,187.77 | 0.00 |
| Beijing Global Safety Technology Co., Ltd. | 38,921,149.94 | 0.00 | 0.00 | 8,752,242.67 | -1,359.46 | -15,097.71 | 675,000.00 | 0.00 | 46,981,935.44 | 0.00 |
| Tianjin Enorth Netnews Co., Ltd. | 37,051,101.79 | 0.00 | 0.00 | -1,580,644.38 | 0.00 | 0.00 | 0.00 | 0.00 | 35,470,457.41 | 0.00 |
| Shanxi Zuoyun Jineng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,153,563.00 | 21,153,563.00 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 14,674,085.25 | 0.00 | 0.00 | 2,123,753.73 | 0.00 | 0.00 | 0.00 | 0.00 | 16,797,838.98 | 0.00 |
| Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 13,560,987.25 | 0.00 | 0.00 | 128,904.00 | 0.00 | 0.00 | 0.00 | 0.00 | 13,689,891.25 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | | Other | Closing balance | Provision for impairment Ending Balance |
|--|-----------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|-------------------------|----------------|-----------------|---|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity movements | Cash dividends declared | | | |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd | 12,438,811.97 | 0.00 | 0.00 | 446,773.81 | 0.00 | 0.00 | 0.00 | 0.00 | 12,885,585.78 | 0.00 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 11,117,289.45 | 0.00 | 0.00 | 177,290.80 | 0.00 | 0.00 | 0.00 | 0.00 | 11,294,580.25 | 0.00 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd. | 10,551,633.98 | 0.00 | 0.00 | 41,687.99 | 0.00 | 0.00 | 0.00 | 0.00 | 10,593,321.97 | 0.00 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 10,375,739.11 | 0.00 | 0.00 | -19,783.79 | 0.00 | 0.00 | 0.00 | 0.00 | 10,355,955.32 | 0.00 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd. | 10,187,088.55 | 0.00 | 0.00 | -74,474.12 | 0.00 | 0.00 | 0.00 | 0.00 | 10,112,614.43 | 0.00 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd | 7,941,403.92 | 0.00 | 0.00 | 15,727.54 | 0.00 | 0.00 | 0.00 | 0.00 | 7,957,131.46 | 0.00 |
| Beijing Maixin Litong Technology Co., Ltd. | 7,896,452.80 | 0.00 | 0.00 | -292,716.20 | 0.00 | 0.00 | 0.00 | 0.00 | 7,603,736.60 | 0.00 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | 7,763,489.35 | 0.00 | 0.00 | -346,021.14 | 0.00 | 0.00 | 0.00 | 0.00 | 7,417,468.21 | 0.00 |
| Zhangjiakou TV Culture Media Co., Ltd. | 7,756,667.45 | 0.00 | 0.00 | 82,626.56 | 0.00 | 0.00 | 0.00 | 0.00 | 7,839,294.01 | 0.00 |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd | 7,490,143.09 | 0.00 | 0.00 | 342,488.45 | 0.00 | 0.00 | 0.00 | 0.00 | 7,832,631.54 | 0.00 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 6,492,077.08 | 0.00 | 0.00 | -105,544.33 | 0.00 | 0.00 | 0.00 | 0.00 | 6,386,532.75 | 0.00 |
| Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 6,036,384.89 | 0.00 | 0.00 | 2,756,434.64 | 0.00 | 0.00 | 0.00 | 0.00 | 8,792,819.53 | 0.00 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 5,714,172.92 | 0.00 | 0.00 | 358,513.74 | 0.00 | 0.00 | 0.00 | 0.00 | 6,072,686.66 | 0.00 |
| CINTS Company Limited | 5,512,507.69 | 0.00 | 0.00 | 687,979.70 | 0.00 | 0.00 | 0.00 | 0.00 | 6,200,487.39 | 0.00 |
| Luoyang Tongfang Digital Television Co., Ltd | 5,467,000.00 | 0.00 | 0.00 | -256,196.30 | 0.00 | 0.00 | 0.00 | 0.00 | 5,210,803.70 | 0.00 |
| Beijing Haishan Data Technology Co., Ltd (formerly Beijing Nuctech Data Systems Co., Ltd.) | 5,188,200.03 | 0.00 | 0.00 | -5,188,200.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 3,818,425.16 | 0.00 | 0.00 | 57,525.88 | 0.00 | 0.00 | 0.00 | 0.00 | 3,875,951.04 | 0.00 |
| LargeV Instrument Corporation Limited | 3,606,182.78 | 8,063,169.33 | 0.00 | -370,017.67 | 0.00 | 0.00 | 0.00 | -11,299,334.44 | 0.00 | 0.00 |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,906,765.30 | 0.00 | 0.00 | -73,697.26 | 0.00 | 0.00 | 0.00 | 0.00 | 2,833,068.04 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | | Other | Cash dividends declared | Other | Closing balance | Provision for impairment Ending Balance | |
|---|-------------------------|-----------------------|-----------------------|---|---------------------------------------|------------------------|------------------------|-----------------------|-------------------------|----------------------|-----------------|---|------|
| | | | | Net profit or loss recognized under the equity method | Other comprehensive income adjustment | Other | Other equity movements | | | | | | |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 2,852,167.54 | 0.00 | 0.00 | -271,720.08 | 0.00 | 0.00 | 0.00 | 0.00 | -2,580,447.46 | 0.00 | 0.00 | 0.00 | |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 1,840,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,840,000.00 | 0.00 | 0.00 | |
| Tongfang Cloud Computing Technology Co., Ltd. | 1,537,188.33 | 0.00 | 0.00 | -7,206,712.85 | 0.00 | 6,793,713.57 | 0.00 | 0.00 | 0.00 | 1,124,189.05 | 0.00 | 0.00 | |
| Jiujiang Jiahua Piezoelectric Crystal Materials Co., Ltd. | 1,473,934.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,473,934.90 | 1,473,934.90 | 0.00 | |
| Hubei Yinyu Lighting Co., Ltd. | 1,000,000.00 | 0.00 | 0.00 | -98,911.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 901,088.97 | 0.00 | 0.00 | |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 993,091.12 | 0.00 | 0.00 | -313,021.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 680,069.17 | 0.00 | 0.00 | |
| Neo-Neon (Beijing) Optoelectronics Technology Research Institute | 419,360.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 419,360.22 | 0.00 | 0.00 | |
| Guangzhou Thomee Lighting Co., Ltd. | 275,017.61 | 0.00 | 0.00 | -275,017.61 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Technovator Qatar LimePC Multimedia Technologies Co., Limited | 184,361.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 184,361.40 | 184,361.40 | 0.00 | |
| Jiangmen Neo-Neon Education Investment Management Co., Ltd. | 105,887.73 | 0.00 | 0.00 | 2,139,503.91 | 0.00 | 0.00 | 0.00 | 0.00 | 67,350.75 | 2,312,742.39 | 0.00 | 0.00 | |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 0.00 | 47,701,766.67 | 0.00 | 2,255,486.67 | 4,578.38 | 0.00 | 2,364,000.00 | 0.00 | 0.00 | 0.00 | 24,619.33 | 0.00 | 0.00 |
| Beijing Weflu Laser Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 8,572,851,679.66 | 321,101,129.40 | 11,153,418.40 | 1,358,888,257.26 | -306,014,499.15 | -264,548,015.59 | 144,726,570.89 | -13,812,431.15 | 9,512,586,131.14 | 22,811,859.30 | | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Provision for impairment of long-term equity investments

| Investee | Opening balance | Increase in current year | Decrease in current year | | Closing balance |
|---|----------------------|--------------------------|--------------------------|------------------|----------------------|
| | | | Reversals | Other write-offs | |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 21,153,563.00 | 0.00 | 0.00 | 0.00 | 21,153,563.00 |
| Jiujiang Jiahua Piezoelectric Crystal Materials Co., Ltd. | 1,473,934.90 | 0.00 | 0.00 | 0.00 | 1,473,934.90 |
| Technovator Qatar | 184,361.40 | 0.00 | 0.00 | 0.00 | 184,361.40 |
| Total | 22,811,859.30 | 0.00 | 0.00 | 0.00 | 22,811,859.30 |

12. Investment properties

Investment properties measured at fair value

| Item | Premises and buildings |
|----------------------------------|------------------------|
| I. Opening balance | 15,300,000.00 |
| II. Changes in the current year | -600,000.00 |
| Including: Changes in fair value | -1,794,889.76 |
| Other changes | 1,194,889.76 |
| III. Closing balance | 14,700,000.00 |

13. Fixed assets

| Item | Premises and buildings | Electronic equipment | Special equipment | General equipment | Transportation equipment | Total |
|--|------------------------|----------------------|-------------------|-------------------|--------------------------|-------------------|
| I. Original cost | | | | | | |
| 1. Opening balance | 3,721,620,755.88 | 793,090,912.51 | 4,447,716,462.62 | 819,659,782.03 | 167,989,668.38 | 9,950,077,581.42 |
| 2. Increased amount in the current year | 94,943,506.13 | 76,462,673.29 | 206,728,812.54 | 22,998,523.89 | 12,891,950.06 | 414,025,465.91 |
| (1) Purchase | 18,674,584.53 | 64,218,146.22 | 56,054,175.99 | 18,933,184.13 | 12,329,272.51 | 170,209,363.38 |
| (2) Transferred construction in progress | 72,638,569.78 | 701,730.85 | 99,819,236.58 | 1,810,456.38 | 0.00 | 174,969,993.59 |
| (3) Business combination | 0.00 | 11,362,109.37 | 49,192,469.04 | 437,862.63 | 126,800.00 | 61,119,241.04 |
| (4) Other changes | 3,630,351.82 | 180,686.85 | 1,662,930.93 | 1,817,020.75 | 435,877.55 | 7,726,867.90 |
| 3. Decreased amount in the current year | 69,583,491.77 | 44,312,551.64 | 20,728,004.09 | 29,007,667.20 | 14,671,361.77 | 178,303,076.47 |
| (1) Disposal or written-off | 39,600,476.36 | 10,735,825.11 | 19,184,399.25 | 10,425,279.68 | 10,641,037.91 | 90,587,018.31 |
| (2) Disposal of subsidiaries | 29,042,483.13 | 33,434,782.35 | 1,543,604.84 | 18,582,387.52 | 3,817,211.52 | 86,420,469.36 |
| (3) Other changes | 940,532.28 | 141,944.18 | 0.00 | 0.00 | 213,112.34 | 1,295,588.80 |
| 4. Closing balance | 3,746,980,770.24 | 825,241,034.16 | 4,633,717,271.07 | 813,650,638.72 | 166,210,256.67 | 10,185,799,970.86 |
| II. Accumulated depreciation | | | | | | |
| 1. Opening balance | 925,192,588.41 | 553,521,939.42 | 1,446,970,991.90 | 499,929,030.87 | 97,626,684.22 | 3,523,241,234.82 |
| 2. Increased amount in the current year | 95,382,532.93 | 85,668,850.17 | 402,621,463.97 | 53,508,090.09 | 14,925,139.12 | 652,106,076.28 |
| (1) Provision | 94,396,398.61 | 81,583,617.27 | 364,439,502.46 | 51,886,362.18 | 14,384,831.27 | 606,690,711.79 |
| (2) Business combination | 0.00 | 4,034,381.24 | 36,603,561.63 | 111,235.03 | 120,460.00 | 40,869,637.90 |
| (3) Other changes | 986,134.32 | 50,851.66 | 1,578,399.88 | 1,510,492.88 | 419,847.85 | 4,545,726.59 |
| 3. Decreased amount in the current year | 10,456,002.94 | 34,521,157.07 | 14,010,621.87 | 15,819,915.49 | 11,746,782.22 | 86,554,479.59 |
| (1) Disposal or written-off | 7,084,916.11 | 8,667,579.16 | 13,963,950.95 | 8,832,458.05 | 9,530,116.71 | 48,079,020.98 |
| (2) Disposal of subsidiaries | 3,312,311.49 | 25,755,077.85 | 46,670.92 | 6,987,457.44 | 2,113,331.88 | 38,214,849.58 |
| (3) Other changes | 58,775.34 | 98,500.06 | 0.00 | 0.00 | 103,333.63 | 260,609.03 |
| 4. Closing balance | 1,010,119,118.40 | 604,669,632.52 | 1,835,581,834.00 | 537,617,205.47 | 100,805,041.12 | 4,088,792,831.51 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Premises and buildings | Electronic equipment | Special equipment | General equipment | Transportation equipment | Total |
|---|------------------------|----------------------|-------------------|-------------------|--------------------------|------------------|
| III. Provision for impairment | | | | | | |
| 1. Opening balance | 279,550,123.60 | 1,838,257.18 | 454,134,252.61 | 12,393,460.29 | 1,702,369.43 | 749,618,463.11 |
| 2. Increased amount in the current year | 41,969,060.00 | 0.00 | 28,108,200.00 | 986,393.05 | 0.00 | 71,063,653.05 |
| (1) Provision | 0.00 | 0.00 | 28,108,200.00 | 986,393.05 | 0.00 | 29,094,593.05 |
| (2) Other changes | 41,969,060.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41,969,060.00 |
| 3. Decreased amount in the current year | 20,994,801.00 | 264,765.57 | 24,454.00 | 165,912.30 | 977.00 | 21,450,909.87 |
| (1) Disposal or written-off | 20,994,801.00 | 616.60 | 24,454.00 | 165,912.30 | 977.00 | 21,186,760.90 |
| (2) Disposal of subsidiaries | 0.00 | 264,148.97 | 0.00 | 0.00 | 0.00 | 264,148.97 |
| 4. Closing balance | 300,524,382.60 | 1,573,491.61 | 482,217,998.61 | 13,213,941.04 | 1,701,392.43 | 799,231,206.29 |
| IV. Carrying amount | | | | | | |
| 1. Ending carrying amount | 2,436,337,269.24 | 218,997,910.03 | 2,315,917,438.46 | 262,819,492.21 | 63,703,823.12 | 5,297,775,933.06 |
| 2. Beginning carrying amount | 2,516,878,043.87 | 237,730,715.91 | 2,546,611,218.11 | 307,337,290.87 | 68,660,614.73 | 5,677,217,883.49 |

14. Construction in Progress

(1) Detail list of construction in progress

| Item | Closing balance | | | Opening balance | | |
|---|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| All day water supply renovation project of Longjiang Environmental Protection Group | 322,251,906.01 | 0.00 | 322,251,906.01 | 305,511,849.70 | 0.00 | 305,511,849.70 |
| Digital publishing and digital library project of "China National Knowledge Infrastructure" | 75,943,963.86 | 0.00 | 75,943,963.86 | 18,538,295.46 | 0.00 | 18,538,295.46 |
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 73,478,626.70 | 0.00 | 73,478,626.70 | 78,702,853.08 | 0.00 | 78,702,853.08 |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 86,036,378.12 | 14,603,542.91 | 71,432,835.21 | 13,296,160.75 | 0.00 | 13,296,160.75 |
| Tongfang Technovator Industrial Energy Saving Project | 14,582,614.42 | 0.00 | 14,582,614.42 | 29,388,270.29 | 0.00 | 29,388,270.29 |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 12,728,201.00 | 0.00 | 12,728,201.00 | 0.00 | 0.00 | 0.00 |
| Nantong semiconductor equipment | 10,777,987.69 | 0.00 | 10,777,987.69 | 174,392.86 | 0.00 | 174,392.86 |
| New plant construction project of Tongfang Nuctech Warsaw | 2,917,998.29 | 0.00 | 2,917,998.29 | 0.00 | 0.00 | 0.00 |
| Renovation project of Longjiang environmental protection complex building | 1,667,559.48 | 0.00 | 1,667,559.48 | 7,550,711.42 | 0.00 | 7,550,711.42 |
| Huizhou sewage treatment indicator improvement project | 33,021.00 | 0.00 | 33,021.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Guoxin electronic components and equipment | 0.00 | 0.00 | 0.00 | 40,910,313.45 | 0.00 | 40,910,313.45 |
| Tongfang Carbon Phase I project | 0.00 | 0.00 | 0.00 | 19,561,832.71 | 835,406.07 | 18,726,426.64 |
| Nantong Science and Technology Park R&D incubation center | 0.00 | 0.00 | 0.00 | 321,695,390.70 | 0.00 | 321,695,390.70 |
| High brightness light emitting diode project | 0.00 | 0.00 | 0.00 | 1,155,247.46 | 0.00 | 1,155,247.46 |
| Optoelectronics Technology LED chip industrialization project | 0.00 | 0.00 | 0.00 | 307,856.29 | 0.00 | 307,856.29 |
| Guangdong Yin Yu (Neo-Neon Holdings) chip plant project | 0.00 | 0.00 | 0.00 | 26,172,590.07 | 23,034,948.03 | 3,137,642.04 |
| Tianjin (Neo-Neon Holdings) photo electric exhibition hall | 0.00 | 0.00 | 0.00 | 18,988,993.45 | 18,934,111.97 | 54,881.48 |
| Other projects | 53,358,814.19 | 37,595.23 | 53,321,218.96 | 30,161,603.00 | 37,595.23 | 30,124,007.77 |
| Total | 653,777,070.76 | 14,641,138.14 | 639,135,932.62 | 912,116,360.69 | 42,842,061.30 | 869,274,299.39 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Changes in construction in progress

| Item | Budget/ Ten thousand yuan | Opening balance | Increase in current year | Transfer to fixed assets in current year | Other decrease | Closing balance | Sources of fund | Cost incurred as a percentage of budgeted amount |
|---|------------------------------------|-----------------------|--------------------------------|---|-----------------------|----------------------|-----------------------|--|
| All day water supply renovation project of Longjiang Environmental Protection Group | 34,000.00 | 305,511,849.70 | 16,740,056.31 | 0.00 | 0.00 | 322,251,906.01 | Self-raised | 94.78% |
| Digital publishing and digital library project of "China National Knowledge Infrastructure" | 35,577.04 | 18,538,295.46 | 57,405,668.40 | 0.00 | 0.00 | 75,943,963.86 | Self-raised | 21.35% |
| Phase III Construction Project in Tongfang Shenyang Science and Technology Park | 12,083.01 | 78,702,853.08 | 5,049,548.07 | 10,273,774.45 | 0.00 | 73,478,626.70 | Self-raised | 69.31% |
| Phase I construction project in Tsinghua Tongfang (Wuxi) Information Industry Park | 12,967.00 | 13,296,160.75 | 72,740,217.37 | 0.00 | 0.00 | 86,036,378.12 | Self-raised | 66.35% |
| Tongfang Technovator Industrial Energy Saving Project | 25,467.60 | 29,388,270.29 | 29,672,175.39 | 44,472,531.26 | 5,300.00 | 14,582,614.42 | Self-financing | 23.19% |
| Phase I Construction Project in Tongfang Nuctech Science and Technology Park | 46,000.00 | 0.00 | 12,728,201.00 | 0.00 | 0.00 | 12,728,201.00 | Self-raised | 2.77% |
| Nantong semiconductor equipment | 260,965.00 | 174,392.86 | 10,603,594.83 | 0.00 | 0.00 | 10,777,987.69 | Loan offering | 81.63% |
| New plant construction project of Tongfang NuctechWarsaw | 3,547.60 | 0.00 | 2,917,998.29 | 0.00 | 0.00 | 2,917,998.29 | Loan | 8.23% |
| Renovation project of Longjiang environmental protection complex building | 982.35 | 7,550,711.42 | 3,942,574.97 | 9,825,726.91 | 0.00 | 1,667,559.48 | Self-raised | 117.00% |
| Huizhou sewage treatment indicator improvement project | 4,000.00 | 0.00 | 33,021.00 | 0.00 | 0.00 | 33,021.00 | Self-raised | 0.08% |
| Tongfang Guoxin electronic components and equipment | 4580.00 | 40,910,313.45 | 4,079,822.95 | 44,990,136.40 | 0.00 | 0.00 | Self-raised | 98.23% |
| Tongfang Carbon Phase I project | 1,978.00 | 19,561,832.71 | 0.00 | 0.00 | 19,561,832.71 | 0.00 | Self-raised | 98.87% |
| Nantong Science and Technology Park R&D incubation center | 44,160.19 | 321,695,390.70 | 0.00 | 0.00 | 321,695,390.70 | 0.00 | Self-financing | 72.85% |
| High brightness light emitting diode project | | 1,155,247.46 | 0.00 | 0.00 | 1,155,247.46 | 0.00 | Self-raised | |
| Optoelectronics Technology LED chip industrialization project | | 307,856.29 | 0.00 | 0.00 | 307,856.29 | 0.00 | Self-raised | |
| Guangdong Yin Yu (Neo-Neon Holdings) chip plant project | 2,990.00 | 26,172,590.07 | 0.00 | 25,955,639.00 | 216,951.07 | 0.00 | Self-raised | 87.53% |
| Tianjin (Neo-Neon Holdings) photoelectric exhibition hall | 1,898.90 | 18,988,993.45 | 0.00 | 18,934,111.97 | 54,881.48 | 0.00 | Self-raised | 100.00% |
| Other projects | 30,161,603.00 | 46,050,013.39 | 20,518,073.60 | 2,334,728.60 | 53,358,814.19 | | | |
| Total | 912,116,360.69 | 261,962,891.97 | 174,969,993.59 | 345,332,188.31 | 653,777,070.76 | | | |
| Including: | | | | | | | | |
| Capitalized borrowing costs for the current year | 62,263,680.27 | 16,148,996.64 | 746,819.57 | | | 77,665,857.34 | | |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

15. Intangible assets

| Item | Land use right right | Housing use right right | Patent right | Non-patented technology | Dedicated software | Franchise | Trademark Right | Other | Total |
|---|-------------------------|----------------------------|----------------|----------------------------|-----------------------|-----------------|--------------------|----------------|------------------|
| I. Original cost | | | | | | | | | |
| 1. Opening balance | 662,179,288.00 | 1,321,428.54 | 642,365,535.23 | 697,600,088.11 | 441,776,971.77 | 1,049,134,952.3 | 6 | 76,933,876.00 | 33,737,448.35 |
| 2. Increased amount in the current year | 95,619,099.24 | 0.00 | 294,267,973.33 | 159,119,105.98 | 71,825,978.63 | 0.00 | 3,800,000.00 | 1,076,524.56 | 625,708,681.74 |
| (1) Purchase | 95,231,700.40 | 0.00 | 32,242,556.13 | 11,342,875.66 | 16,368,180.85 | 0.00 | 0.00 | 31,524.56 | 155,216,837.60 |
| (2) Transfer from development expenditure | 0.00 | 0.00 | 236,095,229.14 | 145,883,116.25 | 51,138,456.86 | 0.00 | 433,116,802.25 | | |
| (3) Business combination | 0.00 | 0.00 | 21,044,255.46 | 1,893,114.07 | 3,982,128.37 | 0.00 | 3,800,000.00 | 0.00 | 30,719,497.90 |
| (4) Other changes | 387,398.84 | 0.00 | 4,885,932.60 | 0.00 | 337,212.55 | 0.00 | 0.00 | 1,045,000.00 | 6,655,543.99 |
| 3. Decreased amount in the current year | 24,414,921.12 | 0.00 | 69,750,064.91 | 43,091,389.20 | 0.00 | 15,933,876.00 | 12,884,564.37 | 166,074,815.60 | |
| (1) Disposal | 20,445,556.00 | 0.00 | 0.00 | 39,233,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 59,678,556.00 |
| (2) Disposal of subsidiaries | 3,969,365.12 | 0.00 | 0.00 | 30,517,064.91 | 43,091,389.20 | 0.00 | 15,933,876.00 | 12,884,564.37 | 106,396,259.60 |
| (3) Other changes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Closing balance | 733,383,466.12 | 1,321,428.54 | 936,633,508.56 | 786,969,129.18 | 470,511,561.20 | 1,049,134,952.3 | 6 | 64,800,000.00 | 21,929,408.54 |
| II. Accumulated amortization | | | | | | | | | |
| 1. Opening balance | 64,808,579.80 | 243,959.54 | 142,914,103.16 | 391,714,971.90 | 182,677,830.99 | 125,768,811.39 | 0.00 | 13,372,696.03 | 921,500,952.81 |
| 2. Increased amount in the current year | 14,286,656.83 | 30,494.52 | 92,206,885.77 | 78,155,711.79 | 83,434,468.80 | 34,933,176.72 | 285,000.00 | 799,791.12 | 304,132,185.55 |
| (1) Provision | 14,208,511.33 | 30,494.52 | 88,455,342.54 | 76,567,642.3 | 83,024,148.37 | 34,933,176.72 | 0.00 | 766,131.12 | 297,984,568.83 |
| (2) Business combination | 0.00 | 0.00 | 2,806,517.05 | 1,588,947.56 | 391,783.55 | 0.00 | 285,000.00 | 0.00 | 5,072,248.16 |
| (3) Other changes | 78,145.50 | 0.00 | 945,026.18 | 0.00 | 18,536.88 | 0.00 | 0.00 | 33,660.00 | 1,075,368.56 |
| 3. Decreased amount in the current year | 1,635,649.00 | 0.00 | 0.00 | 59,294,086.95 | 16,407,276.79 | 0.00 | 0.00 | 7,324,272.16 | 84,661,284.90 |
| (1) Disposal | 1,635,649.00 | 0.00 | 0.00 | 39,167,189.69 | 0.00 | 0.00 | 0.00 | 0.00 | 40,802,838.69 |
| (2) Disposal of subsidiaries | 0.00 | 0.00 | 0.00 | 20,126,897.26 | 16,407,276.79 | 0.00 | 0.00 | 7,324,272.16 | 43,858,446.21 |
| (3) Other changes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Closing balance | 77,459,587.63 | 274,454.06 | 235,120,988.93 | 410,576,596.74 | 249,705,023.00 | 160,701,988.11 | 285,000.00 | 6,848,214.99 | 1,140,971,853.46 |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| | | | | | | | | |
|---|----------------|--------------|----------------|----------------|----------------|----------------|---------------|---------------|
| III. Provision for impairment | | | | | | | | |
| 1. Opening balance | 0.00 | 0.00 | 60,656,753.45 | 0.00 | 0.00 | 0.00 | 0.00 | 13,126,370.36 |
| 2. Increased amount in the current year | 0.00 | 0.00 | 2,979,459.89 | 0.00 | 0.00 | 0.00 | 0.00 | 1,011,490.96 |
| (1) Provision in the current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (2) Other changes | 0.00 | 0.00 | 2,979,459.89 | 0.00 | 0.00 | 0.00 | 0.00 | 1,011,490.96 |
| 3. Decreased amount in the current year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (1) Disposal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Closing balance | 0.00 | 0.00 | 63,636,213.34 | 0.00 | 0.00 | 0.00 | 0.00 | 14,137,861.32 |
| IV. Carrying amount | | | | | | | | 77,774,074.66 |
| 1. Ending carrying amount | 655,923,878.49 | 1,046,974.48 | 637,876,306.29 | 376,392,532.44 | 220,806,538.20 | 888,432,964.25 | 64,515,000.00 | 943,332.23 |
| 2. Beginning carrying amount | 597,370,708.20 | 1,077,469.00 | 438,794,678.62 | 305,885,116.21 | 259,099,140.78 | 923,366,140.97 | 76,933,876.00 | 7,238,381.96 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

16. Development expenditure

| Item | Opening balance | Increase in current year | | Decrease in current year | | | Closing balance |
|-------------------------|-----------------------|----------------------------------|----------------------|----------------------------------|--|-----------------------|-----------------------|
| | | Internal Development expenditure | Other increments | Transferred to intangible assets | Transferred to the current profit and loss | Other reduction | |
| Development expenditure | 726,268,545.91 | 1,023,163,810.51 | 11,692,541.19 | 433,116,802.25 | 314,986,909.49 | 104,291,962.45 | 908,729,223.42 |
| Research expenditure | 0.00 | 651,163,843.21 | 0.00 | 0.00 | 644,702,429.96 | 6,461,413.25 | 0.00 |
| Total | 726,268,545.91 | 1,674,327,653.72 | 11,692,541.19 | 433,116,802.25 | 959,689,339.45 | 110,753,375.70 | 908,729,223.42 |

17. Goodwill

(1) Original value of goodwill

| Investee | | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|--|-------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Beijing ERENEBEN Technology Ltd.,co | Information | 902,329,518.71 | 0.00 | 0.00 | 902,329,518.71 |
| Shenzhen State Micro Electronics Co., Ltd. | | 685,676,016.95 | 0.00 | 0.00 | 685,676,016.95 |
| Tongfang Guoxin Co., Ltd. | | 197,863,279.07 | 0.00 | 0.00 | 197,863,279.07 |
| Neo-Neon Holdings Limited | | 127,224,330.86 | 0.00 | 0.00 | 127,224,330.86 |
| Xi'an Unilc Semiconductor Co., Ltd | | 0.00 | 121,006,265.19 | 0.00 | 121,006,265.19 |
| Tongfang Microelectronics Company | | 8,621,695.31 | 0.00 | 0.00 | 8,621,695.31 |
| Tivoli, LLC | | 7,660,972.17 | 448,456.29 | 0.00 | 8,109,428.46 |
| Beijing Tongfang Clean Technology Co., Ltd. | | 5,138,915.10 | 0.00 | 0.00 | 5,138,915.10 |
| Beijing Tongfang Lingxun Technology Co., Ltd. | | 5,040,000.00 | 0.00 | 0.00 | 5,040,000.00 |
| Guangdong Tongfang Lighting Co., Ltd. | | 4,079,128.94 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | | 4,041,174.42 | 0.00 | 0.00 | 4,041,174.42 |
| Beijing Tongfang Software Co., Ltd. | | 1,993,272.21 | 0.00 | 0.00 | 1,993,272.21 |
| Tongfang Health Technology (Beijing) Co., Ltd. | | 1,891,614.86 | 0.00 | 0.00 | 1,891,614.86 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | | 1,286,280.05 | 0.00 | 0.00 | 1,286,280.05 |
| Technovator International Limited | | 663,112.00 | 0.00 | 0.00 | 663,112.00 |
| Neo-Neon-Eruope GmbH | | 586,353.30 | 34,441.68 | 0.00 | 620,794.98 |
| TsingHua TongFang Artificial Environment Co., Ltd. | | 375,077.30 | 0.00 | 0.00 | 375,077.30 |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | | 110,441.27 | 0.00 | 0.00 | 110,441.27 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | | 52,740.49 | 0.00 | 0.00 | 52,740.49 |
| Distech Controls Inc. | | 44,182,678.33 | 0.00 | 44,182,678.33 | 0.00 |
| Distech France Holding S.A.S. | | 40,900,765.70 | 0.00 | 40,900,765.70 | 0.00 |
| Distech Controls Facility Solutions | | 3,178,701.67 | 0.00 | 3,178,701.67 | 0.00 |
| Total | | 2,042,896,068.71 | 121,489,163.16 | 88,262,145.70 | 2,076,123,086.17 |

The increase of goodwill for the period is attributable to the acquisition of Xi'an Unilc Semi-conductor Co., Ltd by Tongfang Guoxin Co., Ltd (subsidiary of the Company) through business combinations not involving enterprises under common control.

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(2) Provision for impairment of goodwill

| Invested entity | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|----------------------|--------------------------|-------------------|--------------------------|---------------|----------------------|
| | | Provision | Other transferred | Disposal | Other changes | |
| Guangdong Tongfang Lighting Co., Ltd. | 4,079,128.94 | 0.00 | 0.00 | 0.00 | 0.00 | 4,079,128.94 |
| Qingxin Optoelectronics Co., Ltd. | 4,041,174.42 | 0.00 | 0.00 | 0.00 | 0.00 | 4,041,174.42 |
| Beijing Tongfang Software Co., Ltd. | 1,993,272.21 | 0.00 | 0.00 | 0.00 | 0.00 | 1,993,272.21 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 1,286,280.05 | 0.00 | 0.00 | 0.00 | 0.00 | 1,286,280.05 |
| Neo-Neon-Eruope GmbH | 586,353.30 | 0.00 | 34,441.68 | 0.00 | 0.00 | 620,794.98 |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | 52,740.49 | 0.00 | 0.00 | 0.00 | 0.00 | 52,740.49 |
| Distech Controls Facility Solutions | 2,818,400.57 | 0.00 | 0.00 | 2,818,400.57 | 0.00 | 0.00 |
| Total | 14,857,349.98 | 0.00 | 34,441.68 | 2,818,400.57 | 0.00 | 12,073,391.09 |

18. Long-term deferred expenses

| Item | Opening balance | Increase in current year | Amortization in current year | Closing balance |
|--|----------------------|--------------------------|------------------------------|----------------------|
| Decoration and renovation expenditures | 64,598,963.54 | 23,938,763.24 | 18,250,138.00 | 70,287,588.78 |
| Land lease expenditures | 10,422,564.50 | 0.00 | 366,889.20 | 10,055,675.30 |
| Advertising endorsement expenditures | 4,583,333.38 | 3,616,352.10 | 5,222,746.31 | 2,976,939.17 |
| Other | 3,619,021.26 | 1,497,494.91 | 2,106,494.16 | 3,010,022.01 |
| Total | 83,223,882.68 | 29,052,610.25 | 25,946,267.67 | 86,330,225.26 |

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities that have been recognized

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| I. Deferred tax assets | | |
| Tax assets from temporary differences of non-special items | 298,783,787.93 | 268,439,290.98 |
| Tax assets from temporary differences of special items | 65,926,901.58 | 71,018,149.63 |
| Total | 364,710,689.51 | 339,457,440.61 |
| II. Deferred tax liabilities | | |
| Deferred tax liabilities | 251,973,315.99 | 274,580,190.64 |
| Total | 251,973,315.99 | 274,580,190.64 |

(2) Details of taxable difference and deductible difference items

| Item | Closing balance | Opening balance |
|---|------------------|-----------------|
| I. Deductible temporary difference item | | |
| Provision for bad debt | 1,047,534,847.41 | 885,251,774.03 |
| Provision for decline in the value of inventories | 301,824,235.56 | 223,359,385.12 |
| Deferred incomes and special payables | 135,505,705.00 | 150,585,206.48 |
| Amortization of intangible assets | 126,642,680.02 | 94,292,471.23 |
| Unrealized sales gains and losses | 93,322,908.90 | 74,546,476.64 |
| Accrued expense | 75,820,309.77 | 42,175,799.82 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Closing balance | Opening balance |
|---|-------------------------|-------------------------|
| Unpaid payroll | 43,732,218.04 | 211,582,519.90 |
| Provision for impairment of fixed assets | 31,790,677.70 | 4,008,641.77 |
| Provision for impairment of long-term equity investments | 21,153,563.00 | 21,153,563.00 |
| Valuation increment of transferred assets in business combination | 9,917,891.73 | 10,397,776.80 |
| Provision for impairment of available-for-sale financial assets | 2,771,550.00 | 2,771,550.00 |
| Deductible temporary differences of foreign subsidiaries recognized according to its location special tax law | 2,458,859.54 | 0.00 |
| Depreciation of fixed assets | 342,605.69 | 0.00 |
| Provision for impairment of construction in progress | 37,595.23 | 37,595.23 |
| Sub-total | 1,892,855,647.59 | 1,720,162,760.02 |
| II. Taxable temporary difference items | | |
| Changes in fair value | 918,130,609.89 | 1,102,174,905.46 |
| Long-term account receivables | 294,026,020.83 | 248,898,508.53 |
| Valuation increment of assets transferred in business combination | 95,266,664.87 | 81,167,508.21 |
| Withholding tax on undistributed earnings | 13,814,990.43 | 13,072,141.35 |
| Taxable temporary differences of foreign subsidiaries recognized according to its location special tax law | 5,027,069.59 | 0.00 |
| Gains and losses recognized in equity directly | 0.00 | 43,821,452.60 |
| Sub-total | 1,326,265,355.61 | 1,489,134,516.15 |
| III. Special temporary difference items | | |
| Deductible losses | 361,277,916.33 | 408,876,633.82 |
| Sub-total | 361,277,916.33 | 408,876,633.82 |

20. Other non-current assets

| Item | Closing balance | Opening balance |
|--|-----------------------|-----------------------|
| Sinopec mixed ownership reform asset management plan | 268,222,303.66 | 105,500,000.00 |
| Qingdao Jiahong No. One venture capital fund | 104,975,000.00 | 0.00 |
| Beijing Tongfang Yiquan Venture Capital Center | 75,000,000.00 | 0.00 |
| Total | 448,197,303.66 | 105,500,000.00 |

21. Provision for impairment of Asset

| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|--|------------------|--------------------------|---------------|--------------------------|----------------|------------------|
| | | provision | Transfer in | Reversals | Transfer out | |
| Provision for bad debts | 1,196,359,518.22 | 296,155,908.70 | 5,172,747.47 | 21,137,431.09 | 20,463,061.86 | 1,456,087,681.44 |
| Provision for decline in the value of inventories | 768,486,958.67 | 210,372,162.33 | 4,876,230.80 | 49,811,572.55 | 100,510,901.80 | 833,412,877.45 |
| Provision for impairment of fixed assets | 749,618,463.11 | 29,094,593.05 | 41,969,060.00 | 0.00 | 21,450,909.87 | 799,231,206.29 |
| Provision for impairment of intangible assets | 73,783,123.81 | 0.00 | 3,990,950.85 | 0.00 | 0.00 | 77,774,074.66 |
| Provision for impairment of construction in progress | 42,842,061.30 | 13,768,136.84 | 0.00 | 0.00 | 41,969,060.00 | 14,641,138.14 |

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| Item | Opening balance | Increase in current year | | Decrease in current year | | Closing balance |
|---|-------------------------|--------------------------|----------------------|--------------------------|-----------------------|-------------------------|
| | | provision | Transfer in | Reversals | Transfer out | |
| Provision for impairment of long-term equity investments | 22,811,859.30 | 0.00 | 0.00 | 0.00 | 0.00 | 22,811,859.30 |
| Provision for impairment of goodwill | 14,857,349.98 | 0.00 | 34,441.68 | 0.00 | 2,818,400.57 | 12,073,391.09 |
| Provision for impairment of available-for-sale financial assets | 3,646,021.21 | 0.00 | 0.00 | 0.00 | 182,735.50 | 3,463,285.71 |
| Total | 2,872,405,355.60 | 549,390,800.92 | 56,043,430.80 | 70,949,003.64 | 187,395,069.60 | 3,219,495,514.08 |

22. Short-term loans

| Categories of short-term loans | Closing balance | Opening balance |
|--------------------------------|-------------------------|--------------------------|
| Unsecured loans | 5,352,210,852.32 | 7,818,850,163.13 |
| Mortgaged loans | 53,247,683.90 | 46,296,646.35 |
| Guaranteed loans | 1,976,071,512.36 | 2,447,554,058.01 |
| Pledged loans | 0.00 | 120,000,000.00 |
| Total | 7,381,530,048.58 | 10,432,700,867.49 |

As at 31 December 2015, the short-term mortgaged loans of the Company are as follows: borrowings of USD 3,200,000.00 (Equivalent to RMB 20,779,520.00) were secured by the mortgage of the Neo-Neon Holdings Limited's (third-tier subsidiary of the Company) inventories and account receivables with a carrying amount of RMB 51,424,492.26. Borrowings of USD 5,000,025.24 (Equivalent to RMB 32,468,163.90) were secured by the mortgage of the Nuctech HongKong Company Limited's (second-tier subsidiary of the Company) fixed assets with a carrying amount of RMB 1,234,579.42.

As at 31 December 2015, details of short-term guarantee loan of the Company are set out in Note XI (II) 4.

23. Notes payable

| Item | Closing balance | Opening balance |
|-----------------------|-----------------------|-------------------------|
| Bank acceptance notes | 707,564,087.82 | 1,034,851,536.61 |
| Total | 707,564,087.82 | 1,034,851,536.61 |

24. Accounts payable

| Item | Closing balance | Opening balance |
|------------------------------|------------------|------------------|
| Accounts payable | 8,167,839,518.21 | 7,598,707,575.29 |
| Including: More than 1 years | 1,604,019,476.30 | 1,268,588,591.71 |

25. Advances receipts

| Item | Closing balance | Opening balance |
|------------------------------|------------------|------------------|
| Advance receipts | 4,603,960,489.78 | 2,281,174,220.89 |
| Including: More than 1 years | 733,554,518.83 | 730,384,084.15 |

26. Employee benefits payable

(1) Classification of employee benefits payable

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|-------------------------|-----------------|--------------------------|--------------------------|-----------------|
| Short-term remuneration | 390,810,078.40 | 2,891,779,306.71 | 2,823,488,700.78 | 459,100,684.33 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---|-----------------------|--------------------------|--------------------------|-----------------------|
| Post-employment welfare - defined contribution plan | 4,320,926.59 | 346,361,809.29 | 347,367,273.99 | 3,315,461.89 |
| Dismissal welfare | 388,481.00 | 4,051,531.35 | 4,440,012.35 | 0.00 |
| Total | 395,519,485.99 | 3,242,192,647.35 | 3,175,295,987.12 | 462,416,146.22 |

(2) Short-term remuneration

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|--|-----------------------|--------------------------|--------------------------|-----------------------|
| Salary, bonus, allowance and subsidy | 262,829,370.40 | 2,394,859,315.37 | 2,352,965,379.91 | 304,723,305.86 |
| Employee welfare expenses | 0.00 | 85,234,143.86 | 85,234,143.86 | 0.00 |
| Social insurance | 5,744,932.44 | 177,994,251.81 | 177,709,044.12 | 6,030,140.13 |
| Including: Medical insurance | 638,041.44 | 136,006,699.91 | 135,313,982.04 | 1,330,759.31 |
| Work-related injury insurance | 183,968.30 | 8,952,136.29 | 8,984,931.42 | 151,173.17 |
| Maternity insurance | 409,488.70 | 9,906,169.40 | 9,890,525.93 | 425,132.17 |
| Other social insurance premiums | 4,513,434.00 | 23,129,246.21 | 23,519,604.73 | 4,123,075.48 |
| Housing fund | 5,126,317.83 | 169,050,494.76 | 168,747,918.14 | 5,428,894.45 |
| Labor union expenditure & personnel education fund | 116,688,184.00 | 63,901,007.63 | 37,681,763.75 | 142,907,427.88 |
| Other | 421,273.73 | 740,093.28 | 1,150,451.00 | 10,916.01 |
| Total | 390,810,078.40 | 2,891,779,306.71 | 2,823,488,700.78 | 459,100,684.33 |

(3) Defined contribution plan

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|---------------------------|---------------------|--------------------------|--------------------------|---------------------|
| Basic endowment insurance | 2,778,298.88 | 288,909,388.75 | 289,145,482.79 | 2,542,204.84 |
| Supplementary pension | 1,120,924.07 | 41,642,967.92 | 42,602,396.76 | 161,495.23 |
| Unemployment insurance | 421,703.64 | 15,809,452.62 | 15,619,394.44 | 611,761.82 |
| Total | 4,320,926.59 | 346,361,809.29 | 347,367,273.99 | 3,315,461.89 |

27. Taxes payable

| Item | Closing balance | Opening balance |
|---------------------------------------|-----------------------|------------------------|
| VAT | -75,299,406.15 | -353,314,724.21 |
| Company income tax | 128,527,873.85 | 81,485,120.03 |
| Business tax | 28,370,172.78 | 35,864,163.98 |
| Land use tax | 26,324,976.28 | 25,171,178.65 |
| House property tax | 11,412,868.62 | 17,012,139.68 |
| City maintenance and construction tax | 29,840,262.96 | 9,102,075.88 |
| Personal income tax | 12,297,509.97 | 8,248,373.45 |
| Educational surcharges | 22,640,120.27 | 7,901,604.04 |
| Stamp tax | 763,207.03 | 705,728.41 |
| Others | 2,251,713.01 | 2,383,412.85 |
| Total | 187,129,298.62 | -165,440,927.24 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

28. Interests payable

| Item | Closing balance | Opening balance |
|-------------------------------------|------------------------|------------------------|
| Interest payable on corporate bonds | 47,682,739.73 | 51,001,698.63 |
| Long-term loans interest | 21,636,869.15 | 25,525,715.03 |
| Short-term loans interest | 6,437,146.71 | 15,651,549.36 |
| Total | 75,756,755.59 | 92,178,963.02 |

29. Dividends payable

| Item | Closing balance | Opening balance |
|--|------------------------|------------------------|
| Tsinghua Holdings Co., Ltd. | 60,264,872.80 | 47,475,937.80 |
| Minority shareholders' dividends of Huai'an Tongfang Water Affairs Co., Ltd. | 13,621,500.00 | 13,621,500.00 |
| Minority shareholders' dividends of Beijing Tongfang Information Security Technology Co., Ltd. | 9,461.88 | 9,461.88 |
| Minority shareholders' dividends of Advanced Systems Development Co., Ltd. | 0.00 | 4,600,000.00 |
| Total | 73,895,834.68 | 65,706,899.68 |

30. Other payables

| Nature | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Asset acquisition | 2,118,162,495.00 | 13,209,120.00 |
| Intercourse funds | 266,563,731.08 | 2,092,723,772.88 |
| Accrued expenses | 244,602,621.02 | 189,891,013.30 |
| Guarantee deposit and security deposit | 147,512,614.65 | 179,907,486.21 |
| Receipts for other entities | 55,884,499.44 | 29,952,643.60 |
| Rent property charges | 32,937,606.55 | 42,752,043.44 |
| Subsidy that should be returned | 7,395,789.02 | 43,200,000.00 |
| Reimbursement | 6,579,913.55 | 13,465,048.99 |
| Technical royalties | 0.00 | 8,788,342.17 |
| Others | 78,952,826.65 | 94,274,735.25 |
| Total | 2,958,592,096.96 | 2,708,164,205.84 |

31. Non-current liabilities due within one year

(1) Non-current liabilities due within one year

| Item | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| Long-term loans due within one year | 1,040,598,240.20 | 1,078,487,027.95 |
| Bonds payable due within one year | 0.00 | 700,000,000.00 |
| Long-term payables due within one year | 113,991,741.52 | 96,494,533.53 |
| Total | 1,154,589,981.72 | 1,874,981,561.48 |

(2) Long-term loans due within one year

| Categories of short-term loans | Closing balance | Opening balance |
|---------------------------------------|-------------------------|-------------------------|
| Unsecuredloans | 79,067,867.47 | 267,639,592.32 |
| Mortgaged loans | 0.00 | 10,064,466.99 |
| Guaranteed loans | 864,030,372.73 | 711,582,968.64 |
| Pledged loans | 97,500,000.00 | 89,200,000.00 |
| Total | 1,040,598,240.20 | 1,078,487,027.95 |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

As at 31 December 2015, details of long-term guaranteed loans due within one year of the Company are set out in Note XI (II) 4.

As at 31 December 2015, the long-term pledged loans due within one year of the Company are as follows: borrowings of RMB 9,100,000.00 were secured by the pledge of part of the BOT project franchise of Jiamusi Longjiang Environmental Water Affairs Co., Ltd. (second-tier subsidiary of the Company); borrowings of RMB 36,000,000.00 were secured by the pledge of part of the BOT project charging right of Mudanjiang Longjiang Environmental Water Supply Co., Ltd. (second-tier subsidiary of the Company), and guarantee was provided by its parent company Longjiang Environmental Protection Group Co., Ltd.; borrowings of RMB 22,000,000.00 were secured by the pledge of part of the BOT project charging right of Harbin Wen Tai Sheng Longjiang Environmental Water Affairs Co., Ltd. (second-tier subsidiary of the Company), and guarantee was provided by its parent company Longjiang Environmental Protection Group Co., Ltd. with part of the TOT project charging right; borrowings of RMB 30,400,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (subsidiary of the Company), and guarantee was provided by the Company.

(3) Long-term payables due within one year

| Nature | Closing balance | Opening balance |
|------------------------|-----------------------|----------------------|
| Finance lease payments | 113,991,741.52 | 96,494,533.53 |
| Total | 113,991,741.52 | 96,494,533.53 |

As at 31 December 2015, details of long-term account payables due within one year of the Company are set out in Note XI (II) 4.

As at 31 December 2015, the long-term account payables due within one year of the Company are as follows: finance lease borrowings of RMB 20,129,368.08 were obtained through after-sales leaseback of part of the project equipment by Longjiang Environmental Protection Group Co., Ltd (subsidiary of the Company), and guarantee was provided by its subsidiary, Harbin Ping Yi Longjiang Environmental Water Treatment Co., Ltd. with part of the BOT project charging right.

32. Other current liabilities

(1) Classification of other current liabilities

| Item | Closing balance | Opening balance |
|-----------------------------|-------------------------|-------------------------|
| Extra short-term debentures | 2,019,407,123.29 | 1,003,164,383.56 |
| Total | 2,019,407,123.29 | 1,003,164,383.56 |

(2) Other current liabilities

| Name of bonds | Face value | Date of issuance | Term | Issue amount |
|--------------------|-------------------------|------------------|----------|-------------------------|
| 14 Tongfang SCP001 | 1,000,000,000.00 | 09/12/2014 | 270 days | 1,000,000,000.00 |
| 15 Tongfang SCP001 | 2,000,000,000.00 | 2015/02/10 | 30 days | 2,000,000,000.00 |
| 15 Tongfang SCP002 | 1,000,000,000.00 | 03/04/2015 | 270 days | 1,000,000,000.00 |
| 15 Tongfang SCP003 | 1,000,000,000.00 | 13/08/2015 | 270 days | 1,000,000,000.00 |
| 15 Tongfang SCP004 | 1,000,000,000.00 | 16/10/2015 | 270 days | 1,000,000,000.00 |
| Total | 6,000,000,000.00 | — | — | 6,000,000,000.00 |

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(Continued)

| Name of bonds | Opening balance | Issued in the current year | Accrued interests at face value | Premium and discount amortization | Repaid in the current year | Closing balance |
|--------------------|-------------------------|----------------------------|---------------------------------|-----------------------------------|----------------------------|-------------------------|
| 14 Tongfang SCP001 | 1,003,164,383.56 | 0.00 | 35,671,232.88 | 0.00 | 1,038,835,616.44 | 0.00 |
| 15 Tongfang SCP001 | 0.00 | 2,000,000,000.00 | 8,958,904.11 | 0.00 | 2,008,958,904.11 | 0.00 |
| 15 Tongfang SCP002 | 0.00 | 1,000,000,000.00 | 37,549,180.33 | 0.00 | 1,037,549,180.33 | 0.00 |
| 15 Tongfang SCP003 | 0.00 | 1,000,000,000.00 | 12,619,178.08 | 0.00 | 0.00 | 1,012,619,178.08 |
| 15 Tongfang SCP004 | 0.00 | 1,000,000,000.00 | 6,787,945.21 | 0.00 | 0.00 | 1,006,787,945.21 |
| Total | 1,003,164,383.56 | 5,000,000,000.00 | 101,586,440.61 | 0.00 | 4,085,343,700.88 | 2,019,407,123.29 |

33. Long-term loans

| Categories of short-term loans | Closing balance | Opening balance |
|--------------------------------|-------------------------|-------------------------|
| Unsecured loans | 44,807,714.79 | 60,524,703.12 |
| Mortgaged loans | 3,966,355.12 | 30,394,117.53 |
| Guaranteed loans | 3,026,393,191.37 | 3,593,168,805.44 |
| Pledged loans | 465,920,833.33 | 400,170,833.33 |
| Total | 3,541,088,094.61 | 4,084,258,459.42 |

As at 31 December 2015, the long-term mortgaged loans of the Company are as follows: borrowings of USD 610,809.89 (Equivalent to RMB 3,966,355.12) were secured by the mortgage of the NUCTECH PANAMA, S.A.'s (third-tier subsidiary of the Company) fixed assets with a book value of RMB 6,698,205.54.

As at 31 December 2015, details of long-term guarantee loan of the Company are set out in Note XI (II) 4.

As at 31 December 2015, the long-term pledged loans of the Company are as follows: borrowings of RMB 37,900,000.00 were secured by the pledge of part of the BOT project franchise of Jiamusi Longjiang Environmental Water Affairs Co., Ltd. (second-tier subsidiary of the Company); borrowings of RMB 70,000,000.00 were secured by the pledge of part of the BOT project charging right of Mudanjiang Longjiang Environmental Water Supply Co., Ltd. (second-tier subsidiary of the Company), and guarantee was provided by its parent company Longjiang Environmental Protection Group Co., Ltd.; borrowings of RMB 157,020,833.33 were secured by the pledge of part of the BOT project charging right of Harbin Wen Tai Sheng Longjiang Environmental Water Affairs Co., Ltd. (second-tier subsidiary of the Company), and guarantee was provided by its parent company Longjiang Environmental Protection Group Co., Ltd. with part of the TOT project charging right; borrowings of RMB 201,000,000.00 were secured by the pledge of part of the BOT and TOT project charging right of Huai'an Tongfang Water Affairs Co., Ltd. (subsidiary of the Company), and guarantee was provided by the Company.

34. Bonds payable

(1) Classification of bonds payable

| Item | Closing balance | Opening balance |
|-----------------------------|-------------------------|-------------------------|
| Corporate medium-term notes | 1,500,000,000.00 | 1,500,000,000.00 |
| Total | 1,500,000,000.00 | 1,500,000,000.00 |

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(2) Movements of bonds payable

| Name of bonds | Face value | Date of issuance | Term | Issue amount | Opening balance | Issued in the current year |
|--------------------|-------------------------|------------------|---------|-------------------------|-------------------------|----------------------------|
| 14 Tongfang MTN001 | 800,000,000.00 | 21/03/2014 | 5 years | 800,000,000.00 | 800,000,000.00 | 0.00 |
| 14 Tongfang MTN002 | 700,000,000.00 | 24/10/2014 | 3 years | 700,000,000.00 | 700,000,000.00 | 0.00 |
| Total | 1,500,000,000.00 | — | — | 1,500,000,000.00 | 1,500,000,000.00 | 0.00 |

(Continued)

| Name of bonds | Accrued interests at face value | Premium and discount amortization | Repaid in the current year | Transferred to non-current liabilities due within one year | Transferred to interests payable | Closing balance |
|--------------------|---------------------------------|-----------------------------------|----------------------------|--|----------------------------------|-------------------------|
| 14 Tongfang MTN001 | 52,800,000.00 | 0.00 | 0.00 | 0.00 | 52,800,000.00 | 800,000,000.00 |
| 14 Tongfang MTN002 | 34,650,000.00 | 0.00 | 0.00 | 0.00 | 34,650,000.00 | 700,000,000.00 |
| Total | 87,450,000.00 | 0.00 | 0.00 | 0.00 | 87,450,000.00 | 1,500,000,000.00 |

35. Long-term payables

| Nature | Closing balance | Opening balance |
|-------------------------|-----------------------|-----------------------|
| Finance lease payments | 295,857,110.86 | 315,019,406.64 |
| Relending of bank loans | 26,015,069.87 | 24,267,251.29 |
| Other balances | 232,094.08 | 232,094.08 |
| Total | 322,104,274.81 | 339,518,752.01 |

As at 31 December 2015, details of long-term payables of the Company are set out in Note ELEVEN (II) 4.

As at 31 December 2015, the long-term account payables of the Company are as follows: Relending of bank loans of RMB 26,015,069.87 were provided by Fujin City Finance Bureau with part of the BOT project charging right of Longjiang Environmental Protection Group Co., Ltd. (subsidiary of the Company) being pledged, finance lease borrowings of RMB 51,207,737.95 were provided to Longjiang Environmental Protection Group Co., Ltd. (subsidiary of the Company) through after-sales leaseback of part of the project equipment, and were guaranteed with part of the BOT project charging right of its subsidiary, Harbin Ping Yi Longjiang Environmental Water Treatment Co., Ltd. being pledged.

36. Special payables

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance | Reasons for incurrence |
|---|-----------------|--------------------------|--------------------------|-----------------|--|
| Disaster recovery services of Cloud Computing Data Center | 8,000,000.00 | 0.00 | 0.00 | 8,000,000.00 | Commissioned and co-developed research and development project |
| High-end smart card chip research and development project | 2,190,000.00 | 0.00 | 730,008.00 | 1,459,992.00 | Commissioned and co-developed research and development project |
| Study on silicon-based GaN epitaxial wafers for power devices | 1,400,000.00 | 0.00 | 1,400,000.00 | 0.00 | Commissioned and co-developed research and development project |

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| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance | Reasons for incurrence |
|--|----------------------|--------------------------|--------------------------|----------------------|---|
| Hebei Province information industry special fund project | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | Hebei Province information industry special fund project Commissioned and co-developed research and development project |
| SOC chip research and development project | 800,000.00 | 0.00 | 0.00 | 800,000.00 | |
| Ice storage pool project | 100,000.00 | 0.00 | 0.00 | 100,000.00 | |
| Total | 13,490,000.00 | 0.00 | 2,130,008.00 | 11,359,992.00 | |

37. Provisions

| Item | Closing balance | Opening balance | Reasons for incurrence |
|------------------------|---------------------|---------------------|-----------------------------------|
| Product warranty costs | 2,915,029.01 | 3,127,733.04 | Provision of ship maintenance fee |
| Total | 2,915,029.01 | 3,127,733.04 | |

38. Deferred income

(1) Classification of deferred income

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance | Reasons for incurrence |
|------------------|-----------------------|--------------------------|--------------------------|-----------------------|--|
| Project subsidy | 752,761,877.99 | 299,938,829.60 | 159,150,074.98 | 893,550,632.61 | Commissioned and co-developed research and development project subsidies |
| Interest subsidy | 24,039,730.17 | 356,400.00 | 3,262,861.80 | 21,133,268.37 | Imported equipment discount |
| Land grants | 2,449,455.14 | 0.00 | 136,272.49 | 2,313,182.65 | |
| Others | 2,290,328.04 | 750,003.39 | 99,444.73 | 2,940,886.70 | Proceeds of disposal of assets under water franchise to be amortized |
| Total | 781,541,391.34 | 301,045,232.99 | 162,648,654.00 | 919,937,970.33 | — |

(2) Government grant project

| Government grant project | Opening balance | Increased amount of subsidy of the current year | Amount recognized as non-operating income of the current year | Other changes | Closing balance | Related to assets/Related to income |
|---|-----------------------|---|---|----------------------|-----------------------|-------------------------------------|
| Special Integrated Circuit Research & Development Project I | 367,313,882.15 | 117,592,800.00 | 17,914,405.56 | 4,081,300.00 | 462,910,976.59 | Related to assets |
| Nantong Science and Technology Park project support funds | 99,444,000.00 | 0.00 | 3,556,000.00 | 0.00 | 95,888,000.00 | Related to assets |
| High-end smart card chip research and development project I | 23,277,000.00 | 6,000,000.00 | 1,399,004.00 | 0.00 | 27,877,996.00 | Related to assets |
| High-end smart card chip research and development project II | 28,000,000.00 | 936,000.00 | 26,666,666.67 | 0.00 | 2,269,333.33 | Related to income |
| High-brightness light-emitting diode (LED) epitaxial wafers, chip industrialization project | 25,939,333.08 | 0.00 | 3,795,999.96 | 0.00 | 22,143,333.12 | Related to assets |
| Special Integrated Circuit Research & Development Project II | 22,300,246.29 | 76,106,000.00 | 32,606,311.56 | 0.00 | 65,799,934.73 | Related to income |
| Imported equipment discount item | 21,097,900.20 | 356,400.00 | 2,843,677.80 | 0.00 | 18,610,622.40 | Related to assets |
| Others | 194,169,029.62 | 100,054,032.99 | 62,527,151.05 | 7,258,137.40 | 224,437,774.16 | |
| Total | 781,541,391.34 | 301,045,232.99 | 151,309,216.60 | 11,339,437.40 | 919,937,970.33 | |

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Note: The increased amount of subsidy of the current year includes the transfer of government grants amounted to RMB 2,695,218.82 due to business combination.

39. Other non-current liabilities

| Item | Closing balance | Opening balance |
|------------------------------------|-----------------|-----------------------|
| Financing of financial liabilities | 0.00 | 207,510,517.19 |
| Total | 0.00 | 207,510,517.19 |

40. Share capital

| Item | Opening balance | Changes in the current year (+, -) | Closing balance |
|---------------------------|-------------------------|------------------------------------|-------------------------|
| Total share amount | 2,197,882,238.00 | 766,016,713.00 | 2,963,898,951.00 |

On 12 January 2015, China Securities Regulatory Commission (CSRC) issued "Approval of Tongfang Co., Ltd' non-public issuance of shares" (License No. [2015] No. 73), and approved 766,016,713 shares as the amount of Company's non-public issuance of ordinary shares. As of 13 February 2015, the Company received subscription funds from Tsinghua Holdings Co., Ltd, Unis Group Co., Ltd, ICBC Credit Suisse Asset Management Co., Ltd. and Bosera Asset Management Co., Ltd, amounting to RMB 5,500,000,000 in aggregate. On 26 February 2015, the Company handled the securities registration procedures in the Shanghai Branch of China Securities Registration Jiesuan Co., Ltd., through which the Company's non-public issuance of shares has been completed.

41. Capital surplus

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|-----------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Share premium | 4,419,048,881.20 | 4,952,430,907.11 | 57,023,699.68 | 9,314,456,088.63 |
| Other capital reserve | 396,415,495.15 | 65,746,654.30 | 321,978,923.17 | 140,183,226.28 |
| Total | 4,815,464,376.35 | 5,018,177,561.41 | 379,002,622.85 | 9,454,639,314.91 |

1) Reason for the changes of share premium: the Company issued non-public shares in the current period, which resulted in an increase in share premium of RMB 4,691,656,684.67.

The subsidiaries'equity attributable to the parent company changes due to changes in ownership interests in a subsidiary that did not result in a loss of control, which is accounted as equity transaction, with a corresponding increase in share premium of RMB 259,931,155.51 and decrease in share premium of RMB 53,151,426.07.

Under circumstances of invariable ownership interests in a subsidiary, in which the subsidiaries'equity attributable to the parent company changes due to transactions recognized directly in owner's equity other than net profit or loss and other comprehensive income occurred in the subsidiary, the Company shall recognize the changes proportionally, with a corresponding increase in share premium of RMB 843,066.93 and decrease in share premium of RMB 3,872,273.61.

2) Reasons for changes of capital reserve for the current period: the changes in ownership interests of the Company to the associates, which did not result in a loss of significant influence, resulted in the increase or decrease in the share of the equity attributable to the owners of the parent company, with a corresponding increase in other capital surplusesof RMB 57,529,391.3 and decrease in other capital surplusesof RMB 320,307,741.02.

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For transactions recognized directly in owner's equity other than net profit or loss and other comprehensive income occurred in the associates, that resulting in changes in the share of the associates' equity attributable to equity holders of the parent company, the Company shall recognize the proportionate amount according to the shareholding ratio using equity method, with a corresponding increase in other capital surplusof RMB 3,012,672.65 and decrease in other capital surplusof RMB 26,001.87.

For equity-settled share-based payment plan of Technovator International Limited and Neo-Neon Holdings Limited for the year that resulting in changes in the share of the subsidiaries'equity attributable to equity holders of the parent company, the Company shall recognize the proportionate amount according to the shareholding ratio, with a corresponding increase in other capital surplus of RMB 5,204,590.35.

Other capital surplus that has been recognized in previous years was reclassified to the current profits and losses due to the disposal of associates, resulting in a decrease of other capital surplus by RMB 1,645,180.28.

42. Other comprehensive income

| Item | Opening balance | Other comprehensive income before tax for the year | comprehensive income in the prior years that is transferred to profit or loss for current year | Amount for the current year | | | | Closing balance |
|--|-----------------------|--|--|--------------------------------|---------------------------|---|--|-----------------|
| | | | | Less: amount included in other | Less: Income tax expenses | Attributable to the Parent Company, net of income tax | Attributable to non-controlling interests, net of income tax | |
| I. Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | | | | |
| Including: Share of other comprehensive income of the invested entity that will not be reclassified subsequently to profit or loss under the equity method | 315,791,938.61 | -306,014,499.15 | -11,016,178.79 | 0.00 | -293,121,344.38 | -1,876,975.98 | 22,670,594.23 | |
| Gains or losses from changes in fair value of available-for-sale financial assets | 3,919,746.08 | -21,002,585.92 | | 0.00 | 225,613.09 | -8,034,787.24 | -13,193,411.77 | -4,115,041.16 |
| Exchange differences on translating foreign currency financial statements | -60,624,353.95 | 24,786,178.59 | -335,237.94 | 0.00 | -19,973,916.64 | 45,095,333.17 | -80,598,270.59 | |
| Total other comprehensive incomes | 259,087,330.74 | -302,230,906.48 | -11,351,416.73 | 225,613.09 | -321,130,048.26 | 30,024,945.42 | -62,042,717.52 | |

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43. Surplus reserve

| Item | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|--------------------------------|-----------------------|--------------------------|--------------------------|-----------------------|
| Statutory surplus reserves | 690,474,345.42 | 126,159,337.00 | 0.00 | 816,633,682.42 |
| Discretionary surplus reserves | 67,644,490.85 | 0.00 | 0.00 | 67,644,490.85 |
| Total | 758,118,836.27 | 126,159,337.00 | 0.00 | 884,278,173.27 |

44. Undistributed profits

| Item | Current year | Previous year |
|---|-------------------------|-------------------------|
| Closing balance of the preceding year | 3,512,346,548.71 | 3,052,057,061.10 |
| Add: Adjustment for closing balance of the proceeding year | 0.00 | 0.00 |
| Opening balance of current year | 3,512,346,548.71 | 3,052,057,061.10 |
| Add: Net profit attributable to shareholders of the parent company for the current year | 1,261,593,370.02 | 755,641,901.57 |
| Less: Appropriation to statutory surplus reserve | 126,159,337.00 | 75,564,190.16 |
| Declaration of dividends on ordinary shares | 237,111,916.08 | 219,788,223.80 |
| Closing balance of current year | 4,410,668,665.65 | 3,512,346,548.71 |

45. Revenue and costs

| Item | Amount for the current year | | Amount for the previous year | |
|----------------|-----------------------------|--------------------------|------------------------------|--------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 28,232,009,400.08 | 22,810,605,913.79 | 25,756,912,811.44 | 20,727,570,171.44 |
| Other business | 215,274,780.20 | 120,133,023.78 | 236,811,215.42 | 102,122,044.82 |
| Total | 28,447,284,180.28 | 22,930,738,937.57 | 25,993,724,026.86 | 20,829,692,216.26 |

46. Business taxes and surcharges

| Item | Amount for the current year | Amount for the previous year |
|---------------------------------------|-----------------------------|------------------------------|
| Business tax | 49,771,406.47 | 48,527,906.19 |
| City maintenance and construction tax | 67,195,908.95 | 32,584,996.94 |
| Educational surcharges | 47,820,356.10 | 23,873,277.11 |
| Others | 1,338,884.42 | 2,861,138.08 |
| Total | 166,126,555.94 | 107,847,318.32 |

47. Selling and distribution expenses

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Wages | 707,837,495.89 | 570,362,087.32 |
| Business promotion expenses, advertising costs, operating expenses, commission | 312,699,368.81 | 222,328,577.25 |
| Traveling, meeting, hospitality expenses | 237,837,180.27 | 206,687,092.06 |
| Transportation expenses (transportation costs, vehicle costs, etc.) | 145,546,168.53 | 166,323,162.17 |
| Agents, service fees, counseling and intermediary expenses | 151,185,444.91 | 153,034,913.03 |
| Office expenses, information fees, annual fees | 77,757,576.18 | 76,972,533.33 |
| Material consumption | 57,126,363.89 | 49,873,291.11 |
| Product maintenance fee | 52,757,364.04 | 58,407,312.23 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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| Item | Amount for the current year | Amount for the previous year |
|--|--------------------------------|---------------------------------|
| Foreign affairs expenses, export expenses | 47,679,330.16 | 56,541,898.21 |
| Warehousing, venues, booth fees, inspection, mold, rectification fee | 45,929,715.63 | 33,344,491.76 |
| Rent and property charges | 43,523,608.57 | 33,571,101.97 |
| Depreciation and amortization | 18,127,140.45 | 15,176,930.09 |
| Testing, processing and installation expenses | 8,247,728.72 | 8,382,171.68 |
| Insurance premium | 8,638,296.41 | 4,746,390.43 |
| Water and electricity charges, heating costs, steam charges | 4,823,184.63 | 3,603,342.05 |
| Taxes | 1,012,859.01 | 1,354,606.04 |
| Others | 43,723,981.69 | 42,245,234.77 |
| Total | 1,964,452,807.79 | 1,702,955,135.50 |

48. General and administrative expenses

| Item | Amount for the current year | Amount for the previous year |
|--|--------------------------------|---------------------------------|
| Wages | 702,475,194.97 | 583,960,202.50 |
| Research and development expenses | 840,783,917.14 | 497,402,304.36 |
| Depreciation and amortization | 318,990,270.68 | 248,629,674.82 |
| Consulting fees, service fees, intermediary fees | 121,953,125.25 | 105,004,287.56 |
| Traveling, meeting, hospitality expenses | 75,704,266.96 | 85,539,586.33 |
| Taxes | 70,826,422.93 | 63,899,512.27 |
| Office, information expenses | 56,408,899.97 | 54,011,954.09 |
| Trademark registration, patent application fee, start-up fee, annual fee | 70,549,394.60 | 44,490,894.83 |
| Miscellaneous transportation, transportation costs | 16,151,928.29 | 21,946,629.75 |
| Maintenance expenses | 14,077,569.45 | 16,148,648.88 |
| Water and electricity charges, steam charges, heating costs | 11,753,750.36 | 11,381,425.63 |
| Insurance premium | 10,608,972.69 | 10,498,154.75 |
| Material consumption | 10,580,953.65 | 9,350,049.72 |
| Rent and property charges | 15,574,731.67 | 7,151,181.57 |
| Lease, storage expenses | 2,730,083.45 | 5,425,595.07 |
| Institutional management fees, administrative fees | 1,181,094.13 | 4,963,386.26 |
| Testing, processing and installation expenses | 31,582,142.78 | 4,117,020.84 |
| Expenses of board of directors | 2,047,199.15 | 1,828,243.27 |
| Others | 54,946,052.08 | 43,322,841.49 |
| Total | 2,428,925,970.20 | 1,819,071,593.99 |

49. Financial expenses

| Item | Amount for the current year | Amount for the previous year |
|-----------------------|--------------------------------|---------------------------------|
| Interest expense | 984,903,113.73 | 1,089,589,403.42 |
| Less: Interest income | 122,196,768.73 | 80,932,352.71 |
| Add: Exchange losses | 43,833,594.44 | 52,807,191.42 |
| Add: other expenses | 54,193,864.95 | 72,483,759.62 |
| Total | 960,733,804.39 | 1,133,948,001.75 |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

50. Impairment losses on assets

| Item | Amount for the current year | Amount for the previous year |
|---|-----------------------------|------------------------------|
| Bad debt losses | 275,018,477.61 | 199,365,222.79 |
| Losses of decline in the value of inventories | 160,560,589.78 | 68,131,358.38 |
| Impairment losses of goodwill | 0.00 | 7,358,681.20 |
| Impairment losses of long-term equity investments | 0.00 | 1,473,934.90 |
| Impairment of fixed assets | 29,094,593.05 | 0.00 |
| Impairment of construction in progress | 13,768,136.84 | 0.00 |
| Total | 478,441,797.28 | 276,329,197.27 |

51. Gains or losses from changes in fair values

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Financial assets at fair value through profit or loss | -227,244,716.21 | 134,143,594.36 |
| Gains/losses arising from changes in fair value of investment properties | -1,794,889.76 | 166,886.78 |
| Others | 0.00 | -6,176,723.32 |
| Total | -229,039,605.97 | 128,133,757.82 |

52. Investment income

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| Income from long-term equity investments under equity method | 1,358,888,257.26 | 853,612,638.62 |
| Investment income on disposal of long-term equity investments | 691,673,601.28 | -4,804,640.16 |
| Investment income on disposal of financial assets at fair value through profit or loss | 585,002,265.22 | 12,756,939.32 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 5,551,414.60 | 10,507,583.90 |
| Investment income on disposal of available-for-sale financial assets | -644,957.71 | 0.00 |
| Investment income during the holding period of available-for-sale financial assets | 1,205,853.00 | 5,236,011.68 |
| Others | 0.00 | 94,082.20 |
| Total | 2,641,676,433.65 | 877,402,615.56 |

53. Non-operating income

(1) Details of non-operating income

| Item | Amount for the current year | Amount for the previous year | Recognized in non-recurring profit or loss for the current year |
|---|-----------------------------|------------------------------|---|
| Proceeds on disposal of non-current assets | 28,138,021.22 | 60,460,323.94 | 28,138,021.22 |
| Including: Proceeds on disposal of fixed assets | 683,344.86 | 57,549,598.94 | 683,344.86 |
| Proceeds on disposal of intangible assets | 27,454,676.36 | 2,910,725.00 | 27,454,676.36 |
| Government grants | 416,652,806.44 | 288,427,221.78 | 220,786,354.82 |
| Compensation | 0.00 | 25,401,254.80 | 0.00 |
| Others | 10,199,801.98 | 4,912,134.78 | 10,199,801.98 |
| Total | 454,990,629.64 | 379,200,935.30 | 259,124,178.02 |

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(2) Details of government subsidies

| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|-----------------------------|------------------------------|---|-------------------------------------|
| Software VAT refund | 115,076,485.93 | 60,811,237.31 | Cai Shui [2011] 100 | Related to income |
| Amount of Unigroup Guoxin (Originally known as Tongfang Guoxin) | 94,687,926.16 | 62,063,232.20 | Merging with Tongfang Guoxin | — |
| Water price subsidies (Longjiang Environmental Protection) | 54,000,000.00 | 62,500,000.00 | Mu Cai Jian [2011] 38, Mu Cai Jian [2013] 21 | Related to income |
| Sewage treatment VAT refund | 26,789,965.69 | 0.00 | Cai Shui [2015] 78 | Related to income |
| Compensation for production capacity relocation | 15,000,000.00 | 0.00 | Tan Kai Fa Qu Guan [2015] 151 | Related to income |
| EMC energy conservation subsidies | 14,373,500.00 | 7,144,104.00 | Yu Jian Fa [2012] 111 | Related to income |
| Enterprise support funds from Huairou District government | 6,742,601.22 | 3,350,153.68 | Huaibei Town People's Government The People's Republic of China | Related to income |
| Digital TV SOC chip design and industrialization project | 6,733,333.32 | 2,244,444.44 | Ministry of Finance, Beijing Economic and Technological Development Zone Management Committee Engineering Promotion Bureau, Beijing Municipal Science and Technology Commission, Ministry of Economy and Information Technology | Related to assets |
| High-brightness light-emitting diode (LED) epitaxial wafers, chip research and industrialization project | 3,795,999.96 | 3,795,999.96 | Notice of Guangdong Province's Strategic Emerging Industry Development Special Fund (LED Industry) for promotion plan project Approval of project support fund given by Nantong Economic Development Zone Finance Bureau to Nantong Tongfang Science and Technology Park Co., Ltd. | Related to assets |
| High performance LED epitaxial chip preparation key technology research and development and industrialization | 3,564,825.00 | 0.00 | Notice of Guangdong Province's Strategic Emerging Industry Development Special Fund (LED Industry) for promotion plan project Approval of project support fund given by Nantong Economic Development Zone Finance Bureau to Nantong Tongfang Science and Technology Park Co., Ltd. | Related to income |
| Nantong Science and Technology Park project support funds | 3,556,000.00 | 3,556,000.00 | Approval of project support fund given by Nantong Economic Development Zone Finance Bureau to Nantong Tongfang Science and Technology Park Co., Ltd. | Related to assets |
| Haidian District Support Fund | 3,500,000.00 | 2,050,000.00 | Zhongguancun Technology Park Haidianyuan Administration Committee | Related to income |
| Foreign advanced technology achievement landing funds | 3,400,000.00 | 0.00 | Beijing Municipal Science and Technology Commission | Related to income |
| Beijing Civil Reading Public Service Platform | 3,000,000.00 | 0.00 | Beijing Municipal Science and Technology Commission | Related to income |
| Domestic Trade Credit Insurance Financial Subsidy Fund | 2,801,900.00 | 5,400,000.00 | Domestic Trade Credit Insurance Financial Subsidy Fund funded by Beijing Municipal Commission of Commerce | Related to income |
| Interest subsidy | 2,843,677.80 | 10,682,791.80 | Su Cai Gong Mao [2012] 135 Supplementary Agreement on Compensation for Franchise agreement's sludge transportation and disposal costs | Related to assets |
| Sludge treatment subsidy | 2,499,324.22 | 0.00 | Tsinghua Tongfang (Nantong) Technology Industry Base Project Supplementary Agreement | Related to income |
| Science and technology industry base financial support fund | 2,317,400.00 | 0.00 | Shanxi Provincial Department of Finance | Related to income |
| Subsidies for energy conservation projects | 2,250,000.00 | 0.00 | Beijing Municipal Economic and Information Commission | Related to income |
| Ereneben Safety Integrated Mobility Services Platform project | 2,233,333.32 | 2,233,333.33 | Zhongguancun Modern Service Special Fund Appropriation Project Contract | Related to assets |
| Special funds for the development of small and medium enterprises | 2,179,200.00 | 0.00 | Nantong Economic Development Zone Finance Bureau Urban Construction Financial Award Documents | Related to income |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|---|-----------------------------|------------------------------|---|-------------------------------------|
| OTT intelligent network television industrialization project | 3,870,000.00 | 0.00 | 2015 Liaoning Province, proposed project announcement of first batch science and technology plan, Chen Cai Zhi Qi [2015] 1059 | Related to income |
| Industrial development fund | 2,000,000.00 | 0.00 | Ministry of Industry and Information | Related to income |
| National strategic key new products - ion migration | 2,000,000.00 | 0.00 | Ministry of Finance | Related to income |
| British Welsh employment support government subsidies | 1,957,101.81 | 3,330,847.45 | British Welsh Government | Related to income |
| Research and Industrialization of efficient environment-friendly low ambient temperature air source heat pump unit | 1,800,000.00 | 0.00 | Beijing Haidian Science and Technology Commission | Related to income |
| Trusted network payment system project | 1,666,666.65 | 1,666,666.67 | Fa Gai Ban Gao Ji [2008] 1736 | Related to income |
| DTMB and DVB-C standard digital TV channel demodulation single chip project | 1,500,000.00 | 0.00 | Electronic information industry development fund | Related to assets |
| Beijing Semiconductor Lighting Materials and Devices Engineering Technology Research Center - 2013 Science and Technology Innovation Base Cultivation and Development Project | 1,400,000.00 | 0.00 | Beijing Science and Technology Commission - Beijing Science and Technology special task book (Z131109002813028) | Related to income |
| Independent temperature-humidity control air conditioning system with double cold sources | 1,387,080.00 | 0.00 | Ministry of Science and Technology | Related to income |
| Research and development and demonstration applications of Beijing Social service window information resource platform | 1,250,000.00 | 0.00 | Beijing Municipal Science and Technology Commission | Related to income |
| Research and development and industrialization of high performance LED alumina ceramic substrate and material | 1,000,000.00 | 0.00 | Lin Cai Jiao (2014) 39 | Related to income |
| Public service platform project | 1,000,000.00 | 0.00 | Notice on declaration of 2014 Shenyang City foreign economic and trade development special funds project | Related to income |
| Certification service fee for open up the international market products | 1,000,000.00 | 0.00 | Notice on declaration of 2014 Shenyang City foreign economic and trade development special funds project | Related to income |
| Zhongguancun Technology Park Haidianyuan Administration Committee - major industry special funds | 1,000,000.00 | 0.00 | Zhongguancun Technology Park Haidianyuan Administration Committee | Related to income |
| Patent grant | 601,300.00 | 4,469,440.00 | State Intellectual Property Office | Related to income |
| Large size LED backlight machine industrial project subsidies | 0.00 | 7,000,000.00 | Chen Cai Zhi Qi [2014] 1422, Chen Jing Xin Fa [2014] 129 | Related to income |
| Application of heat pump technology in ship building field | 0.00 | 5,923,050.00 | Special commentary review of national high-tech ship research project's "Application of heat pump technology in shipbuilding field" | Related to assets |
| Research and development and industrialization of small and medium enterprises dedicated computer security | 0.00 | 3,250,000.00 | Jing Cai Jing Yi Zhi [2009] 871, 877 | Related to assets |
| Post-disaster reconstruction and emergency technology support system construction | 0.00 | 3,120,600.00 | Beijing Municipal Science and Technology Commission issues (Subject number Z121100000112010, Z121100000112011) | Related to income |
| 2014 Beijing high-tech achievement transformation project | 0.00 | 3,000,000.00 | Beijing Municipal Science and Technology Commission | Related to assets |
| 2014 foreign trade and economic development | 0.00 | 2,938,400.00 | Shenyang City foreign economic and trade development special funds | Related to income |

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| Item | Amount for the current year | Amount for the previous year | Source and basis | Related to assets/related to income |
|--|-----------------------------|------------------------------|--|-------------------------------------|
| Wang Kui project financial energy saving incentives | 0.00 | 2,486,300.00 | "Notice on the issuance of special funds for energy conservation (the nineteenth batch)" and "Notice on the issuance of provincial contract funds for contract energy management" of Heilongjiang Provincial Department of Finance | Related to income |
| Financial incentives | 0.00 | 1,839,900.00 | Nantong Economic and Technological Development Zone Finance Bureau | Related to income |
| Government subsidy support (land tax) | 0.00 | 1,494,964.56 | Friendship county centralized heating project agreement | Related to income |
| Trademarks special funds for 2014 Construction of Zhongguancun's Technological Innovation Ability | 0.00 | 1,100,000.00 | Zhong Ke Yuan Fa [2013] 43 | Related to income |
| Special fund for Accelerated development of the service outsourcing industry | 0.00 | 1,000,000.00 | Yue Cai Gong [2013] 235 | Related to income |
| Beijing business committee service outsourcing development funds | 0.00 | 780,988.00 | Implementation rules for measures for the administration of funds for the development of service outsourcing in Beijing (temporary) Ministry of Environmental Protection Environmental Protection Center for Foreign Cooperation/Contract for application demonstration project using R32 instead of R22 in small commercial air source cold water/heat pump | Related to income |
| Application demonstration project using R32 instead of R22 in small commercial air source cold water/heat pump | 0.00 | 517,350.41 | Implementation rules for measures for the administration of funds for the development of service outsourcing in Beijing (temporary) Ministry of Environmental Protection Environmental Protection Center for Foreign Cooperation/Contract for application demonstration project using R32 instead of R22 in small commercial air source cold water/heat pump | Related to income |
| Other subsidies | 21,875,185.36 | 18,677,417.97 | - | - |
| Total | 416,652,806.44 | 288,427,221.78 | | |

54. Non-operating expenses

| Item | Amount for the current year | Amount for the previous year | Recognized in non-recurring profit or loss for the current year |
|---|-----------------------------|------------------------------|---|
| Losses from disposal of non-current assets | 3,440,305.08 | 58,290,610.80 | 3,440,305.08 |
| Including: Losses on disposal of fixed assets | 3,434,094.21 | 21,699,592.86 | 3,434,094.21 |
| Losses on disposal of intangible assets | 6,210.87 | 9,674,390.42 | 6,210.87 |
| Donations | 1,625,029.52 | 3,612,855.70 | 1,625,029.52 |
| Others | 7,063,200.64 | 23,534,362.30 | 7,063,200.64 |
| Total | 12,128,535.24 | 85,437,828.80 | 12,128,535.24 |

55. Income tax expenses

| Item | Amount for the current year | Amount for the previous year |
|------------------------------|-----------------------------|------------------------------|
| Current income tax expense | 280,567,763.09 | 221,227,209.56 |
| Deferred income tax expenses | -70,011,792.78 | -11,457,858.04 |
| Total | 210,555,970.31 | 209,769,351.52 |

56. Other comprehensive incomes

See relevant contents of "VI 42 Other comprehensive income" in the Notes for details.

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57. Items in the cash flow statement

(1) Cash received/paid relating to other operating/investment-financing activities

1) Cash received relating to other operating activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|------------------------------|---------------------------------------|--|
| Government grants | 399,523,000.53 | 377,265,258.45 |
| Intercourse funds | 161,352,369.28 | 305,649,682.10 |
| Guarantee deposits | 393,361,000.77 | 283,131,242.19 |
| Receipts on behalf of others | 295,550,382.13 | 161,198,658.88 |
| Interest income | 97,645,543.16 | 79,316,862.54 |
| Petty cash | 28,246,238.65 | 61,444,803.69 |
| Insurance claims | 0.00 | 26,626,529.39 |
| Others | 8,766,088.91 | 11,968,578.99 |
| Total | 1,384,444,623.43 | 1,306,601,616.23 |

2) Cash paid relating to other operating activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Selling and distribution expensed, general and administrative expenses etc. | 1,614,133,031.55 | 1,566,124,714.08 |
| Intercourse funds | 297,829,369.30 | 331,152,245.03 |
| Guarantee deposits | 471,035,093.05 | 297,435,416.49 |
| Payment on behalf of others | 252,936,782.03 | 178,149,701.64 |
| Petty cash | 173,242,867.81 | 169,932,431.01 |
| Others | 16,515,424.53 | 23,475,491.15 |
| Total | 2,825,692,568.27 | 2,566,269,999.40 |

3) Cash received relating to other investing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Construction project on behalf of others | 39,158,788.86 | 69,896,714.21 |
| Cash receipts from business combination | 4,469,914.57 | 155,782,107.05 |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 5,000,000.00 |
| Seiki Digital Company Limited | 0.00 | 4,275,553.07 |
| Total | 43,628,703.43 | 234,954,374.33 |

4) Cash paid relating to other investing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Intercourse funds (Tongfang Guoxin) | 30,000,000.00 | 0.00 |
| Construction project on behalf of others | 14,371,172.56 | 61,789,121.93 |
| Subscription margin for non-public offering | 14,000,000.00 | 0.00 |
| Performance bond to Shandong Property Rights Trading Center | 10,000,000.00 | 0.00 |
| LargeV Instrument Corporation Limited | 8,000,000.00 | 0.00 |
| Consultant fees paid for Xi'an Unilc Semiconductor Co., Ltd | 6,215,996.14 | 0.00 |
| Cash receipts from disposal of subsidiaries | 132,872.60 | 3,630,845.22 |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 5,000,000.00 |
| Seiki Digital Company Limited | 0.00 | 4,275,565.00 |
| Total | 82,720,041.30 | 74,695,532.15 |

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5) Cash received relating to other financing activities

| Item | Amount for the current year | Amount for the previous year |
|---|--------------------------------|------------------------------|
| Restricted cash recovered | 200,848,497.54 | 165,085,893.80 |
| Jintan Economic Development Zone Economic Industry Co., Ltd. | 86,400,000.00 | 0.00 |
| Consideration received related to disposal of 27% shares of Shenzhen Pango Microsystems Co., Ltd. | 13,840,000.00 | 0.00 |
| Stock subscription margin (Tsinghua Holdings Co., Ltd.) | 0.00 | 20,000,000.00 |
| Stock subscription margin (ICBC Credit Suisse Asset Management Co., Ltd.) | 0.00 | 15,000,000.00 |
| Stock subscription margin (Bosera Asset Management Co., Ltd.) | 0.00 | 15,000,000.00 |
| Stock subscription margin (Tsinghua UniGroup) | 0.00 | 5,000,000.00 |
| Relending loans from Fujin City Finance Bureau | 0.00 | 5,302,477.40 |
| Others | 0.00 | 16,504.27 |
| Total | 301,088,497.54 | 225,404,875.47 |

6) Cash paid relating to other financing activities

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|--|---|
| Tsinghua Holdings Co., Ltd. | 1,940,279,444.70 | 0.00 |
| Restricted cash | 81,620,539.66 | 208,529,224.29 |
| Return of subscription margin for non-public offering | 55,000,000.00 | 0.00 |
| Share issuance, bond raising fees and intermediary fees | 27,601,444.51 | 0.00 |
| Cash paid in purchasing non-controlling interests | 41,073,875.06 | 43,279,160.00 |
| Others | 0.00 | 380,415.38 |
| Total | 2,145,575,303.93 | 252,188,799.67 |

(2) Supplementary information of the consolidated cash flow statement

| Item | Amount for the current year | Amount for previous year |
|--|--------------------------------|-----------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities: | | |
| Net profit | 2,162,807,258.88 | 1,213,410,692.13 |
| Add: Provision for asset impairment | 478,441,797.28 | 276,329,197.27 |
| Depreciation of fixed assets | 602,813,987.03 | 543,357,627.24 |
| Amortization of intangible assets | 297,963,753.68 | 230,770,273.98 |
| Amortization of long-term deferred expenses | 25,337,873.78 | 49,057,544.30 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains is denoted by “-”) | -26,193,784.22 | -2,201,442.85 |
| Losses on written-off of fixed assets (gains is denoted by “-”) | 1,496,068.08 | 31,729.71 |
| Losses on changes in fair values (gains is denoted by “-”) | 229,039,605.97 | -128,133,757.82 |
| Financial expenses (gains is denoted by “-”) | 1,076,121,608.54 | 1,137,908,647.59 |
| Losses arising from investments (gains is denoted by “-”) | -2,641,676,433.65 | -877,402,615.56 |
| Decreases in deferred tax assets (increases is denoted by “-”) | -83,573,770.61 | 113,516,110.95 |
| Increases in deferred tax liabilities (decreases is denoted by “-”) | 13,561,977.83 | -124,973,968.99 |
| Decreases in inventories (increases is denoted by “-”) | -686,484,564.58 | -1,476,401,208.75 |
| Decreases in receivables from operating activities (increases is denoted by “-”) | -1,943,750,936.62 | -1,520,249,078.68 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Amount for the current year | Amount for previous year |
|---|-----------------------------|--------------------------|
| Increases in payables from operating activities (decreases is denoted by “-”) | 2,981,904,008.21 | 1,404,564,043.29 |
| Others | 12,956,558.72 | 16,519,510.88 |
| Net cash flows from operating activities | 2,500,765,008.32 | 856,103,304.69 |
| 2. Significant non-cash investing and financing activities: | | |
| Conversion of debt into capital | 0.00 | 0.00 |
| Convertible company bonds due within one year | 0.00 | 0.00 |
| Fixed assets acquired under finance leases | 0.00 | 0.00 |
| 3. Net changes in cash and cash equivalents: | | |
| Cash balance at the end of the year | 9,687,734,636.22 | 6,177,305,953.83 |
| Cash balance at the beginning of the year | 6,177,305,953.83 | 5,344,563,662.67 |
| Add: Cash equivalents balance at the end of the year | 0.00 | |
| Less: Cash equivalents at the beginning of the year | 0.00 | |
| Net increase in cash and cash equivalents | 3,510,428,682.39 | 832,742,291.16 |

(3) Cash and cash equivalents

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| Cash | 9,687,734,636.22 | 6,177,305,953.83 |
| Including: Cash on hand | 8,998,325.07 | 8,056,069.65 |
| Bank deposits without restriction | 9,591,895,056.04 | 6,154,575,512.64 |
| Other cash balances without restriction | 86,841,255.11 | 14,674,371.54 |
| Cash equivalents | 0.00 | 0.00 |
| Including: bond investment due within 3 months | 0.00 | 0.00 |
| Closing balance of cash and cash equivalents | 9,687,734,636.22 | 6,177,305,953.83 |
| Including: Cash and cash equivalents of the parent company and subsidiaries in the group with restriction | 0.00 | 0.00 |

58. Monetary items denominated in foreign currency

(1) Foreign currency monetaryitems

| Item | Foreign currency at the end of the year | Exchange rate | RMB at the end of the year |
|---------------------------------|---|---------------|----------------------------|
| Cash at bank and on hand | | | |
| Including: USD | 202,364,746.15 | 6.4936 | 1,314,075,715.60 |
| HKD | 714,760,837.41 | 0.83778 | 598,812,334.37 |
| EUR | 13,730,537.18 | 7.0952 | 97,420,907.40 |
| CAD | 133,103,319.77 | 4.6814 | 623,109,881.17 |
| GBP | 4,537,805.37 | 9.6159 | 43,635,082.66 |
| JPY | 44,800,097.00 | 0.053875 | 2,413,605.23 |
| Others | — | — | 64,643,980.58 |
| Accounts receivable | | | |
| Including: USD | 468,497,179.99 | 6.4936 | 3,042,233,287.98 |
| HKD | 12,156,264.64 | 0.83778 | 10,184,275.39 |
| EUR | 19,528,639.07 | 7.0952 | 138,559,599.93 |
| CAD | 2,720,459.93 | 4.6814 | 12,735,561.12 |
| GBP | 12,419,586.72 | 9.6159 | 119,425,503.94 |
| Others | — | — | 56,586,210.76 |
| Other receivables | | | |
| Including: USD | 2,245,830.74 | 6.4936 | 14,583,526.49 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Foreign currency at the end of the year | Exchange rate | RMB at the end of the year |
|--|---|---------------|----------------------------|
| HKD | 13,179,728.80 | 0.83778 | 11,041,713.19 |
| EUR | 1,834,769.53 | 7.0952 | 13,018,056.77 |
| CAD | 15,168,447.00 | 4.6814 | 71,009,567.79 |
| GBP | 2,112,395.07 | 9.6159 | 20,312,579.75 |
| Others | — | — | 14,021,911.41 |
| Accounts payable | | | |
| Including: USD | 393,342,628.42 | 6.4936 | 2,554,209,691.91 |
| HKD | 6,374,026.93 | 0.83778 | 5,340,032.28 |
| EUR | 5,218,805.65 | 7.0952 | 37,028,469.85 |
| CAD | 1,595,437.62 | 4.6814 | 7,468,881.67 |
| GBP | 4,723,379.83 | 9.6159 | 45,419,548.11 |
| JPY | 42,879,298.93 | 0.053875 | 2,310,122.23 |
| Others | — | — | 29,369,701.10 |
| Other payables | | | |
| Including: USD | 4,053,495.27 | 6.4936 | 26,321,776.89 |
| HKD | 21,602,594.87 | 0.83778 | 18,098,221.93 |
| EUR | 2,885,712.42 | 7.0952 | 20,474,706.76 |
| GBP | 1,000,924.37 | 9.6159 | 9,624,788.65 |
| Others | — | — | 18,177,889.63 |
| Short-term loans | | | |
| Including: USD | 278,178,267.17 | 6.4936 | 1,806,378,395.67 |
| EUR | 13,376,684.73 | 7.0952 | 94,910,253.47 |
| Others | — | — | 19,853,419.13 |
| Long-term loan | | | |
| Including: USD | 222,222,199.65 | 6.4936 | 1,443,022,075.67 |
| Long-term loans due within one year | | | |
| Including: USD | 79,700,000.00 | 6.4936 | 517,539,920.00 |

(2) Oversea business entity

Subsidiaries of the Company, TongFang Global Limited and TongFang HongKong Limited, are important overseas business entities with principal place of business in United States and Hong Kong respectively. The functional currency for both companies is in US dollars.

VII. Changes in the scope of consolidation

1. Disposal of subsidiaries

| Name of the subsidiary | Equity disposal consideration and residual equity fair value | Percentage of equity interest disposed | Method of disposal | losing control date | The basis of determining disposal date | The difference between disposal consideration and proportionate amount of net assets of the corresponding subsidiaries at the date of disposal |
|----------------------------|--|--|--------------------|---------------------|--|--|
| Tongfang Dingxin Co., Ltd. | 143,105,300.00 | 60% | For sale | 1 November 2015 | Transaction approval procedures have been fulfilled, Equity Transfer Agreement has been entered into force, transaction price has been charged in full | 79,763,677.09 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

2. On 1 September 2015, the Company transferred all shares it held which accounting for 94% in share capital of Tongfang Carbon Technology Co., Ltd. to the wholly-owned subsidiary Tongfang Computer Co., Ltd. The entire assets and liabilities of equity of Tongfang Carbon Technology Co., Ltd were merged into Tongfang Computer Co., Ltd after the acquisition, and its legal entity qualification was cancelled.

VIII. Interests in other entities

1. Interests in subsidiaries

(1) Constitution of the Group

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|-----------------------|--|
| TsingHua TongFang Artificial Environment Co., Ltd. | Level 1 | RMB 353,580,000.00 | 100.00% | Haidian, Beijing | Central air conditioning units, air and water purification systems |
| Wuxi TongFang Artificial Environment Co., Ltd. | Level 2 | RMB 80,000,000.00 | 100.00% | Wuxi, Jiangsu | Household air conditioning units |
| Beijing Tongfang Clean Technology Co., Ltd. | Level 2 | RMB 10,000,000.00 | 58.00% | Haidian, Beijing | Air and water purification systems |
| Tongfang Guoxin Co., Ltd. (002049.SZ) | Level 1 | RMB 606,817,968.00 | 41.38% | Tangshan, Hebei | Development, production and sales of smart card chips, special integrated circuits, quartz crystal and LED substrate materials |
| Tangshan Jingyuan Electronics Co., Ltd. | Level 2 | RMB 22,680,000.00 | 100.00% | Tangshan, Hebei | Development, production and sales of quartz crystal components and LED substrate materials |
| Beijing Jingyuan Yufeng Optical Electronics Co., Ltd. | Level 2 | RMB 5,000,000.00 | 100.00% | Chaoyang, Beijing | Quartz crystal device processing, optical lens vacuum coating and related sales and import and export business |
| Tongfang Microelectronics Company. | Level 2 | RMB 100,000,000.00 | 100.00% | Haidian, Beijing | Design, development and sales of semiconductor integrated circuit chip and related products |
| Wuxi Tongfang Microelectronics Co., Ltd. | Level 3 | RMB 30,000,000.00 | 70.00% | Wuxi, Jiangsu | Design, development and sales of semiconductor power devices and related products |
| Shenzhen State Microelectronics Co., Ltd | Level 2 | RMB 150,000,000.00 | 100.00% | Shenzhen, Guangdong | Design, development, sales of various types of integrated circuits, electronic information products and related technical services |
| Chengdu State Microelectronics Co., Ltd. | Level 3 | RMB 10,000,000.00 | 100.00% | Chengdu, Sichuan | Research and development, design, production and technical services of integrated circuit |
| Shenzhen Pango Microsystems Co., Ltd. | Level 3 | RMB 150,000,000.00 | 73.00% | Shenzhen, Guangdong | Research and development, production and sales of information security class integrated circuit and tool software; electronic information products and technical services, and other aspects of business |
| Pango Design Systems, Inc | Level 4 | USD 5,000.00 | 100.00% | California, USA | Research and development of integrated circuit and tool software, electronic information products |
| Edatech Design Solutions, Inc. | Level 4 | RMB 10,000,000.00 | 100.00% | Haidian, Beijing | Research and development consulting |
| Chengdu State Microelectronics Technology Co., Ltd. | Level 2 | RMB 40,000,000.00 | 100.00% | Chengdu, Sichuan | Research and development, production, sales and technical advisory services of communications equipment; project investment; property management |
| Tongxin Investment (Hong Kong) Co., Ltd. | Level 2 | HKD 10,000.00 | 100.00% | Hong Kong, China | Semiconductor high-tech enterprise project investment |
| Concore Investments Limited | Level 3 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Beijing Tongxin Chuangzhan Investment Co., Ltd. | Level 2 | RMB 80,000,000.00 | 100.00% | Haidian, Beijing | Project investment, investment management, asset management |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------------|---|
| Unigroup Guoxin Co., Ltd. | Level 2 | USD 5,000,000.00 | 76.00% | Xi'an, Shaanxi | Development and production of integrated circuit hardware and software and related products |
| SCS Advanced IC Technology Limited | Level 3 | USD 3,000,000.00 | 100.00% | Hong Kong, China | Development and production of integrated circuit hardware and software and related products |
| Tibet Tuozhang Chuangxin Investment Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Lhasa, Tibet | Equity investment, investment management |
| Tibet MaoYe Chuangxin Investment Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Lhasa, Tibet | Equity investment, investment management |
| Tibet Micro-Nano Industry Investment Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Lhasa, Tibet | Equity investment, investment management |
| Nuctech Company Limited | Level 1 | RMB 165,000,000.00 | 69.09% | Haidian, Beijing | Nuclear radiation container/item inspection system, industrial ray device |
| Nuctech HongKong Company Limited | Level 2 | HKD 22,597,400.00 | 100.00% | Hong Kong, China | Container inspection system installation services and technical support |
| Nuctech Sydney Pty Ltd. | Level 3 | AUD 75,000.00 | 90.00% | Sydney, Australia | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Warsaw Co., Limited Sp. z o.o. | Level 3 | PLN 12,400,000.00 | 99.99% | Warsaw, Poland | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Ankara Güvenlik Sistemleri Sanayi ve Dis Ticaret Limited Sirketi | Level 3 | TRY 650,000.00 | 80.00% | Ankara, Turkey | Installation, distribution and maintenance of X-ray inspection equipment |
| Deltrade 11 (Proprietary) Ltd. | Level 3 | ZAR 100.00 | 50.10% | South Africa | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Singapore Private Limited | Level 3 | SGD 1,500,000.00 | 100.00% | Singapore | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Panama, S.A. | Level 3 | USD 1,510,000.00 | 100.00% | Panama | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Do Brasil LTDA | Level 3 | USD 800,000.00 | 100.00% | Brazil | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech Middle East FZE | Level 3 | AED 70,000.00 | 100.00% | Dubai, United Arab Emirates | Installation, distribution and maintenance of X-ray inspection equipment |
| Nuctech South Africa (Pty) Ltd | Level 3 | ZAR 1,000.00 | 100.00% | Gauteng, South Africa | Installation, distribution and maintenance of X-ray inspection equipment |
| CRESCIENDO SPA | Level 3 | CLP 5,000,000.00 | 100.00% | Chile | Installation, distribution and maintenance of X-ray inspection equipment |
| GRANPECT COMPANY LIMITED | Level 2 | RMB 30,000,000.00 | 100.00% | Haidian, Beijing | Sales and installation of industrial radiological equipment |
| Beijing Hualixing Sci-tech Development Co., Ltd. | Level 2 | RMB 21,000,000.00 | 65.00% | Haidian, Beijing | Container inspection system installation services and technical support |
| Beijing Hanhong Investment Co., Ltd. | Level 2 | RMB 102,500,000.00 | 100.00% | Haidian, Beijing | Industrial investment, investment consulting |
| Tongfang Nuctech Jiangsu Technology Co., Ltd. | Level 2 | RMB 100,000,000.00 | 100.00% | Changzhou, Jiangsu | Research, development, production, sales and equipment installation services of nuclear instrumentation |
| LargeV Instrument Corporation Limited | Level 2 | RMB 13,500,000.00 | 57.00% | Haidian, Beijing | Instrumentation, medical equipment manufacturing, repair and related four-technics service |
| Beijing Tongfang Innovation Investment Co., Ltd. | Level 1 | RMB 180,000,000.00 | 100.00% | Haidian, Beijing | Technology development, service and high technology investment |
| Nanjing Tongfang Beidou Technology Co., Ltd. | Level 2 | RMB 5,000,000.00 | 100.00% | Nanjing, Jiangsu | Satellite navigation and positioning, timing communication and application system development |
| Liaoning Tongfang Security Technology Co., Ltd. | Level 2 | RMB 4,000,000.00 | 100.00% | Shenyang, Liaoning | Production and sales of fire detectors and other products |
| Tongfang Media (Beijing) Co., Ltd. | Level 2 | RMB 1,100,000.00 | 100.00% | Haidian, Beijing | Advertising agency and distribution |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|-----------------------|---|
| Beijing Tongfang Television Media Technology Co., Ltd. | Level 2 | RMB 5,000,000.00 | 60.00% | Haidian, Beijing | Research, development and sales of digital film playback server; digital film advertising services |
| Beijing Tongfang Jiaying Digital Cinema Line Co., Ltd. | Level 3 | RMB 100,000.00 | 100.00% | Haidian, Beijing | Film screenings; production, agency and releasing of advertisement |
| Beijing Tongfang Yiheng Venture Capital Center | Level 2 | RMB 10,000,000.00 | 70.00% | Haidian, Beijing | Investment management, asset management, investment consulting, project investment |
| Beijing ASK Tongfang Technology Co., Ltd. | Level 2 | RMB 28,843,223.41 | 100.00% | Haidian, Beijing | Research and development, sales of non-contact paper card, electronic tags, electronic licenses and smart card |
| Tongfang Industry Co., Ltd. | Level 1 | RMB 400,000,000.00 | 100.00% | Haidian, Beijing | Military/civilian industrial project investment and management, goods, technology import and export |
| Jiangxi Tongfang Changming Fire Fighting Vehicles Co., Ltd. | Level 2 | RMB 6,000,000.00 | 100.00% | Jingdezhen, Jiangxi | Fire engines, fire fighting equipment, gasoline and diesel generating units distribution |
| SK Mobile (China) Corporation | Level 2 | USD 25,000,000.00 | 100.00% | Urumqi, Xinjiang | Research & development, manufacturing and marketing of mobile communication terminal |
| Tongfang Jiangxin Ship building Co., Ltd. | Level 2 | RMB 535,000,000.00 | 100.00% | Jiangxi Hukou | Ship manufacturing, repair, steel structure manufacturing |
| Tongfang Industry Nanjing Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Nanjing, Jiangsu | Research and development, production, marketing, services of communications equipment, Beidou terminal, electronic products |
| Tongfang Electronic Science & Technology Co., Ltd. | Level 2 | RMB 160,000,000.00 | 100.00% | Jiujiang, Jiangxi | Military/civilian communications equipment, electronic products |
| Zhuhai Tongfang Aide Technology Co., Ltd. | Level 3 | RMB 5,000,000.00 | 94.00% | Zhuhai, Guangdong | Electronic communications, wireless network development, etc. |
| Tongfang Saiweixun Information Technology Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Chengdu, Sichuan | Research & development and sales of information system, radio monitoring system, remote sensing data application system and its supporting equipment |
| Shandong Tsinghua Tongfang Luying Electronics Co., Ltd. | Level 1 | RMB 80,000,000.00 | 97.00% | Yinan, Shandong | AC/DC ceramic capacitors, chip inductors and ceramic filters |
| Yinan Don's Electronic Component Co., Ltd. | Level 2 | USD 6,800,000.00 | 72.73% | Yinan, Shandong | Ceramic capacitors, AC capacitors, network capacitors |
| Tongfang Technology Park Co., Ltd. | Level 1 | RMB 50,000,000.00 | 100.00% | Haidian, Beijing | Development and management of science and technology park |
| Beijing Tongfang Star City Real Estate Co., Ltd. | Level 2 | RMB 58,000,000.00 | 100.00% | Huairou, Beijing | Real estate development and management |
| Jiujiang Tongfang Industry Co., Ltd. | Level 2 | RMB 35,653,100.00 | 100.00% | Jiujiang, Jiangxi | Real estate development, property management, indoor and outdoor decoration works |
| Beijing Tongfang Property Management Co., Ltd. | Level 1 | RMB 9,500,000.00 | 100.00% | Haidian, Beijing | Property management |
| Beijing Huaque Yudu Business Service Co., Ltd. | Level 2 | RMB 5,000,000.00 | 100.00% | Haidian, Beijing | Catering, entertainment services |
| Tongfang Computer Co., Ltd. | Level 1 | RMB 600,000,000.00 | 100.00% | Wuxi, Jiangsu | Production, sales and import and export of computer and related products; development and management of science and technology park and supporting facilities |
| Beijing Tongfang Information Security Technology Co., Ltd. | Level 2 | RMB 33,750,000.00 | 51.00% | Haidian, Beijing | Network security products and technical services |
| Xi'an Qingfen Tingxiu Electronic Information Technology Co., Ltd. | Level 2 | RMB 600,000.00 | 100.00% | Xi'an, Shaanxi | Computer information technology research and development, etc. |
| Tongfang HongKong (Suzhou) Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Suzhou, Jiangsu | Production and sales of computer and related products |
| Resuccess Investments Limited | Level 1 | USD 20,000,000.00 | 100.00% | Virgin Islands | Investment and management of science and technology projects |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|---------------------------------|---|
| Know China International Holdings Limited | Level 2 | USD 1.00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tsinghua Tongfang Knowledge Network Technology Co., Ltd.(Beijing) | Level 3 | USD 1,000,000.00 | 100.00% | Haidian, Beijing | Network knowledge storage and information retrieval |
| TF-EPI Co. Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment and management of science and technology projects |
| Tongfang Capital Management Co., Ltd. | Level 3 | USD 50,000,000.00 | 100.00% | Qianhai, Shenzhen | Initiated the establishment of equity investment enterprises; entrusted to manage the investment business of equity investment enterprises and provide related services; equity investment consulting |
| THTF Energy-Saving Holdings Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment holding |
| Neo-Neon Holdings Limited | Level 3 | HKD 500,000,000.00 | 51.75% | Cayman Islands | Investment holding |
| THTF Lighting Group Limited | Level 4 | USD 10,000,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon Development Co., Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| LED House Limited | Level 6 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Neo-Neon Enterprises Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Creation Lighting Co., Ltd. | Level 5 | TWD 80,000,000.00 | 100.00% | Taiwan, China | Real estate investment |
| Neo-Neon LED Lighting International Limited | Level 5 | USD 10,000.00 | 100.00% | Western Samoa Islands | Sales of decorative light products |
| Richmax Enterprises Ltd | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Star Bright International (Macao Commercial offshore) Ltd. | Level 7 | MOP 100,000.00 | 100.00% | Macau, China | Sales of decorative light products |
| Neo-Neon LED M&A Holdings Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon LED USA Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| American Lighting INC. | Level 7 | USD 7,944,505.00 | 100.00% | Colorado, USA | Sales of decorative light products |
| TIVOLI, LLC | Level 8 | USD 4,500,000.00 | 100.00% | California, USA | Sales of decorative light products |
| ILIO International Limited | Level 7 | USD 50,000.00 | 65.00% | Virgin Islands | Sales of decorative light products |
| DHC-Diogen Lighting, Inc. | Level 7 | USD 8,200,000.00 | 100.00% | Colorado, USA | Sales of decorative light products |
| Neo-Neon LED Europe Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon Europe GmbH | Level 7 | EUR 325,000.00 | 100.00% | North Rhine-Westphalia, Germany | Sales of decorative light products |
| Neo-Neon LED Asia Holdings Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Power (HK) Limited | Level 7 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Mitcham Profits Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Product marketing management services |
| Cashware Technology Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Product research services |
| Neo-Neon China Limited | Level | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |

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| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------|--|
| | 5 | | | | |
| Heshan Tongfang Lighting Technology Co., Ltd. | Level 6 | USD 300,000,000.00 | 100.00% | Jiangmen, Guangdong | Research & development and manufacturing of LED optoelectronic devices, optoelectronic special materials, optical fiber, new display and photoelectric installation; design and manufacture of metal and non-metal products mold; production of various lighting and accessories; manufacture and sales of light emitting diode (LED) chip; production and sales of PVC rubber particles, wire and cable; research & development, production and sales of audio and video products; product after-sales maintenance services |
| Hong Kong Lide Electronic Company Limited | Level 7 | HKD 10,000.00 | 100.00% | Hong Kong, China | Sales of decorative light products |
| Guangdong Neo-Neon Green Light Technology Business Incubator Co., Ltd. | Level 7 | RMB 10,000,000.00 | 100.00% | Jiangmen, Guangdong | Investment; provide business counseling, technology research and development, industrial design, financing, government project approval intermediary technology services for green light, optoelectronics and semiconductor-related areas |
| Heshan City Yinyu Lighting Co., Ltd. | Level 7 | RMB 50,000,000.00 | 100.00% | Jiangmen, Guangdong | Production, processing, marketing of various lighting and accessories |
| Jiangmen Ante Force Standard Testing Co., Ltd. | Level 8 | RMB 3,000,000.00 | 100.00% | Jiangmen, Guangdong | Electronic product safety, electromagnetic compatibility, physical and chemical technology testing services; detection services and sales of equipment, instrumentation, test sequence equipment; development and sales of electronic products and accessories, microelectronics products, electronic components, mechanical and electrical products; import and export of goods and technology; patent agents, trademark agents, standard test information consultation |
| Jiangmen Yinyu Energy Saving Investment Service Co., Ltd. | Level 8 | RMB 10,000,000.00 | 100.00% | Jiangmen, Guangdong | Energy-saving project investment, sales of lamps and accessories products; LED energy-saving technical services |
| Jiangmen City Fei Fan Bi Space Design Engineering Co., Ltd. | Level 8 | RMB 5,000,000.00 | 100.00% | Jiangmen, Guangdong | Lighting engineering, mechanical and electrical equipment installation works, building intelligent projects; interior lighting design, landscape lighting design, road lighting design, decorative design; sales of Industrial automation control equipment, building materials, labor insurance supplies |
| Heshan Yinyu Electronic Commerce Co., Ltd. | Level 8 | RMB 5,000,000.00 | 100.00% | Jiangmen, Guangdong | Sales of lighting and accessories, LED lighting product; LED project design, LED lighting products after-sales service and technical advice |
| Shenzhen Ming Li Audio and Video Technology Development Co., Ltd. | Level 8 | RMB 9,030,000.00 | 85.00% | Shenzhen, Guangdong | Sales of audio equipment; production and sales of LED display, LED lighting; installation works; computer information system integration and software development; development and sales of electronic products, LED optoelectronic applications hardware and software; establishment of industries; domestic business, material supply and marketing industry, operating import and export business, sales of own products and provide installation services |
| Heshan City Fung Choi Optoelectronics Technology Co., Ltd. | Level 8 | RMB 5,095,314.00 | 51.00% | Jiangmen, Guangdong | Production, research & development and sales of LED bulb series products |

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| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|----------------------------|---|
| Beijing Neo-Neon Optoelectronics Technology Co., Ltd. | Level 8 | RMB 20,000,000.00 | 51.00% | Shijingshan, Beijing | Technology development, technology promotion, technology transfer, technical advice; marketing planning; investment management; product design; sales of machinery and electrical equipment, special equipment, lamps, building materials, etc. |
| Shenzhen Tongfang Yiheng Fund Management Co., Ltd. | Level 7 | RMB 10,000,000.00 | 100.00% | Shenzhen, Guangdong | Investment management, asset management, investment consulting, project investment |
| Shanghai Cui Neng Optoelectronics Technology Co., Ltd. | Level 6 | USD 600,000.00 | 100.00% | Minhang, Shanghai | Investment holding |
| Tianjin Neo-Neon Optoelectronics Co., Ltd. | Level 6 | USD 690,000.00 | 100.00% | Dongli, Tianjin | Research & development, design, production and sales of LED lighting, lighting fixtures and lighting appliances |
| Heshan Mingji Co., Ltd. | Level 6 | USD 420,000.00 | 51.00% | Jiangmen, Guangdong | Research and development, design, production and operation of stage lighting products |
| Heshan Jinyu Lighting Engineering Co., Ltd. | Level 6 | USD 150,000.00 | 100.00% | Jiangmen, Guangdong | Engaged in indoor and outdoor lighting design and installation |
| Mentle International Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Sales of decorative light products |
| Neo-Neon Trading Co., Ltd. | Level 5 | USD 1,000,000.00 | 100.00% | Western Samoa Islands | Investment holding |
| Total Contribution Development Limited | Level 6 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Success Link Investments Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Melrose Holdings Limited | Level 8 | HKD 10,000.00 | 100.00% | Hong Kong, China | Investment holding |
| Max Choice International Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Geni Electronics Company Ltd | Level 7 | HKD 10,000.00 | 51.00% | Hong Kong, China | Investment holding |
| Billion Choice Trading Limited | Level 7 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Yangzhou Tongfang Semiconductor Co., Ltd. | Level 8 | USD 50,000,000.00 | 100.00% | Yangzhou, Jiangsu | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip and LED epitaxial wafers, and so on |
| Guangdong Yinyu Chip Semiconductor Co., Ltd. | Level 8 | USD 30,000,000.00 | 100.00% | Jiangmen, Guangdong | Production, research and development, sales of LED general lighting, light-emitting diodes, LED chip, LED epitaxial wafers, LED package and so on |
| Ritelight Overseas Limited | Level 8 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Lide Trade Co., Ltd. | Level 6 | MOP 25,000.00 | 100.00% | Macau, China | Related trade activities |
| Neo-Neon Venture (BVI) Ltd. | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Ever Green Illumination B.V. | Level 6 | EUR 90,000.00 | 51.00% | Noord Brabant, Netherlands | Sales of decorative lights |
| Neo Neon UK PLC | Level 6 | GBP 50,000.00 | 90.00% | Buckinghamshire, UK | Sales of decorative lights |
| Choicelord Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Trading of decorative light products |
| Mentle International Limited | Level 5 | HKD 10,000.00 | 100.00% | Hong Kong, China | Investment holding |
| Neo-Neon UK Investment Limited | Level 6 | GBP 100.00 | 100.00% | Buckinghamshire, UK | Investment holding |
| Jade Power Development Limited | Level 5 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--|--------------------------------|-----------------------------|--|
| Neo-Neon Lighting Design & Engineering Ltd. | Level 5 | HKD 1,000,000.00 | 100.00% | Hong Kong, China | Design of decorative light products |
| Neo-Neon International Limited | Level 5 | USD 1,000,000.00 | 100.00% | Western Samoa Islands | Production and sales of decorative lights |
| Maincharm International Limited | Level 4 | USD 50,000.00 | 100.00% | Virgin Islands | Investment holding |
| Neo-Neon (Vietnam) Development Company Limited | Level 5 | USD 28,000,000.00 | 100.00% | Thai Binh Province, Vietnam | Production and sales of LED lighting, decorative lights series products; rice bubble decorative lights production and decorative lighting accessories production and sales; production and sales of stage lights series products |
| THTF MACAO Co., Ltd. | Level 2 | MOP 25,000.00 | 100.00% | Macau, China | Information technology, environmental protection consultants, sales of information electronic products and environmental protection products |
| Beijing Tongfang Electronic Commerce Co., Ltd. | Level 3 | RMB 135,000,000.00 | 100.00% | Haidian, Beijing | E-commerce project investment |
| Huai'an Airport Tongfang Water Co., Ltd. | Level 3 | USD 10,000,000.00 | 100.00% | Huai'an, Jiangsu | Water sector construction, operation, new technology development, research, production and sales of new water products |
| TF Lighting Engineering Limited | Level 2 | USD 50,000.00 | 100.00% | Cayman Islands | Investment holding |
| Beijing Tongfang Optoelectronic Environment Co., Ltd. | Level 3 | USD 750,000.00 | 100.00% | Haidian, Beijing | Research & development and production of energy-saving LED lighting products |
| Technovator International Limited | Level 1 | USD 24,198,100.00 and HKD 1,422,120,300.00 | 33.72% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| DISTECH CONTROLS PTE LTD | Level 2 | USD 1,000,000.00 | 100.00% | Singapore | Design, manufacture and sales of integrated building automation and energy management systems and security and fire protection systems |
| Tongfang Technovator Int. (Beijing) Co., | Level 2 | USD 20,000,000.00 | 100.00% | Huairou, Beijing | Design, manufacture and sales of building automation solutions |
| Tongfang Technovator Intelligence Technology (Shanghai) Co., Ltd. | Level 3 | RMB 10,000,000.00 | 40.00% | Putuo, Shanghai | Sales of building automation solutions |
| Tongfang Technovator Software (Beijing) Co., Ltd. | Level 3 | RMB 10,000,000.00 | 100.00% | Huairou, Beijing | Software development, information systems integration services, sales of machinery and equipment, electronic products, computers, software and auxiliary equipment, etc. |
| Tongfang Technovator Int (Chongqing) Co., Ltd. | Level 3 | RMB 6,250,000.00 | 52.00% | Jiangbei, Chongqing | Weak and energy-saving project implementation and product sales |
| TFRH Investments Limited | Level 2 | USD 30,000.00 | 100.00% | Cayman Islands | Investment holding |
| Tongfang Energy Saving Engineering Technology Co., Ltd. | Level 3 | RMB 66,666,700.00 | 100.00% | Haidian, Beijing | Absorption heat pump engineering and related projects investment business |
| Friendship Heating Company | Level 4 | RMB 30,000,000.00 | 100.00% | Shuangyashan, Heilongjiang | Heat recovery and so on |
| Excel Perfect Investments Co., Ltd. | Level 2 | HKD 1.00 | 100.00% | Hong Kong, China | Investment holding |
| TongFang Global Limited | Level 1 | USD 10,000,000.00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| TongFang Global Inc. | Level 2 | USD 1,000,000.00 | 100.00% | California, USA | Digital TV and other consumer electronics products distribution |
| TongFang Global (UK) Co., Limited | Level 2 | GBP 1.00 | 100.00% | Welsh, UK | Digital TV and other consumer electronics products distribution |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|---|---------|--------------------|--------------------------------|-----------------------|---|
| TongFang Global (Germany) GmbH | Level 2 | EUR 2,025,000.00 | 100.00% | Frankfurt, Germany | Digital TV and other consumer electronics products distribution |
| TongFang Global (Canada) Inc. | Level 2 | CAN 100.00 | 100.00% | Ontario, Canada | Digital TV and other consumer electronics products distribution |
| Tongfang Optoelectronics (Shenyang) Co., Ltd. | Level 2 | HKD 20,000,000.00 | 100.00% | Shenyang, Liaoning | Production and sales of liquid crystal display and related modules |
| Westinghouse Electronics Limited | Level 2 | USD 1,000,000.00 | 100.00% | Hong Kong, China | Digital TV and other consumer electronics products distribution |
| Tongfang HongKong Limited | Level 1 | USD 8,000,000.00 | 100.00% | Hong Kong, China | Computer product development and sales |
| Tongfang HongKong (Shenzhen) Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Shenzhen, Guangdong | Computer product development and sales |
| Tongfang Computer (Suzhou) Co., Ltd. | Level 3 | RMB 5,000,000.00 | 100.00% | Suzhou, Jiangsu | Computer product development and production |
| THTF U.S.A. Inc. | Level 1 | USD 2,490,000.00 | 100.00% | California, USA | Investment and management of science and technology projects |
| TongFang Asia Pacific (R&D Center) Pte Ltd. | Level 1 | USD 3,000,000.00 | 100.00% | Singapore | Intelligent building engineering technology research and development |
| Tongfang R.I.A Company Limited | Level 1 | RMB 70,580,000.00 | 85.00% | Haidian, Beijing | Card base storage, radio frequency identification technology and application; import and export business |
| Beijing Tongfang Software Co., Ltd. | Level 1 | RMB 41,000,000.00 | 90.24% | Haidian, Beijing | Internet of Things applications, support and process control software and related hardware, value-added telecommunications services |
| Wuxi Tongfang Rongda Information Technology Co., Ltd. | Level 2 | RMB 19,000,000.00 | 57.89% | Wuxi, Jiangsu | Internet of things software development and system integration |
| Chongqing Tongfang Rongda Information Technology Co., Ltd. | Level 2 | RMB 20,000,000.00 | 100.00% | Beixin, Chongqing | Internet of things software development and system integration |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Level 1 | RMB 80,000,000.00 | 100.00% | Haidian, Beijing | Network information services, electronic publications and database development and sales |
| Shanxi Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Level 2 | RMB 50,000,000.00 | 100.00% | Taiyuan, Shanxi | Development of databases, computer hardware and software, computer network system; sales of database, computer hardware and software, computer network system; electronic technology development, technology transfer, technical advice |
| Shanxi Tongfang Knowledge Network Printing Co., Ltd. | Level 2 | RMB 20,000,000.00 | 100.00% | Taiyuan, Shanxi | Publications, other prints. Advertising production; packaging binding; import and export business |
| Beijing Tongfang Compact Disc Co., Ltd. | Level 1 | RMB 40,000,000.00 | 100.00% | Haidian, Beijing | Electronic communication equipment, network system equipment, CD-ROM audio-visual equipment and CD-ROM materials |
| Beijing Tongfang Biochip Technology Co., Ltd. | Level 2 | RMB 22,000,000.00 | 100.00% | Miyun, Beijing | Technology development, consultation, communication, promotion, diffusion, transfer; application software services; sales of computers, software and auxiliary equipment, instrumentation; import and export of technology, import and export of agents, import and export of goods |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Level 1 | RMB 318,000,000.00 | 100.00% | Shenyang, Liaoning | Development and production of digital television and digital audio and video products, LCD module product |
| Shenyang Tongzhen Precision Electronic Technology Co., Ltd. | Level 2 | RMB 18,000,000.00 | 70.00% | Shenyang, Liaoning | Wire and connector development and production |
| Shenzhen Tongfang Multimedia Technology Co., Ltd. | Level 1 | RMB 300,000,000.00 | 100.00% | Shenzhen, Guangdong | Digital audio/video and information industry technology and products |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|-----------------------|--|
| Tongfang Optoelectronic (HK) Limited | Level 1 | USD 20,000,000.00 | 45.00% | Hong Kong, China | LCD module products, LED chip and light bar, light guide plate and optical materials development, production, technical services |
| Guangdong Tongfang Lighting Co., Ltd. | Level 2 | HKD 40,500,000.00 | 100.00% | Guangzhou, Guangdong | Semiconductor application technology development; semiconductor devices, electronic components, lighting electrical equipment, electronic display, lighting manufacturing and installation |
| Shenzhen Tongfang Optoelectronics Technology Co., Ltd. | Level 2 | HKD 28,000,000.00 | 100.00% | Shenzhen, Guangdong | LED LCD module production and operation, research and development of LCD, LED chips and light bar, light guide plate, optical materials, etc; technical advisory services |
| Shenyang Tongfang Technology Park Co., Ltd. | Level 1 | RMB 160,000,000.00 | 100.00% | Shenyang, Liaoning | Construction, development and management of supporting facilities of science and technology park; project investment; housing leasing; property management |
| Liaoning Tongfang Yinzhou Science and Technology Parks Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Tieling, Liaoning | Science and technology park and supporting facilities development and management |
| Beijing Tongfang Lingxun Technology Co., Ltd. | Level 1 | RMB 250,000,000.00 | 94.48% | Haidian, Beijing | Microelectronics integrated circuits, radio and television, information appliances |
| Beijing Tongfang Gigamega Technology Co., Ltd. | Level 1 | RMB 120,000,000.00 | 100.00% | Haidian, Beijing | Radio and television transmission, communication channels and industrial control equipment |
| Anshan Tongfang Jizhao Radio and Television Equipment Co., Ltd | Level 2 | RMB 6,000,000.00 | 100.00% | Anshan, Liaoning | Radio and television transmission and differential transmission equipment |
| Beijing Tongfang Jizhao Radio and Television Equipment Co., Ltd | Level 2 | RMB 2,000,000.00 | 100.00% | Miyun, Beijing | TV transmitter, FM transmitter production |
| Tongfang Health Technology (Beijing) Co., Ltd. | Level 1 | RMB 51,800,000.00 | 80.00% | Haidian, Beijing | Sports technology products, sports competition management system; import and export of technology goods |
| Beijing Tongfang Education and Training School | Level 1 | RMB 1,000,000.00 | 100.00% | Haidian, Beijing | Education and training |
| Nantong Tongfang Semiconductor Co., Ltd. | Level 1 | RMB 814,000,000.00 | 100.00% | Nantong, Jiangsu | Development, production and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Tongfang Optoelectronics Technology Co., Ltd. | Level 2 | RMB 80,000,000.00 | 100.00% | Shunyi, Beijing | Development, production and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Tongfang (Zhejiang) Lighting Technology Co., Ltd. | Level 3 | RMB 10,000,000.00 | 51.00% | Huzhou, Zhejiang | Production and sales of ballasts, energy-saving lamps, lighting appliances and electrical appliances |
| TongFang Semiconductor (HongKong) Co., Limited | Level 2 | USD 7,500,000.00 | 100.00% | Hong Kong, China | Technology research and development and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Nantong Tongfang Technology Park Co., Ltd. | Level 1 | RMB 200,000,000.00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Nantong Tongjing Property Co., Ltd. | Level 2 | RMB 8,000,000.00 | 100.00% | Nantong, Jiangsu | Construction and management of science and technology park |
| Qingxin Optoelectronics Co., Ltd. | Level 1 | USD 10,000,000.00 | 55.00% | Langfang, Hebei | Development, production and sales of high brightness light emitting diode (LED) epitaxial wafers and chips |
| Huai'an Tongfang Water Affairs Co., Ltd. | Level 1 | RMB 110,000,000.00 | 49.55% | Huai'an, Jiangsu | Hebei Langfang water project investment, construction, operation |
| Wuhu Tongfang Water Affairs Co., Ltd. | Level 2 | RMB 10,000,000.00 | 100.00% | Wuhu, Anhui | Sewage treatment plant construction, operation |
| Huizhou Tongfang Water Affairs Co., Ltd. | Level 1 | RMB 36,000,000.00 | 100.00% | Huizhou, Guangdong | Hebei Langfang water project investment, construction, operation |
| Longjiang Environmental Protection Group Co., Ltd. | Level 1 | RMB 320,000,000.00 | 30.7813% | Harbin, Heilongjiang | Hebei Langfang water project investment, construction, operation |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the Company | Level | Registered capital | Proportion of shareholding (%) | Place of registration | Main business |
|--|---------|--------------------|--------------------------------|----------------------------|--|
| Jiamusi Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 90,000,000.00 | 97.22% | Jiamusi, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Harbin Ping Yi Longjiang Environmental Water Treatment Co., Ltd. | Level 2 | RMB 95,000,000.00 | 100.00% | Harbin, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Zhaodong Longjiang Environmental Water Affairs Co., Ltd. | Level 3 | RMB 10,000,000.00 | 100.00% | Zhaodong, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Fujin Longjiang Environmental Water Affairs Co., Ltd. | Level 3 | RMB 10,000,000.00 | 100.00% | Fujin, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Heihe Longjiang Environmental Water Treatment Co., Ltd. | Level 3 | RMB 15,000,000.00 | 100.00% | Heihe, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Ning'an Longjiang Environmental Water Treatment Co., Ltd. | Level 3 | RMB 6,000,000.00 | 100.00% | Ning'an, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Shenzhen Longjiang Ward Environmental Protection Co., Ltd. | Level 3 | RMB 100,000,000.00 | 100.00% | Shenzhen, Guangdong | Hebei Langfang water project investment, construction, operation |
| Shanghai Longjiang Water Affairs Co., Ltd. | Level 3 | RMB 100,000,000.00 | 100.00% | Shanghai Free-Trade Zone | Water conservancy and hydropower construction project construction, Environmental protection engineering project construction |
| Mudanjiang Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 120,000,000.00 | 100.00% | Mudanjiang, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Jixi Longjiang Environmental Water Treatment Co., Ltd. | Level 2 | RMB 36,000,000.00 | 100.00% | Jixi, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Mudanjiang Longjiang Environmental Water Supply Co., Ltd. | Level 2 | RMB 260,000,000.00 | 100.00% | Mudanjiang, Heilongjiang | Water production, sales and related services |
| Mudanjiang City Water Supply Engineering Co., Ltd. | Level 3 | RMB 20,000,000.00 | 100.00% | Mudanjiang, Heilongjiang | Water supply construction |
| Anda Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 30,000,000.00 | 100.00% | Anda, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Jiamusi Longjiang Environmental Water Supply Co., Ltd. | Level 2 | RMB 240,000,000.00 | 100.00% | Jiamusi, Heilongjiang | Water production, sales and related services |
| Harbin Jincheng Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 66,000,000.00 | 100.00% | Harbin, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Harbin Wen Tai Sheng Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 100,000,000.00 | 100.00% | Harbin, Heilongjiang | Water industry investment, construction, operation; water related technology development; water equipment development and sales |
| Shuangyashan Longjiang Environmental Water Affairs Co., Ltd. | Level 2 | RMB 66,000,000.00 | 100.00% | Shuangyashan, Heilongjiang | Hebei Langfang water project investment, construction, operation |
| Beijing ERENEBEN Information Technology Co., Ltd. | Level 1 | RMB 100,000,000.00 | 100.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Beijing Everest Mobile Communications Co., Ltd. | Level 2 | RMB 50,000,000.00 | 60.00% | Tongzhou, Beijing | Development, production and sales of mobile communication terminal, mobile phone, computer product; Internet information services business |
| Beijing Tongfang Electronic Payment Technology Co., Ltd. | Level 1 | RMB 100,000,000.00 | 100.00% | Haidian, Beijing | Third party payment business |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Important non-wholly-owned subsidiaries

| Name of the subsidiary | NCI shareholding ratio | Profit or loss attributable to NCI in the current year | Declaration of cash dividends to non-controlling shareholders | Non-controlling interests at the end of the year |
|--|------------------------|--|---|--|
| Longjiang Environmental Protection Group Co., Ltd. | 69.22% | 50,623,337.07 | 0.00 | 639,739,550.31 |
| Technovator International Limited | 66.28% | 495,723,002.56 | 0.00 | 1,326,167,181.74 |
| Tongfang Guoxin Co., Ltd. | 58.62% | 194,931,149.53 | 35,570,272.40 | 1,753,600,137.75 |
| Neo-Neon Holdings Limited | 48.25% | 1,479,773.79 | 0.00 | 561,833,347.25 |
| Nuctech Company Limited. | 30.91% | 163,622,820.18 | 51,700,000.00 | 504,278,475.37 |

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

| Name of the subsidiary | Closing balance | | | | | |
|--|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Longjiang Environmental Protection Group Co., Ltd. | 797,122,963.56 | 4,377,687,359.09 | 5,174,810,322.65 | 2,614,628,632.57 | 1,638,312,880.30 | 4,252,941,512.87 |
| Technovator International Limited | 3,240,874,315.11 | 778,638,465.56 | 4,019,512,780.67 | 1,979,928,724.48 | 33,474,977.92 | 2,013,403,702.40 |
| Tongfang Guoxin Co., Ltd. | 2,076,123,557.01 | 2,065,856,982.30 | 4,141,980,539.31 | 595,210,563.90 | 597,034,593.99 | 1,192,245,157.89 |
| Neo-Neon Holdings Limited | 964,982,232.84 | 425,595,087.44 | 1,390,577,320.28 | 209,182,786.23 | 17,910,488.96 | 227,093,275.19 |
| Nuctech Company Limited | 6,633,145,722.79 | 1,005,777,078.53 | 7,638,922,801.32 | 5,831,355,275.02 | 260,609,402.48 | 6,091,964,677.50 |

(Continued 1)

| Name of the subsidiary | Opening balance | | | | | |
|--|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Longjiang Environmental Protection Group Co., Ltd. | 561,739,114.41 | 3,977,909,063.46 | 4,539,648,177.87 | 1,994,660,745.79 | 1,696,042,911.21 | 3,690,703,657.00 |
| Technovator International Limited | 1,404,522,771.01 | 873,991,778.90 | 2,278,514,549.91 | 1,124,104,066.49 | 333,490,798.58 | 1,457,594,865.07 |
| Tongfang Guoxin Co., Ltd. | 1,760,971,259.79 | 1,739,911,728.32 | 3,500,882,988.11 | 381,283,601.98 | 481,683,306.83 | 862,966,908.81 |
| Neo-Neon Holdings Limited | 978,476,264.65 | 451,515,561.39 | 1,429,991,826.04 | 273,229,295.68 | 20,005,338.15 | 293,234,633.83 |
| Nuctech Company Limited | 3,740,487,186.70 | 756,998,004.07 | 4,497,485,190.77 | 3,232,687,358.59 | 48,945,376.06 | 3,281,632,734.65 |

(Continued 2)

| Name of the subsidiary | Amount for the current year | | |
|--|-----------------------------|--------------------------|--------------------------|
| | Revenue of main business | Revenue of main business | Profit before income tax |
| Longjiang Environmental Protection Group Co., Ltd. | 719,273,030.55 | 398,708,271.62 | 97,325,202.73 |
| Technovator International Limited | 1,603,477,352.49 | 1,127,120,771.42 | 784,619,663.47 |
| Tongfang Guoxin Co., Ltd. | 1,246,126,693.42 | 733,663,451.82 | 396,016,021.05 |
| Neo-Neon Holdings Limited | 599,521,025.25 | 431,444,817.04 | 9,476,081.51 |
| Nuctech Company Limited. | 3,491,990,695.28 | 2,192,111,297.48 | 596,257,708.07 |

(Continued 3)

| Name of the subsidiary | Amount for the previous year | | |
|--|------------------------------|--------------------------|--------------------------|
| | Revenue of main business | Revenue of main business | Profit before income tax |
| Longjiang Environmental Protection Group Co., Ltd. | 635,880,448.22 | 333,814,482.07 | 92,123,150.62 |
| Technovator International Limited | 1,310,602,552.79 | 856,612,469.66 | 217,594,387.90 |
| Tongfang Guoxin Co., Ltd. | 1,083,040,436.82 | 658,452,593.92 | 338,243,238.38 |
| Neo-Neon Holdings Limited | 302,391,397.43 | 214,672,056.00 | -4,396,744.31 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Amount for the previous year | | |
|--------------------------|------------------------------|--------------------------|--------------------------|
| | Revenue of main business | Revenue of main business | Profit before income tax |
| Nuctech Company Limited. | 3,177,213,899.85 | 2,119,688,313.58 | 469,930,607.75 |

2. Interests in joint ventures and associates

(1) Joint ventures and associates

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Principal business |
|--|----------------------------|-----------------------------|-----------------------|---|
| Aegon THTF Life Insurance Co., Ltd. (Originally known as "AEGON-CNOOC Life Insurance Co., Ltd.") | 50.00% | 50.00% | Pudong, Shanghai | Life insurance, health insurance and accident insurance and other insurance business and its reinsurance business |
| Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 50.00% | 50.00% | Langfang, Hebei | Absorption freezer series products |
| Chongqing Guo Xin Investment Holding Co., Ltd. | 30.73% | 30.73% | Chongqing | Investment holding and provide related services to its invested enterprises |
| Tongfang Investment Co., Ltd. | 45.45% | 45.45% | Weifang, Shandong | Project investment and management, advisory services |
| Tellhow Sci-Tech Co., Ltd. | 16.66% | 16.66% | Nanchang, Jiangxi | Intelligent building electrical, generators and units, equipment, information products |
| Jarun Investment Co., Ltd. | 50.00% | 50.00% | Pudong, Shanghai | Industrial investment, venture capital, investment management and related consultation |
| Tongfang Environment Co., Ltd. | 31.50% | 31.50% | Haidian, Beijing | Environmental engineering consulting, design, construction; engineering, procurement and construction; clean new energy power generation and environmental protection technology, engineering research, design, development, transfer, consultation, introduction and service |
| Easyway Technology Co., Ltd. | 33.60% | 33.60% | Haidian, Beijing | Railway passenger dedicated line information service system, ticket system |
| Tongfang Tellhow Comic And Animation Industry Investment Co., Ltd. | 40.00% | 40.00% | Nanchang, Jiangxi | Development, production and operation of animation image and related derivative products |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 37.50% | 37.50% | Kunming, Yunnan | IT and power high-tech products |
| Advanced Systems Development Co., Ltd. | 20.00% | 20.00% | Haidian, Beijing | Computer hardware and software products, application services, labor dispatch, production of Class II medical devices |
| Beijing Global Safety Technology Co., Ltd. | 11.25% | 11.25% | Haidian, Beijing | Research and development, production and sales of public safety emergency equipment, radiation detection instrumentation and related computer hardware and software |
| Tianjin Enorth Netnews Co., Ltd. | 49.00% | 49.00% | Hedong, Tianjin | Construction and management of wireless digital terrestrial broadcasting system |
| NuRay Technology Co., Ltd. | 70.00% | 70.00% | Changzhou, Jiangsu | Research & development, design, production of nano-materials field emission multi-point (including single point) X-ray light source products and their components, sales of own products, and provide after-sale machine-related technical services |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 35.00% | 35.00% | Zuoyun, Shanxi | Coal gangue power generation |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Quanzhou, Fujian | Construction and management of wireless digital terrestrial broadcasting system |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 40.00% | 40.00% | Xi'an, Shaanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd. | 49.00% | 49.00% | Shangqiu, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Military electronic label |
| Puyang BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Puyang, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Xuchang, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Rizhao, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Nanyang, Henan | Digital TV technology consultation, sales of electronic products, communications products; design, production, agency and releasing of advertisement |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Principal business |
|---|----------------------------|-----------------------------|-----------------------|---|
| Beijing Maixin Litong Technology Co., Ltd. | 15.00% | 15.00% | Haidian, Beijing | Purchase and sale of communications equipment, computer, software and auxiliary equipment |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Yuncheng, Shanxi | Construction and management of wireless digital terrestrial broadcasting system |
| Zhangjiakou TV Culture Media Co., Ltd. | 49.00% | 49.00% | Zhangjiakou, Hebei | Investment, development, construction, management of terrestrial digital TV, mobile multimedia radio and television, pay TV; design, production, agency and releasing of advertisement |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Kaifeng, Henan | Construction and management of wireless digital terrestrial broadcasting system |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 49.00% | 49.00% | Dazhou, Sichuan | Construction and management of wireless digital terrestrial broadcasting system |
| Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 25.00% | 25.00% | Guangzhou, Guangdong | Refrigeration and air conditioning equipment manufacturing, etc. |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Tianmen, Hubei | Construction and management of wireless digital terrestrial broadcasting system |
| CINTS Company Limited | 50.00% | 50.00% | Haidian, Beijing | Research and development, production and sales of instrumentation and complete sets of facilities and equipment; insecticide treatment; import or export of goods or technology |
| Luoyang Tongfang Digital Television Co., Ltd. | 41.00% | 41.00% | Luoyang, Henan | Development, application, maintenance, technical consulting and service of wireless digital television network; sales and maintenance of terrestrial digital TV receiving terminal products (excluding satellite ground receiving facilities) |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Control system software development |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 46.00% | 46.00% | Changchun, Jilin | Computer and information products, people-loop control device, instrumentation |
| Binzhou BC&TV Tongfang Digital Television Co., Ltd. | 49.00% | 49.00% | Binzhou, Shandong | Construction and management of wireless digital terrestrial broadcasting system |
| Tongfang Cloud Computing Technology Co., Ltd. | 29.40% | 29.40% | Shenzhen, Guangdong | Cloud computing technology development; computer hardware and software technology development consulting |
| Jiujiang Jiahua Piezoelectric Crystal Materials Co., Ltd. | 30.00% | 30.00% | Jiujiang, Jiangxi | Production, processing, sales of piezoelectric crystal materials and related products |
| Hubei Yinyu Lighting Co., Ltd. | 10.00% | 10.00% | Wuhan, Hubei | Design, production, processing, sales of lighting and accessories, LED lamps and accessories; import and export of goods, import and export of technology |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 40.00% | 40.00% | Beixin, Chongqing | Communications equipment, embedded electronic systems, computer hardware and software development, production and marketing and technical services |
| Neo-Neon (Beijing) Optoelectronics Technology Research Institute | 51.00% | 51.00% | Shijingshan, Beijing | Engineering and technological research and experimental development; technology development, technical services, etc.; undertake exhibition activities; exhibition hall layout and design; Investment consulting; economic and trade consulting; marketing planning; organization, preparations, etc; import and export of technology, import and export of goods; sales of machinery and electrical equipment, electronic products |
| Technovator Qatar | 49.00% | 49.00% | Qatar | |
| Lime PC Multimedia Technologies Co., Limited | 50.00% | 50.00% | Hong Kong, China | Computers, digital TV and other consumer electronics products distribution |
| Jiangmen Neo-Neon Education Investment Management Co., Ltd. | 49.00% | 49.00% | Jiangmen, Guangdong | Education project investment management, labor dispatch, photoelectric technology training, LED technology research and development and promotion, investment consulting, market information consulting, technology import and export business |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 50.00% | 50.00% | Changping, Beijing | Audio and video products, digital multimedia, broadband network multimedia |
| Beijing Haishian Data Technology Co., Ltd (formerly Beijing Nuctech Data Systems Co., Ltd.) | 27.69% | 27.69% | Haidian, Beijing | Network storage, data security, disaster recovery backup solution |
| Beijing Wenlu Laser Technology Co., Ltd. | 20.00% | 20.00% | Changping, Beijing | Laser digital storage electronic disk copy |

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Invested entity | Proportion of shareholding | Proportion of voting rights | Place of registration | Principal business |
|---|----------------------------|-----------------------------|-----------------------|---|
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00% | 30.00% | Haidian, Beijing | Engineering, procurement and construction of chemical engineering projects (polysilicon, coal chemical, etc.) |
| Guangzhou Thomee Lighting Co., Ltd. | 39.00% | 39.00% | Guangzhou, Guangdong | Lighting equipment research and development, production and sales |

(2) Summarized financial information of important joint ventures

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|---|---|--|
| | | Aegon THTF Life Insurance Co., Ltd. (Originally known as "AEGON-CNOOC Life Insurance Co., Ltd.") |
| Current assets: | 2,570,480,442 | 2,231,797,163 |
| Including: Cash and cash equivalents | 818,560,826 | 152,576,710 |
| Non-current assets | 8,899,736,010 | 7,459,846,916 |
| Total assets | 11,470,216,452 | 9,691,644,079 |
| Current liabilities: | 9,736,816,186 | 8,117,010,598 |
| Non-current liabilities | 686,582,911 | 832,777,505 |
| Total liabilities | 10,423,399,097 | 8,949,788,103 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 1,046,817,355 | 741,855,976 |
| Operating income | 1,304,415,517 | -649,185,086 |
| Financial expenses | — | — |
| Income tax expense | 0.00 | 0.00 |
| Net profit | -14,332,983 | 81,603,085 |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | 19,294,362 | -10,745,171 |
| Total comprehensive income | 4,961,379 | 70,857,914 |

(3) Summarized financial information of important associates

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|---|---|--|
| | | Tellhow Sci-Tech Co., Ltd. |
| Current assets: | 4,330,117,037.79 | 3,199,331,686.61 |
| Including: Cash and cash equivalents | 933,855,500.38 | 836,664,029.64 |
| Non-current assets | 2,827,581,186.18 | 2,622,190,896.24 |
| Total assets | 7,157,698,223.97 | 5,821,522,582.85 |
| Current liabilities: | 3,634,393,114.43 | 3,206,637,902.69 |
| Non-current liabilities | 287,612,487.26 | 350,978,454.61 |
| Total liabilities | 3,922,005,601.69 | 3,557,616,357.30 |
| Non-controlling interest | 131,678,480.20 | 77,226,833.98 |
| Total shareholders' equity attributable to shareholders of the parent company | 3,104,014,142.08 | 2,186,679,391.57 |
| Operating income | 3,488,096,410.81 | 2,920,709,571.22 |
| Financial expenses | 73,037,933.77 | 106,158,381.98 |
| Income tax expense | 19,503,159.31 | 35,783,257.08 |
| Net profit | 100,856,975.22 | 58,178,899.76 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|---|---|--|
| Tellhow Sci-Tech Co., Ltd. | | |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | 0.00 | 0.00 |
| Total comprehensive income | 100,856,975.22 | 58,178,899.76 |

(Continued 1)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|--|---|--|
| Jarun Investment Co., Ltd. | | |
| Current assets: | 60,725,226.82 | 116,803,538.32 |
| Including: Cash and cash equivalents | 7,434,428.88 | 8,776,914.32 |
| Non-current assets | 578,351,965.06 | 531,400,830.60 |
| Total assets | 639,077,191.88 | 648,204,368.92 |
| Current liabilities: | 40,570,886.94 | 41,408,454.81 |
| Non-current liabilities | 0.00 | 0.00 |
| Total liabilities | 40,570,886.94 | 41,408,454.81 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 598,506,304.94 | 606,795,914.11 |
| Operating income | 0.00 | 0.00 |
| Financial expenses | -213,289.21 | -3,518,069.99 |
| Income tax expense | 126.06 | 758,091.95 |
| Net profit | 9,079,170.82 | 12,418,890.10 |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | 0.00 | 0.00 |
| Total comprehensive income | 9,079,170.82 | 12,418,890.10 |

(Continued 2)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|--|---|--|
| Tongfang Environment Co., Ltd. | | |
| Current assets: | 1,210,921,236.30 | 1,446,281,374.38 |
| Including: Cash and cash equivalents | 238,764,229.52 | 402,156,710.15 |
| Non-current assets | 230,073,962.08 | 221,116,450.78 |
| Total assets | 1,440,995,198.38 | 1,667,397,825.16 |
| Current liabilities: | 976,335,394.66 | 1,135,314,791.13 |
| Non-current liabilities | 2,940,000.00 | 3,122,335.25 |
| Total liabilities | 979,275,394.66 | 1,138,437,126.38 |
| Non-controlling interest | 0.00 | 2,370,324.71 |
| Total shareholders' equity attributable to shareholders of the parent company | 461,719,803.72 | 526,590,374.07 |
| Operating income | 1,145,951,263.11 | 1,586,623,935.81 |
| Financial expenses | -10,474,279.41 | -5,099,855.48 |
| Income tax expense | 7,748,634.12 | 14,059,742.35 |
| Net profit | 41,638,665.06 | 70,781,664.94 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Tongfang Environment Co., Ltd. | |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | 273,110.43 | 120,460.26 |
| Total comprehensive income | 41,911,775.49 | 70,902,125.20 |

(Continued 3)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Tongfang Investment Co., Ltd. | |
| Current assets: | 451,427,667.82 | 255,254,844.23 |
| Including: Cash and cash equivalents | 441,047,159.90 | 216,874,336.31 |
| Non-current assets | 945,484,255.06 | 846,088,516.20 |
| Total assets | 1,396,911,922.88 | 1,101,343,360.43 |
| Current liabilities: | 385,697,231.75 | 1,337,063.73 |
| Non-current liabilities | 8,203,240.18 | 10,560,735.07 |
| Total liabilities | 393,900,471.93 | 11,897,798.80 |
| Non-controlling interest | 0.00 | 0.00 |
| Total shareholders' equity attributable to shareholders of the parent company | 1,003,011,450.95 | 1,089,445,561.63 |
| Operating income | 4,181,596.80 | 3,439,408.63 |
| Financial expenses | -2,102,547.56 | -2,403,636.74 |
| Income tax expense | 0.00 | 0.00 |
| Net profit | 178,808,397.20 | 39,890,090.30 |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | -66,796,365.12 | 30,647,047.03 |
| Total comprehensive income | 112,012,032.08 | 70,537,137.33 |

(Continued 4)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Chongqing Guo Xin Investment Holding Co., Ltd. | |
| Current assets: | 52,255,940,883.98 | 43,452,540,147.45 |
| Including: Cash and cash equivalents | 29,824,886,095.27 | 19,532,397,938.29 |
| Non-current assets | 134,035,681,087.98 | 95,600,180,746.55 |
| Total assets | 186,291,621,971.96 | 139,052,720,894.00 |
| Current liabilities: | 131,695,307,807.51 | 103,821,340,257.40 |
| Non-current liabilities | 22,626,351,858.89 | 12,165,185,474.19 |
| Total liabilities | 154,321,659,666.40 | 115,986,525,731.59 |
| Non-controlling interest | 15,222,179,614.16 | 11,867,380,975.47 |
| Total shareholders' equity attributable to shareholders of the parent company | 16,747,782,691.40 | 11,198,814,186.94 |
| Operating income | 11,182,703,120.77 | 8,766,359,474.50 |
| Financial expenses | 1,324,903,965.59 | 817,482,040.32 |
| Income tax expense | 1,176,768,299.62 | 1,071,016,504.76 |
| Net profit | 6,169,720,811.14 | 3,889,835,553.25 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Ending balance / Amount Incurred in Current Year | Opening balance / Amount Incurred in Previous Year |
|---|---|--|
| | Chongqing Guo Xin Investment Holding Co., Ltd. | |
| Net profit from discontinued operations | 0.00 | 0.00 |
| Other comprehensive incomes | -709,303,351.44 | 1,018,340,278.38 |
| Total comprehensive income | 5,460,417,459.70 | 4,908,175,831.63 |

(4) Summarized financial information of non-important joint ventures and associates

| Item | Ending balance/Amount Incurred in Current Year | Opening balance/Amount Incurred in Previous Year |
|--|---|---|
| Joint ventures: | | |
| Total carrying amount of investment | 124,655,134.57 | 104,445,605.83 |
| The Company's share of the following items | | |
| - Net profit | -6,598,748.29 | -8,532,624.11 |
| - Other comprehensive incomes | 0.00 | 0.00 |
| - Total comprehensive income | -6,598,748.29 | -8,532,624.11 |
| Associates: | | |
| Total carrying amount of investment | 669,048,503.27 | 516,032,663.01 |
| The Company's share of the following items | | |
| - Net profit | 29,636,969.91 | 28,672,197.57 |
| - Other comprehensive incomes | 3,218.92 | 0.00 |
| - Total comprehensive income | 29,640,188.83 | 28,672,197.57 |

IX. Risks related to financial instruments

Major financial instruments of the Company include bank borrowings (including short-term loans and long-term loans), bonds payable (including medium-term notes, supershort-term commercial paper and short-term commercial paper listed in other current liabilities), account receivables, account payables, long-term account receivables, long-term account payables, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, etc. See Note VI for more details about each financial instrument. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows. The management of the Company manages and monitors the risk exposure, to ensure that the risks mentioned above are controlled to the extent limited.

1. Objectives and policies of various risk management

The objective of the risk management activities of the Company is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the operational performance of the Company and to maximize interest of shareholders and other equity investors. Based on this objective of risk management, the basic strategy of risk management of the Company is to identify and analyze the risks of all kinds the Company faces, so as to set a proper bottom line of risk tolerance for risk management, and to supervise the risks of all kinds in a timely and reliable way, so as to control the risks to the limited range.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(1) Market risk

1) Foreign exchange risks

The Company's foreign exchange risk is mainly related to USD, EUR, HKD and other currencies. Subsidiaries of the Company: Nuctech Company Limited., TongFang Global Limited, Tongfang HongKong Limited, Technovator International Limited, Neo-Neon Holdings Limited, Tongfang Guoxin Co., Ltd., Nantong Tongfang Semiconductor Co., Ltd., Tongfang Knowledge Network Technology Co., Ltd. (Beijing) and other holding subsidiaries carrying out product purchase and sale and technical services business in international markets that settled in foreign currency. Most of the transactions for business units other than the above-mentioned subsidiaries are settled in RMB. As of 31 December 2015, except for assets and liabilities denominated in foreign currency set out in Note VI 58, all other assets and liabilities of the Company are reported in RMB. The risk associated with the assets and liabilities denominated in foreign currency may have influence on the Company's business performance. The Company will pay close attention to the impact of exchange rate fluctuation on the Company. With the overseas business development and changes in market share, if RMB appreciation or depreciation occurred, which are beyond the Company's control, the Company will implement measures such as procurement and sales strategy adjustment, RMB cross-border settlement and concentration and rational use of exchange rate swap tools towards effective prevention and control RMB appreciation or depreciation.

2) Interest rate risk

The Company's interest rate risk arises from bank borrowings, bonds payable and other interest-bearing debts. The Company is exposed to cash flow interest rate risk in relation to variable-rate bearing financial liabilities, and fair value interest rate risk in relation to fixed-rate bearing financial liabilities. The Company chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions.

As a non-financial enterprise, the interest rate risks currently faced by the Company are mainly from the existence of medium and long-term variable-rate debts. Under the situation of the rate hike contemplation being explicit or rate hike having occurred, drawing upon its overall strengths and advantages in corporate credit rating and multiple financing methods, the Company will substitute variable-rate debts exposed to high rate hike risk with other medium and long-term financing instruments bearing lower interest rate (including but not limited to medium-term notes or corporate bonds issued by the Company).

3) Price risk

The selling prices of the Company are based on the market prices. The Company, therefore, is influenced by the variation of market prices.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(2) Credit risk

As at 31 December 2015, maximum credit risk exposure which may cause financial loss to the Company is mainly because the counterparties of an economic contract fail to perform their obligations so as to lead to losses of financial assets to the Company, including:

The carrying amounts of the financial assets that have been recognized in the consolidated balance sheet; for any financial instrument measured at the fair value, the carrying amount indicates its risk exposure, but not its maximum risk exposure, which will change along with the fluctuation in the fair value in the future.

In order to minimize the credit risk, the Company has set up a special department responsible for the determination of credit limits, credit approval and other monitoring procedures, to ensure that follow-up action is taken to recover due or overdue debts. In addition, the Company will review the recoverable amount of each receivable on each balance sheet date, to ensure that adequate bad debt provision is made for the unrecoverable amount. In view of this, the Company's management believes that the Company's credit risk has been effectively controlled.

(3) Liquidity risk

Liquidity risk is a risk that the Company cannot perform its financial obligations till the due date. For management of the Company's liquidity risk, enough financial liquidity shall be guaranteed to perform the matured obligation and thus to avoid unacceptable losses or damages to the Company's credit. The Company will analyze the debts structure and duration regularly so as to make sure sufficient liquidity. The management of the Company monitors the utilization condition of bank borrowings, and ensures adherence to loan agreements. Meanwhile, the Company will maintain close collaboration with financial institutions to keep a certain credit line and reduce the liquidity risk.

2. Sensitivity analysis

The Company adopts sensitivity analysis method to analyze the potential impact of reasonable possible change in risk variables on current profits & losses or the shareholders' equity. As any risk variable seldom changes alone and correlation between variables greatly accounts for the final amount influenced by change of a certain risk variable, the following content is conducted under the assumption that change of each variable is independent.

(1) Sensitivity analysis of foreign exchange risk

Assumption for sensitivity analysis of foreign exchange risk: all cash flow hedges and hedges of a net investment in a foreign operation (if any) are highly effective.

Based on the assumption above, if other variables stay the same, pre-tax impact of reasonable potential fluctuation of exchange rate on the current profits & losses and equity is shown as follows:

| Item | Changes in exchange rate | Impact on comprehensive income for year 2015 |
|--------------------------|---------------------------------|---|
| For monetary assets | 5% appreciated against RMB | 313,391,165.08 |
| For monetary liabilities | 5% appreciated against RMB | -332,777,394.75 |
| For monetary assets | 5% depreciated against RMB | -313,391,165.08 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Changes in exchange rate | Impact on comprehensive income for year 2015 |
|--------------------------|----------------------------|---|
| | | |
| For monetary liabilities | 5% depreciated against RMB | 332,777,394.75 |

(2) Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumption:

Fluctuation of market interest rate influences interest income or expense of variable-rate bearing financial instrument;

As for fixed-rate bearing financial instrument measured in the fair value, market interest rate only influences its interest income or expense;

Based on the assumption above, if other variables remain same, pre-tax impact of reasonable potential fluctuation of interest rate on the current profits or losses and equity is shown as follows:

| Item | Changes in interest rate | Year 2015 | | Year 2014 | |
|-------------------------------------|-----------------------------|--------------------------|--|--------------------------|--|
| | | Impact on net profits | Impact on the shareholders' equity | Impact on net profits | Impact on the shareholders' equity |
| Variable-rate bearing borrowings | Increase by 1% | -49,580,967.24 | -49,580,967.24 | -45,418,088.29 | -45,418,088.29 |
| Variable-rate bearing borrowings | Decrease by 1% | 49,580,967.24 | 49,580,967.24 | 45,418,088.29 | 45,418,088.29 |

X. Fair value

1. Amount of assets and liabilities measured at fair value at the end of the year and fair value hierarchy

| Item | Fair value at the end of the year | | | |
|---|-----------------------------------|-----------------------|-------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| I. Recurring fair value measurement | | | | |
| (I) Financial assets at fair value through profit or loss | | | | |
| 1. Financial assets held for trading | | | | |
| Equity instruments investment | 138,887,759.80 | | 0.00 | 138,887,759.80 |
| 2. Financial assets designated as measured at fair value through profit or loss | | | | |
| Equity instruments investment measured at fair value | 1,079,799,254.35 | 15,000,000.00 | 0.00 | 1,094,799,254.35 |
| (II) Available-for-sale financial assets | | | | |
| Equity instruments investment | 76,326,004.13 | | 0.00 | 76,326,004.13 |
| (III) Investment properties | | | | |
| Rented buildings | 0.00 | 14,700,000.00 | 0.00 | 14,700,000.00 |
| (IV) Other non-current assets | | | | |
| Unlisted asset management plan and investment fund | 0.00 | 448,197,303.66 | 0.00 | 448,197,303.66 |
| Total assets that are measured at fair value | 1,295,013,018.28 | 477,897,303.66 | 0.00 | 1,772,910,321.94 |

2. The basis of prices determined for recurring and non-recurring fair value measurements of Level 1 of fair value hierarchy

At the Level 1 inputs are unadjusted quoted prices in active markets.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

3. Qualitative and quantitative information of valuation techniques and key inputs for recurring and non-recurring fair value measurements of Level 2 of fair value hierarchy

The Company estimates future cash flows at the expected rate of return, and discounts it by a discount rate that can reflect the credit risk of counterparties as the fair value measurement of financial assets, non-listed asset management plan and investment fund. The fair value of investment properties is on the basis of a valuation. The valuation is made on the assumption that the seller sells the property interests in the market, and is determined based on direct comparison approach by reference to recent market prices for similar properties in the similar locations and conditions.

XI. Related parties and transactions

(I) Relationships of related parties

1. Controlling shareholder

(1) Controlling shareholder

| Name of controlling shareholder | Place of registration | Nature of business | Registered capital | Shareholding ratio | Voting rights ratio |
|---------------------------------|-----------------------|--------------------|----------------------|--------------------|---------------------|
| Tsinghua Holdings Co., Ltd. | Haidian, Beijing | Asset management | RMB 2,500,000,000.00 | 25.42% | 25.42% |

(2) Registered capital of the controlling shareholder and changes

| Controlling shareholder | Opening balance | Increase in current year | Decrease in current year | Closing balance |
|-----------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Tsinghua Holdings Co., Ltd. | RMB 2,500,000,000.00 | 0.00 | 0.00 | RMB 2,500,000,000.00 |

(3) Shares held by controlling shareholders and changes

| Controlling shareholder | Amount of shareholding | | Shareholding ratio | |
|-----------------------------|------------------------|-----------------|-----------------------|------------------------|
| | Closing balance | Opening balance | Ratio of current year | Ratio of previous year |
| Tsinghua Holdings Co., Ltd. | 753,310,910.00 | 474,759,378.00 | 25.42% | 21.60% |

2. Subsidiaries

See relevant contents of “VIII 1(1) Constitution of the Group” in the Notes for details.

3. Joint ventures and associates

See relevant contents of “VIII 2(1) Joint ventures and associates” in the Notes for details of joint ventures and associates of the Company. Joint ventures and associates entered into transactions with the Company during the year, or during the prior year and those with remaining closing balance were as follows:

| Name of joint ventures and associates | Relationship with the Company |
|--|-------------------------------|
| Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | Joint ventures |
| Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | Joint ventures |
| Aegon THTF Life Insurance Co., Ltd. (Originally known as “AEGON-CNOOC Life Insurance Co., Ltd.”) | Joint ventures |
| Beijing Global Safety Technology Co., Ltd. | Associates |
| Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | Associates |
| LargeV Instrument Corporation Limited | Associates |
| Beijing Tongfang Time Link Electronic Co., Ltd. | Associates |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of joint ventures and associates | Relationship with the Company |
|--|-------------------------------|
| Beijing Haishian Data Technology Co., Ltd. (formerly Beijing Nuctech Data Systems Co., Ltd.) | Associates |
| Beijing Wenlu Laser Technology Co., Ltd. | Associates |
| CINTS Company Limited | Associates |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | Associates |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | Associates |
| Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | Associates |
| Guangzhou Thomee Lighting Co., Ltd. | Associates |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | Associates |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | Associates |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Luoyang Tongfang Digital Television Co., Ltd. | Associates |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Puyang BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | Associates |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd. | Associates |
| Shenzhen Tongfang Information Technology Co., Ltd. | Associates |
| Tellhow Sci-Tech Co., Ltd. | Associates |
| Tellhow Software Co., Ltd. | Associates |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Tongfang Cloud Computing Technology Co., Ltd. | Associates |
| Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | Associates |
| Tongfang Environment Co., Ltd. | Associates |
| Tongfang Ecological (Macau) One-person Ltd. | Associates |
| Tongfang Investment Co., Ltd. | Associates |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | Associates |
| Easyway (Suzhou) Software Co., Ltd. | Associates |
| Easyway (Suzhou) New Technology Co., Ltd. | Associates |
| Easyway Technology Co., Ltd. | Associates |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | Associates |
| Zhangjiakou TV Culture Media Co., Ltd. | Associates |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | Associates |
| Beijing Easyway Huachuang System Engineering Co., Ltd. | Associates |
| Jiangxi Qinghua Tellhow Micro Electro-machine Co., Ltd. | Associates |
| Tongfang Besteeasy (Beijing) Technology Co., Ltd. | Associates |
| Changchun Tellhow Electronic Equipment Co., Ltd. | Associates |
| Advanced Systems Development Co., Ltd. | Associates |
| Chengdu Hao Wei Environmental Technology Co., Ltd. | Associates |

4. Other related parties

| Name of other related parties | Relationship with the Company |
|---------------------------------------|--|
| Tsinghua University | Actual controller of the controlling shareholder |
| Tsinghua University Machinery Factory | Tsinghua University subordinate units |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of other related parties | Relationship with the Company |
|--|--|
| Beijing Tongli Huaqing Technology Co., Ltd. | Tsinghua University subordinate units |
| Beijing Tsinghua Industrial Development Research Institute | Tsinghua University subordinate units |
| Beijing Chengzhi Yongchang Chemicals Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Guohuan Tsinghua Environmental Engineering Design&Research Institute Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Huaqing Property Management Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Spreadtrum Hi-Tech Communications Technology Co., Ltd. | Other companies controlled by the same controlling shareholder |
| CapitalBio Corporation | Other companies controlled by the same controlling shareholder |
| Tuspark (Jiangxi) Development Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Tsinghua University Press | Other companies controlled by the same controlling shareholder |
| Architectural Design and Research Institute of Tsinghua University | Other companies controlled by the same controlling shareholder |
| Tsinghua Tongfang Optical Disc Electronic Press | Other companies controlled by the same controlling shareholder |
| Shaoxing Qiaobo Ice & Snow World Sport Development Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Tibet Ziguang Chunhua Investment Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Unisplendour Corporation Limited | Other companies controlled by the same controlling shareholder |
| Tsinghua UniGroup | Other companies controlled by the same controlling shareholder |
| Unisplendour Software Systems Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Unisplendour Digital Group | Other companies controlled by the same controlling shareholder |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing CapitalBio Medical Laboratory Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Like Education Technology Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Beijing Ziguang Land Investment Management Co., Ltd. | Other companies controlled by the same controlling shareholder |
| CapitalBio eHealth Science & Technology (Beijing) Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Chengdu CapitalBio Independent Medical Laboratory Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Tuspark Ventures | Other companies controlled by the same controlling shareholder |
| Tsinghua Holdings Asset Management Co., Ltd. | Other companies controlled by the same controlling shareholder |
| Shenzhen Huakong Seg Co., Ltd. | Other related parties |
| Tsinghua Holdings Human Settlements Environment Institute | Other related parties |
| Beijing Ziguang Pharmaceutical Co., Ltd. | Other related parties |
| Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Other related parties |

(II) Related party transactions

1. Purchase and sales of goods, rendering and receiving of services

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(1) Purchase of goods and receiving of services

| Related parties | Amount for the current year | Amount for the previous year |
|---|------------------------------------|-------------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 132,920,029.31 | 59,048,542.42 |
| Tsinghua University Machinery Factory | 12,552,389.11 | 13,196,727.80 |
| Beijing Tongli Huaqing Technology Co., Ltd. | 427,350.45 | 0.00 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 83,299,531.17 | 43,143,833.84 |
| Beijing Tsinghua Tongheng Planning and Design Institute Co., Ltd. | 7,147,330.68 | 140,000.00 |
| Beijing Guohuan Tsinghua Enviromental Engeering Design&Research Institute Co., Ltd. | 698,113.21 | 0.00 |
| Beijing Like Education Technology Co., Ltd. | 650,000.00 | 0.00 |
| Architechtural Design and Research Institute of Tsinghua University | 0.00 | 1,590,000.00 |
| Joint ventures and associates: | | |
| Tongfang Environment Co., Ltd. | 43,403,776.56 | 18,879,215.94 |
| Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 33,828,320.91 | 28,229,844.75 |
| Tongfang Besteasy (Beijing) Technology Co., Ltd. | 18,941,204.13 | 18,537,725.30 |
| Aegon THTF Life Insurance Co., Ltd. (Originally known as "AEGON-CNOOC Life Insurance Co., Ltd.") | 5,793,240.19 | 0.00 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 2,407,735.33 | 7,689,015.87 |
| Beijing Haishian Data Technology Co., Ltd (formerly Beijing Nuctech Data Systems Co., Ltd.) | 1,157,198.56 | 269,175.21 |
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 588,717.95 | 459,200.00 |
| Advanced Systems Development Co., Ltd. | 503,247.86 | 0.00 |
| LargeV Instrument Corporation Limited | 396,340.33 | 0.00 |
| Tongfang Cloud Computing Technology Co., Ltd. | 358,635.53 | 1,560,913.65 |
| Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 19,658.12 | 0.00 |
| Easyway Technology Co., Ltd. | 0.00 | 41,165,369.25 |
| Guangzhou Thomee Lighting Co., Ltd. | 0.00 | 3,084,775.31 |
| Zhangjiakou TV Culture Media Co., Ltd. | 0.00 | 1,453,114.52 |
| Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | 0.00 | 683,760.72 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd | 0.00 | 108,000.00 |
| Shenzhen Tongfang Information Technology Co., Ltd. | 0.00 | 31,500.00 |
| Other related parties: | | |
| Tsinghua Holdings Human Settlements Environment Institute | 4,048,175.86 | 0.00 |
| Shenzhen Huakong Seg Co., Ltd. | 0.00 | 16,251,677.90 |
| Beijing Tongfang Clean Technology Co., Ltd. | 0.00 | 2,415,361.64 |
| Total | 349,140,995.26 | 257,937,754.12 |

(2) Sales of goods/rendering of services

| Related parties | Amount for the current year | Amount for the previous year |
|---|------------------------------------|-------------------------------------|
| Tsinghua University and its subordinate units: | | |
| Tsinghua University | 7,231,328.63 | 14,660,113.85 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | |
| "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 28,461,270.64 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Related parties | Amount for the current year | Amount for the previous year |
|---|------------------------------------|-------------------------------------|
| Unisplendour Digital Group | 15,698,085.49 | 4,676,572.62 |
| Tsinghua Tongfang Optical Disc Electronic Press | 5,187,169.83 | 0.00 |
| Tsinghua Holdings Co., Ltd. | 125,376.06 | 0.00 |
| Tsinghua University Press | 98,643.37 | 90,342.82 |
| CapitalBio eHealth Science & Technology (Beijing) Co., Ltd. | 73,076.93 | 0.00 |
| Beijing Ziguang Land Investment Management Co., Ltd. | 57,692.31 | 0.00 |
| Beijing Capital Bio Medical Laboratory Co., Ltd. | 47,692.31 | 0.00 |
| Chengdu Capital Bio Independent Medical Laboratory Co., Ltd. | 21,538.46 | 0.00 |
| Capital Bio Corporation | 15,384.62 | 0.00 |
| Architechctural Design and Research Institute of Tsinghua University | 2,538.46 | 0.00 |
| Unisplendour Software Systems Co., Ltd. | 464.00 | 0.00 |
| Beijing Guohuan Tsinghua Enviromental Engeering Design&Research Institute Co., Ltd. | 358.98 | 0.00 |
| Tsinghua UniGroup | 0.00 | 65,965.82 |
| Tuspark Ventures | 0.00 | 17,999.99 |
| Tsinghua Holdings Asset Management Co., Ltd. | 0.00 | 15,982.90 |
| Joint ventures and associates: | | |
| Easyway Technology Co., Ltd. | 37,316,028.26 | 10,138,605.72 |
| Shenzhen Tongfang Information Technology Co., Ltd. | 7,960,022.00 | 0.00 |
| CINTS Company Limited | 5,403,234.19 | 10,611,087.17 |
| Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 4,225,281.78 | 1,312,544.67 |
| Shangqiu Tongfang Hengtai Digital Television Co., Ltd. | 2,943,616.92 | 2,000,837.23 |
| Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 2,330,728.52 | 1,401,188.06 |
| Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 2,142,755.90 | 0.00 |
| Luoyang Tongfang Digital Television Co., Ltd. | 2,125,220.97 | 1,545,306.40 |
| Easyway (Suzhou) Electronic Technology Co., Ltd. | 1,745,269.24 | 1,880,576.98 |
| Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 1,610,952.14 | 18,658,491.00 |
| Puyang BC&TV Tongfang Digital Television Co., Ltd. | 1,576,392.19 | 1,658,458.07 |
| Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 1,559,893.78 | 870,980.53 |
| Kaifeng BC&TV Tongfang Digital Television Co., Ltd. | 1,097,380.10 | 228,910.05 |
| Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 975,982.83 | 616,977.26 |
| Tongfang Environment Co., Ltd. | 899,739.37 | 1,953,762.99 |
| Rizhao BC&TV Tongfang Digital Television Co., Ltd. | 809,391.02 | 1,158,565.61 |
| Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 760,396.28 | 1,627,203.90 |
| Zhangjiakou TV Culture Media Co., Ltd. | 605,384.61 | 4,834,663.64 |
| Nanyang BC&TV Tongfang Digital Television Co., Ltd. | 515,569.02 | 946,098.00 |
| Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 401,918.56 | 313,850.22 |
| Beijing Tongfang Time Link Electronic Co., Ltd. | 315,240.34 | 204,803.49 |
| Tongfang Investment Co., Ltd. | 263,085.83 | 168,463.99 |
| Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 246,282.04 | 830,275.30 |
| Jiangxi Qinghua Tellhow Micro Electro-machine Co., Ltd. | 196,395.61 | 0.00 |
| Guangzhou Thomee Lighting Co., Ltd. | 129,999.16 | 0.00 |
| Tellhow Sci-Tech Co., Ltd. | 119,255.25 | 119,974.00 |
| LargeV Instrument Corporation Limited | 75,585.80 | 97,501.20 |
| Changchun Tellhow Electronic Equipment Co., Ltd. | 68,953.50 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Related parties | Amount for the current year | Amount for the previous year |
|--|------------------------------------|-------------------------------------|
| Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 61,965.81 | 0.00 |
| Tongfang Cloud Computing Technology Co., Ltd. | 35,384.62 | 2,000,296.54 |
| Aegon THTF Life Insurance Co., Ltd. (Originally known as "AEGON-CNOOC Life Insurance Co., Ltd.") | 33,845.49 | 0.00 |
| Tellhow Software Co., Ltd. | 6,478.63 | 0.00 |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 211.11 | 0.00 |
| Beijing ASK Tongfang Technology Co., Ltd. | 203.42 | 279,618.23 |
| Easyway (Suzhou) Software Co., Ltd. | 0.00 | 1,646,589.26 |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 0.00 | 86,538.46 |
| Beijing Easyway Huachuang System Engineering Co., Ltd. | 0.00 | 9,861.55 |
| Other related parties | | |
| Beijing Ziguang Pharmaceutical Co., Ltd. | 317,134.05 | 0.00 |
| Tsinghua Holdings Human Settlements Environment Institute | 0.00 | 11,603.77 |
| Beijing Tongfang Clean Technology Co., Ltd. | 0.00 | 25,444,485.50 |
| Total | 135,895,798.43 | 112,185,096.79 |

2. Entrusted management for related party

| Name of Trustor | Name of Trustee | Entrustment type | start date | termination date | Basis for trust income | Trust income recognized this year |
|-----------------------------|--|------------------|------------|------------------|------------------------|-----------------------------------|
| Tsinghua Holdings Co., Ltd. | Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | Asset custody | 01/04/2014 | 01/04/2024 | — | None |

Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. agreed to accept the condition that it would exercise the management and decision-making rights as the agent for transferring 100% equity in "China Academic Journal (CD)" Electronic Magazine Co., Ltd. to Tsinghua Holdings Co., Ltd..

3. Lease

(1) As lessor

| Name of lessor | Name of lessee | Type of leased assets | Leasing income recognized in the current year | Leasing income recognized in the previous year |
|---|---|-----------------------|---|--|
| Tsinghua Co., Ltd. | Tongfang Tongfang Environment Co., Ltd. | Office place | 3,753,538.09 | 3,724,767.32 |
| Tsinghua Co., Ltd. | Tongfang Beijing Ziguang Pharmaceutical Co., Ltd. | Office place | 1,419,231.89 | 1,371,984.58 |
| Tsinghua Co., Ltd. | Tongfang Tongfang Investment Co., Ltd. | Office place | 930,421.50 | 558,252.90 |
| Tsinghua Co., Ltd. | Tongfang Beijing Spreadtrum Hi-Tech Communications Technology Co., Ltd. | Office place | 577,375.25 | 6,928,503.00 |
| Tongfang Co., Ltd. | Computer LargeV Instrument Corporation Limited | Office place | 576,301.53 | 691,561.84 |
| Tsinghua Co., Ltd. | Tongfang Easyway Technology Co., Ltd. | Office place | 370,170.28 | 2,197,201.68 |
| TsingHua Artificial Environment Co., Ltd. | TongFang Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | Office place | 286,642.36 | 83,481.92 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of lessor | Name of lessee | Type of leased assets | Leasing income recognized in the current year | Leasing income recognized in the previous year |
|--------------------|--|-----------------------|---|--|
| Tongfang Co., Ltd. | Computer Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | Office place | 280,900.00 | 1,123,600.00 |
| Tsinghua Co., Ltd. | Tongfang Huakong Innovation (Beijing) Institute of Pharmaceutical Research Co., Ltd. | Office place | 266,612.94 | 0.00 |
| Tsinghua Co., Ltd. | Tongfang Beijing Tongfang Time Link Electronic Co., Ltd. | Office place | 175,420.82 | 613,972.87 |
| Tsinghua Co., Ltd. | Tongfang Beijing ASK Tongfang Technology Co., Ltd. | Office place | 4,250.00 | 12,250.00 |
| Tsinghua Co., Ltd. | Tongfang Chengdu Hao Wei Environmental Technology Co., Ltd. | Office place | 3,094.00 | 227,452.00 |
| Tsinghua Co., Ltd. | Tongfang Beijing Shoutong Zhiyuan Energy-saving Environmental Protection Co., Ltd. | Office place | 0.00 | 336,165.00 |
| Tsinghua Co., Ltd. | Tongfang Beijing Tongfang Clean Technology Co., Ltd. | Office place | 0.00 | 352,577.40 |
| Total | | | 8,643,958.66 | 18,221,770.51 |

(2) As Lessee

| Name of lessor | Name of lessee | Type of leased assets | Leasing expense recognized in the current year | Leasing expense recognized in the previous year |
|---------------------|---------------------------|-----------------------|--|---|
| Tsinghua University | Nuctech Company Limited. | Office place | 132,815.52 | 187,671.56 |
| Tsinghua University | Tongfang Guoxin Co., Ltd. | Conference room | 100,000.00 | 30,000.00 |
| Total | | | 232,815.52 | 217,671.56 |

4. Guarantees between related parties

(1) Guarantees provided to holding subsidiary by company legal entity

As at 31 December 2015, the Company has provided joint and several liability guarantees of bank loans, letters of credit, bank acceptance notes and letters of guarantee for the following subsidiaries:

1) Loans

a) General loans (working capital loans, long-term loan)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|---|--------------------------------------|-----------------------|-----------------------|
| Resuccess Investments Limited | Bank of China, Macau Branch | USD 12,200.00 Appr. RMB 79,221.92 | 2014.07.17-2019.07.16 | 2014.07.17-2021.07.16 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 1,200.00 | 2015.08.21-2016.08.21 | 2015.08.21-2018.08.21 |
| Harbin Ping Yi Longjiang Environmental Treatment Co., Ltd. | Bank of China, Beijing Water Branch | RMB 6,134.00 | 2009.08.09-2019.08.09 | 2009.08.09-2021.08.09 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|---|---------------------|-----------------------|-----------------------|
| Harbin Ping Yi | Bank of China, Harbin | | | |
| Longjiang Environmental Water Treatment Co., Ltd. | Songbei Branch Sales Department | RMB 5,140.00 | 2009.08.09-2019.08.09 | 2009.08.09-2021.08.09 |
| Huai'an Water Affairs Co., Ltd. | Agricultural Bank of China Tongfang China, agricultural development branch office | RMB 23,140.00 | 2015.04.28-2023.04.28 | 2015.04.28-2025.04.28 |
| Huizhou Water Affairs Co., Ltd. | China Construction Bank, Beijing Tsinghua Garden Branch | RMB 4,697.00 | 2009.11.10-2020.09.18 | 2009.11.10-2022.09.18 |
| Jiamusi Environmental Affairs Co., Ltd. | Longjiang Bank of Beijing, Tsinghua Garden Branch | RMB 2,650.00 | 2013.09.27-2019.09.27 | 2013.09.27-2021.09.27 |
| Longjiang Environmental Protection Group Co., Ltd. | Huaxia Bank, Beijing branch | RMB 16,000.00 | 2013.09.18-2023.09.18 | 2013.09.18-2025.09.18 |
| Longjiang Environmental Protection Group Co., Ltd. | Huaxia Bank, Beijing branch | RMB 8,000.00 | 2014.04.17-2019.05.16 | 2014.04.17-2021.05.16 |
| Longjiang Environmental Protection Group Co., Ltd. | Minsheng Bank, Beijing Andingmen Branch | RMB 20,000.00 | 2015.09.01-2016.09.01 | 2015.09.01-2018.09.01 |
| Longjiang Environmental Protection Group Co., Ltd. | Puyin Financial Leasing Co., Co., Ltd. | RMB 20,237.41 | 2013.09.21-2021.03.21 | 2013.09.21-2023.03.21 |
| Longjiang Environmental Protection Group Co., Ltd. | JIC Leasing Co., Ltd. | RMB 11,068.78 | 2014.06.26-2019.06.26 | 2014.06.26-2021.06.26 |
| Mudanjiang Longjiang Environmental Water Supply Co., Ltd. | Industrial Bank, Harbin branch | RMB 20,000.00 | 2015.01.26-2016.02.26 | 2015.01.26-2018.02.26 |
| Mudanjiang Longjiang Environmental Water Affairs Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 4,300.00 | 2013.09.27-2019.09.26 | 2013.09.27-2021.09.26 |
| Nantong Tongfang Semiconductor Co., Ltd. | China Development Bank, Jiangsu Province | USD 12,370.00 | 2011.04.25-2020.03.24 | 2011.04.25-2022.03.24 |
| Ltd. | Branch | Appr. RMB 80,325.83 | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|---|-------------------------------------|-----------------------|-----------------------|
| Nantong Tongfang Semiconductor Ltd. | Tongfang China Branch | RMB 35,400.00 | 2011.08.10-2020.04.24 | 2011.08.10-2022.04.24 |
| Nantong Tongfang Semiconductor Ltd. | China Construction Bank, Nantong Economic and Technological Development Zone Branch | RMB 5,000.00 | 2015.02.04-2016.04.08 | 2015.02.04-2018.04.08 |
| Nantong Tongfang Semiconductor Ltd. | Bank of China, Nantong Branch | USD 887.25 Appr. RMB 5,761.45 | 2015.01.16-2016.11.09 | 2015.01.16-2018.11.09 |
| Nantong Tongfang Semiconductor Ltd. | Bank of China, Nantong Branch | RMB 2,800.00 | 2015.07.13-2016.11.18 | 2015.07.13-2018.11.18 |
| Nantong Tongfang Technology Park Ltd. | Tongfang China Development Branch | RMB 14,000.00 | 2011.04.28-2023.04.24 | 2011.04.28-2025.04.24 |
| Shandong Tongfang Electronic Co., Ltd. | Tsinghua Industrial and Luying Commercial Bank, Yinan County Branch | RMB 1,000.00 | 2015.04.01-2016.03.20 | 2015.04.01-2018.03.20 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Tongfang China Construction Bank, Shenyang city branch | USD 3,771.00 Appr. RMB 24,487.37 | 2015.08.06-2016.11.22 | 2015.08.06-2018.11.22 |
| Tongfang Electronic Science & Technology Co., Ltd. | Industrial and Commercial Bank, Jiujiang City Xunzhong Branch | RMB 2,000.00 | 2015.11.19-2016.11.18 | 2015.11.19-2018.11.18 |
| Tongfang Industry Co., Ltd. | China Merchants Bank, Beijing Branch | RMB 5,000.00 | 2015.03.02-2016.03.01 | 2015.03.02-2018.03.01 |
| Tongfang Industry Co., Ltd. | China Construction Bank, Beijing Tsinghua Garden Branch | RMB 18,000.00 | 2015.01.26-2016.11.22 | 2015.01.26-2018.11.22 |
| Tongfang Global Limited | Global China Construction Bank (Hong Kong) | USD 3,880.00 Appr. RMB 25,195.17 | 2014.08.06-2016.08.29 | 2014.08.06-2018.08.29 |
| Tongfang Global Limited | China Merchants Bank, Overseas Banking Department | USD 1,500.00 Appr. RMB 9,740.40 | 2014.11.24-2016.11.08 | 2014.11.24-2018.11.08 |
| Tongfang HongKong Limited | Global DBS Bank Ltd. | USD 1,500.00 Appr. RMB 9,740.40 | 2015.09.29-2016.03.29 | 2015.09.29-2018.03.29 |
| Tongfang Saving Energy Technology Co., Ltd. | Energy Bank of Beijing, Tsinghua Garden | RMB 500.00 | 2015.06.25-2016.06.25 | 2015.06.25-2018.06.25 |
| Tongfang Saving Energy Technology Co., Ltd. | Energy DBS Bank, Beijing Branch | RMB 170.62 | 2015.11.11-2016.11.27 | 2015.11.11-2018.11.27 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Loan bank | Loan amount(,000) | Loan term | Guarantee period |
|--|--|-----------------------------|-----------------------|-----------------------|
| TsingHua TongFang Bank of Artificial Environment Co., Ltd. | Beijing, Tsinghua Garden Branch | RMB 300.00 | 2015.08.28-2016.08.28 | 2015.08.28-2018.08.28 |
| Information Technology Ltd.,co | Beijing ERENEBEN Bank of Tsinghua Branch | RMB 100.00 | 2015.06.30-2016.06.30 | 2015.06.30-2018.06.30 |
| Beijing Tongfang Software Co., Ltd. | Bank of Tsinghua Branch | RMB 500.00 | 2015.06.29-2016.06.29 | 2015.06.29-2018.06.29 |
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Xishan Branch | USD 93.23 | 2015.11.13-2016.05.11 | 2015.11.13-2018.05.11 |
| Nuctech Limited | Sales Department | Appr. RMB 605.42 | | |
| Nuctech Company Limited | The Export-ImportBank of China | RMB 20,000.00 | 2015.09.28-2017.09.28 | 2015.09.28-2019.09.28 |
| Total | | Appr. RMB 485,187.65 | | |

b) Trade financing loans

| Guaranteed party | Loan bank | Loan amount(,000) | Loan term | Trade finance category |
|---|---|-------------------------------------|-----------------------|--------------------------|
| Nantong Tongfang Semiconductor Co., Ltd. | Industrial and Commercial Bank, Nantong Renmin Road Branch | USD 630.00 Appr. RMB 4,090.97 | 2015.08.25-2016.06.24 | Export invoice financing |
| Nantong Tongfang Semiconductor Co., Ltd. | Industrial and Commercial Bank, Nantong Renmin Road Branch | USD 502.75 Appr. RMB 3,264.68 | 2015.08.21-2016.05.23 | Import TT financing |
| Nantong Tongfang Semiconductor Co., Ltd. | Bank of China, Nantong Economic and Technological Development Zone Branch | USD 295.00 Appr. RMB 1,915.61 | 2015.09.16-2016.04.29 | Export invoice financing |
| Nantong Tongfang Semiconductor Co., Ltd. | Bank of China, Nantong Economic and Technological Development Zone Branch | USD 237.40 Appr. RMB 1,541.58 | 2015.07.17-2016.02.03 | Overseas payment |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC Bank, Shenyang branch | USD 1,006.30 Appr. RMB 6,534.51 | 2015.09.24-2016.03.25 | Borrowing loans |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | China Construction Bank, Shenyang city branch | USD 3,062.79 Appr. RMB 19,888.55 | 2015.07.16-2016.08.12 | Overseas payment |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | CTBC Bank, Shenyang branch | USD 1,208.63 Appr. RMB 7,848.36 | 2015.07.24-2016.01.21 | Overseas payment |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Bank of China, Shenyang branch | USD 917.06 Appr. RMB 5,955.00 | 2015.07.10-2016.02.23 | Borrowing loans |
| TongFang Global Limited | Hong Kong HSBC Bank | USD 1,767.63 Appr. RMB 11,478.26 | 2015.11.04-2016.03.30 | Borrowing loans |
| Total | | Appr. RMB 62,517.52 | | |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

2) Letter of credit

| Guaranteed party | Loan bank | Amount of letter of credit,(0000) | Term of letter of credit |
|---|--------------------------------|--|---------------------------------|
| Shenyang Tongfang Multimedia Technology Co., Ltd. | Bank of China, Shenyang branch | USD 182.16 Appr. RMB 1,182.88 | 2015.11.20- 2016.08.12 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | HSBC Bank, Shenyang branch | USD 318.17 Appr. RMB 2,066.08 | 2015.07.28- 2016.05.12 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | CTBC Bank, Shenyang branch | RMB 1,000.00 | 2015.12.17- 2016.07.20 |
| Tongfang JiangXin Shipbuilding Co., Ltd. | Bank of China, Jiangxi Branch | USD 307.99 Appr. RMB 1,999.99 | 2015.10.16- 2016.06.30 |
| Tongfang Global Limited | Hong Kong HSBC Bank | USD 57.46 Appr. RMB 373.11 | 2015.12.23- 2016.05.06 |
| Total | | Appr. RMB 6,622.06 | |

3) Bank acceptance notes

| Guaranteed party | Loan bank | Amount of bank acceptance note,(0000) | Term of bank acceptance note |
|--|--|--|-------------------------------------|
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 1,390.00 | 2015.10.28-2016.05.20 |
| Tongfang Optoelectronics (Shenyang) Co., Ltd. | CTBC Bank, Shenyang branch | RMB 1,299.54 | 2015.07.09-2016.06.28 |
| Beijing Tongfang Software Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 850.00 | 2015.12.04-2016.06.04 |
| Tongfang Computer Co., Ltd. | Bank of China, Wuxi Branch | RMB 3,050.00 | 2015.11.26-2016.02.25 |
| Tongfang Computer Co., Ltd. | Xishan Branch Sales Department | RMB 2,800.00 | 2015.12.22-2016.03.22 |
| Beijing ERENEBEN Information Technology Co., Ltd. | China Merchants Bank, Wuxi Branch Sales Department | RMB 1,157.13 | 2015.12.10-2016.02.10 |
| Total | | RMB 10,546.67 | |

4) Letter of guarantee

| Name of the subsidiary | Loan bank | Amount of letter of guarantee,(0000) | Term of letter of guarantee |
|--|---|---|------------------------------------|
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Communications, Beijing Lin Cui Road Branch | RMB 9.10 | 2013.11.19- 2016.11.20 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 1,170.33 | 2015.12.04- 2016.06.08 |
| Nantong Tongfang Semiconductor Co., Ltd. | Bank of China, Jiangsu Branch | RMB 700.00 | 2015.07.16- 2016.07.31 |
| TsingHua TongFang Artificial Environment Co., Ltd. | Bank of Beijing, Tsinghua Garden Branch | RMB 167.70 | 2015.10.16- 2016.01.16 |
| Tongfang JiangXin Shipbuilding Co., Ltd. | Bank of China, Jiangxi Branch | RMB 27,218.10 | 2014.04.21- 2016.06.30 |
| Tongfang JiangXin Shipbuilding Co., Ltd. | Jiujiang Bank Co., Ltd. | RMB 3,612.90 | 2015.12.14- 2017.03.31 |
| Beijing Tongfang Software Co., Ltd. | China Merchants Bank, Beijing Branch | RMB 130.80 | 2015.12.30- 2016.12.20 |
| Nuctech Company Limited. | Bank of China, Beijing Branch | HKD 496.98 Appr. RMB 416.36 | 2012.06.08-Open |
| Nuctech Company Limited. | Bank of China, Beijing Branch | USD 13.09 Appr. RMB 85.02 | 2011.05.17- 2016.06.01 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Name of the subsidiary | Loan bank | Amount of letter of guarantee,(0000) | Term of letter of guarantee |
|--------------------------|-------------------------------|--------------------------------------|-----------------------------|
| Nuctech Company Limited. | Bank of China, Beijing Branch | EUR 122.51 Appr. RMB 869.26 | 2009.06.19- 2016.04.02 |
| Nuctech Company Limited. | Bank of China, Beijing Branch | ILS 20.00 Appr. RMB 33.27 | 2011.02.25- 2017.02.28 |
| Total | | | Appr. RMB 34,412.84 |

(2) Guarantees among the subsidiaries

1) As at 31 December 2015, Shandong Tongfang Luying Electronics Co., Ltd., in which the Company holds 97% of the share capital, has provided joint and several liability guarantee for the following bank loans for its subsidiary Yinan Tonghao Electronic Components Co., Ltd. with 72.73% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|--|--------------------|-----------------------|-----------------------|
| Agricultural Bank of China, Yinan Branch | RMB 2,200.00 | 2015.06.18-2016.06.16 | 2015.06.18-2018.06.16 |
| Total | | | RMB 2,200.00 |

2) As at 31 December 2015, Tongfang Technovator Int. (Beijing) Co., a wholly-owned subsidiary of Technovator International Limited, in which the Company holds 33.72% of the share capital, has provided joint and separate liability guarantee for the following bank loans for Technovator International Limited:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|---------------|----------------------------------|-----------------------|---------------------------|
| DBS Bank Ltd. | SGD 432.77 Appr. RMB 1,985.34 | 2015.03.18-2016.02.23 | 2015.03.18-2018.02.23 |
| Total | | | Appr. RMB 1,985.34 |

3) As at 31 December 2015, Nuctech Company Limited, in which the Company holds 69.09% of the share capital, has provided joint and several liability guarantee for the following bank loans for its subsidiary Nuctech Warsaw Co., Limited Sp. z o.o. with 99.99% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|---|----------------------------------|---------------------------|---------------------------|
| Industrial and Commercial Bank, Warsaw Branch | EUR 938.84 Appr. RMB 6,661.28 | 2015.05.27- 2016.05.26 | 2015.05.27- 2018.05.26 |
| Total | | | Appr. RMB 6,661.28 |

4) As at 31 December 2015, Longjiang Environmental Protection Group Co., Ltd., in which the Company holds 30.7813% of the share capital, has provided joint and several liability guarantee for the following bank loans for its subsidiary Mudanjiang Longjiang Environmental Water Supply Co., Ltd. with 100.00% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|---|--------------------|-----------------------|-----------------------|
| Bank of Beijing, Tsinghua Garden Branch | RMB 10,600.00 | 2011.01.06-2019.01.06 | 2011.01.06-2021.01.06 |
| Total | | | RMB 10,600.00 |

5) As at 31 December 2015, Longjiang Environmental Protection Group Co., Ltd., in which the Company holds 30.7813% of the share capital, has provided joint and several liability

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

guarantee for the following bank loans for its subsidiary Harbin Wen Tai Sheng Longjiang Environmental Water Affairs Co., Ltd. with 100.00% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|--|--------------------|-----------------------|-----------------------|
| Industrial and Commercial Bank, Beijing Asian Games Village Branch | RMB 9,075.00 | 2014.04.01-2024.01.05 | 2014.04.01-2026.01.05 |
| Industrial and Commercial Bank, Harbin Heping Branch | RMB 9,075.00 | 2014.04.01-2024.01.05 | 2014.04.01-2026.01.05 |
| Total | | | RMB 18,150.00 |

6) As at 31 December 2015, Harbin Ping Yi Longjiang Environmental Water Treatment Co., Ltd., a wholly-owned subsidiary of Longjiang Environmental Protection Group Co., Ltd., in which the Company holds 30.7813% of the share capital, has provided guarantee for the following finance lease borrowings of its parent company with part of the BOT project charging right being pledged:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|---------------------------------|--------------------|-----------------------|-----------------------|
| CMB Financial Leasing Co., Ltd. | RMB 7,514.95 | 2015.03.20-2020.03.20 | 2015.03.20-2022.03.20 |
| Total | | | RMB 7,514.95 |

7) As at 31 December 2015, Neo-Neon Holdings Limited, in which the Company holds 51.75% of the share capital, has provided joint and several liability guarantee for the following bank loans of its subsidiary Neo-Neon LED Lighting International Limited with 100.00% of shares held:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|--|------------------------------------|---------------------------|---------------------------|
| Taishin International Bank, Hong Kong Branch | USD 1,089.96 Appr. RMB 7,077.77 | 2015.08.25- 2016.10.31 | 2015.08.25- 2018.03.21 |
| Total | | | Appr. RMB 7,077.77 |

(3) Guarantees provided for other related parties by the Company

As at 31 December 2015, Tongfang Investment Co., Ltd., an associate of the Company, has provided joint and several liability guarantee for the following bank loans of Longjiang Environmental Protection Group Co., Ltd., a controlling subsidiary of the Company:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|---|--------------------|-----------------------|-----------------------|
| Exim Bank of China, Heilongjiang branch | RMB 12,600.00 | 2012.07.24-2022.07.22 | 2012.07.24-2024.07.22 |
| Exim Bank of China, Heilongjiang branch | RMB 7,800.00 | 2012.07.24-2023.07.14 | 2012.07.24-2025.07.14 |
| Total | | | RMB 20,400.00 |

(4) Guarantees provided by parent company guaranteee

As at 31 December 2015, Tsinghua Holdings Limited, the controlling shareholder of the Company, has provided joint and several liability guarantee for the following bank loans of Longjiang Environmental Protection Group Co., Ltd., a controlling subsidiary of the Company:

| Loan bank | Loan amount,(0000) | Loan term | Guarantee period |
|------------------------|--------------------|-----------------------|-----------------------|
| Asian Development Bank | RMB 13,793.10 | 2010.12.14-2019.12.08 | 2010.12.14-2021.12.08 |
| Asian Development Bank | RMB 3,882.35 | 2013.05.16-2019.08.16 | 2013.05.16-2021.08.16 |
| Asian Development Bank | RMB 13,044.71 | 2013.05.16-2019.08.16 | 2013.05.16-2021.08.16 |
| Asian Development Bank | RMB 28,729.41 | 2015.05.25-2019.08.16 | 2015.05.25-2021.08.16 |
| Total | | | RMB 59,449.57 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

5. Borrowings between related parties

(1) Year 2015

| Related parties | Borrowing from related parties | | Notes |
|-----------------------------|--------------------------------|-------------|---|
| | Amount | Balance | |
| Tsinghua Holdings Co., Ltd. | -1,933,706,071.30 | 0.00 | Chongqing Guoxin project |
| Tsinghua Holdings Co., Ltd. | -208,993,111.11 | 0.00 | Entrusted loan for BOT project principal and interest |
| Tsinghua Holdings Co., Ltd. | -20,000,000.00 | 0.00 | Stock subscription margin |
| Tsinghua UniGroup | -5,000,000.00 | 0.00 | Stock subscription margin |
| Total | -2,167,699,182.41 | 0.00 | |

(2) Year 2014

| Related parties | Borrowing from related parties | | Notes |
|-----------------------------|--------------------------------|-------------------------|---|
| | Amount | Balance | |
| Tsinghua Holdings Co., Ltd. | 101,250,763.04 | 1,933,706,071.30 | Chongqing Guoxin project |
| Tsinghua Holdings Co., Ltd. | -206,588,250.04 | 208,993,111.11 | Entrusted loan for BOT project principal and interest |
| Tsinghua Holdings Co., Ltd. | -202,328,527.79 | 0.00 | Entrusted loan for Medium-term notes principal and interest |
| Tsinghua Holdings Co., Ltd. | 20,000,000.00 | 20,000,000.00 | Stock subscription margin |
| Tsinghua UniGroup | 5,000,000.00 | 5,000,000.00 | Stock subscription margin |
| Total | -282,666,014.79 | 2,167,699,182.41 | |

6. License fee payment

The Company and its subsidiaries accrued licensing fee of RMB 51,268,868.01 for technological achievements conversion from Tsinghua University in 2015, and paid RMB 130,254,860.31 (including the amount recognized in the previous year that has not yet been paid). The Company accrued licensing fee of RMB 79,905,660.31 for technological achievements conversion from Tsinghua University in 2014, and actually paid RMB 33,876,000.00.

7. Compensation of key management personnel

| Item | Amount for the current year | Amount for the previous year |
|--------------------|-----------------------------|------------------------------|
| Total remuneration | RMB 15,169,700.00 | RMB 13,182,600.00 |

(III) Balance of transactions with related parties

1. Receivables

| Item | Related parties | Closing balance | Opening balance |
|---|--|-----------------|-----------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts receivable | Tsinghua University | 3,748,041.39 | 3,517,511.95 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Accounts receivable | Shaoxing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 180,400.00 | 0.00 |
| Accounts receivable | Tsinghua Tongfang Optical Disc Electronic Press | 48,891.27 | 48,891.27 |
| Accounts receivable | Tsinghua Holdings Co., Ltd. | 26,595.00 | 0.00 |
| Accounts receivable | Beijing Qiaobo Ice & Snow World Sport Development Co., Ltd. | 12,880.00 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---------------------------------------|---|------------------------|------------------------|
| Accounts receivable | Tsinghua University Press | 11,689.40 | 0.00 |
| Accounts receivable | Tuspark (Jiangxi) Development Co., Ltd. | 10,000.00 | 10,000.00 |
| Accounts receivable | Architechtural Design and Research Institute of Tsinghua University | 5,518.00 | 5,518.00 |
| Accounts receivable | Beijing Guohuan Tsinghua Enviromental Engeering Design & Research Institute Co., Ltd. | 198.00 | 198.00 |
| Joint ventures and associates: | | | |
| Accounts receivable | Easyway Technology Co., Ltd. | 86,819,002.75 | 76,153,999.00 |
| Accounts receivable | CINTS Company Limited | 8,773,127.00 | 6,429,840.00 |
| Accounts receivable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 6,904,929.95 | 6,814,929.95 |
| Accounts receivable | Tongfang Environment Co., Ltd. | 6,189,945.32 | 3,910,160.74 |
| Accounts receivable | Shanxi Zuoyun Jinneng New Energy Power Generation Co., Ltd. | 5,480,896.00 | 5,480,896.00 |
| Accounts receivable | Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 4,663,070.00 | 2,394,637.00 |
| Accounts receivable | Shenzhen Tongfang Information Technology Co., Ltd. | 3,535,680.65 | 17,318,996.13 |
| Accounts receivable | Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 2,474,489.00 | 14,014,006.11 |
| Accounts receivable | Zhangjiakou TV Culture Media Co., Ltd. | 1,958,630.00 | 2,142,330.00 |
| Accounts receivable | Luoyang Tongfang Digital Television Co., Ltd. | 1,638,508.53 | 0.00 |
| Accounts receivable | Jiangxi Tsinghua Tellhow Sanbo Motor Co., Ltd. | 1,011,116.73 | 0.00 |
| Accounts receivable | Easyway (Suzhou) Software Co., Ltd. | 1,008,000.00 | 2,468,000.00 |
| Accounts receivable | Easyway (Suzhou) New Technology Co., Ltd. | 832,028.75 | 832,028.75 |
| Accounts receivable | Puyang BC&TV Tongfang Digital Television Co., Ltd. | 480,000.00 | 781,590.00 |
| Accounts receivable | Tianmen BC&TV Tongfang Digital Television Co., Ltd. | 460,000.00 | 460,000.00 |
| Accounts receivable | Tongfang Cloud Computing Technology Co., Ltd. | 457,137.02 | 2,591,074.00 |
| Accounts receivable | Xuchang BC&TV Tongfang Digital Television Co., Ltd. | 273,035.00 | 411,730.00 |
| Accounts receivable | Rizhao BC&TV Tongfang Digital Television Co., Ltd. | 255,485.00 | 101,100.00 |
| Accounts receivable | Tellhow Software Co., Ltd. | 235,000.00 | 0.00 |
| Accounts receivable | Kaifeng BC&TV Tongfang Digital Television Co., Ltd. | 226,700.00 | 15,400.00 |
| Accounts receivable | Easyway (Suzhou) Electronic Technology Co., Ltd. | 219,740.00 | 0.00 |
| Accounts receivable | Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 212,500.00 | 203,100.00 |
| Accounts receivable | Yuncheng Blue Star BC&TV Tongfang Digital Television Co., Ltd. | 174,000.00 | 70,000.00 |
| Accounts receivable | Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 156,566.80 | 0.00 |
| Accounts receivable | Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 90,107.50 | 90,107.50 |
| Accounts receivable | Shangqiu Tongfang Hengtai Digital Television Co., Ltd. | 62,500.00 | 0.00 |
| Accounts receivable | Nanyang BC&TV Tongfang Digital Television Co., Ltd. | 62,000.00 | 233,400.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|--|------------------------|------------------------|
| Accounts receivable | Advanced Systems Development Co., Ltd. | 55,500.00 | 0.00 |
| Accounts receivable | Tellhow Sci-Tech Co., Ltd. | 36,268.00 | 0.00 |
| Accounts receivable | Guangzhou Thomee Lighting Co., Ltd. | 33,879.00 | 0.00 |
| Accounts receivable | Tongfang Investment Co., Ltd. | 110.00 | 110.00 |
| Accounts receivable | Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 0.00 | 4,743,600.00 |
| Accounts receivable | LargeV Instrument Corporation Limited | 0.00 | 1,800,000.00 |
| Accounts receivable | Quanzhou BC&TV Tongfang Digital Television Co., Ltd. | 0.00 | 180,000.00 |
| Accounts receivable | Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 332.40 |
| Other related parties: | | | |
| Accounts receivable | Beijing Ziguang Pharmaceutical Co., Ltd. | 58,800.00 | 0.00 |
| Tsinghua University and its subordinate units: | | | |
| Other receivables | Tsinghua University | 12,500.00 | 72,500.00 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Other receivables | Unisplendour Corporation Limited | 8,000,000.00 | 0.00 |
| Other receivables | Tsinghua Tongfang Optical Disc Electronic Press | 57,320.23 | 57,320.23 |
| Other receivables | Beijing Chengzhi Yongchang Chemical Co., Ltd. | 25,015.28 | 0.00 |
| Other receivables | Beijing Huaqing Property Management Co., Ltd. | 3,236.59 | 3,236.59 |
| Other receivables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 0.00 | 25,805,427.14 |
| Joint ventures and associates: | | | |
| Other receivables | Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 38,628,255.23 | 32,317,553.92 |
| Other receivables | Shaanxi BC&TV Tongfang Digital Television Co., Ltd. | 12,011,755.04 | 13,411,755.04 |
| Other receivables | Tongfang Cloud Computing Technology Co., Ltd. | 11,530,000.00 | 8,700,136.99 |
| Other receivables | Beijing Haishian Data Technology Co., Ltd. (formerly Beijing Nuctech Data Systems Co., Ltd.) | 4,911,783.12 | 4,911,783.12 |
| Other receivables | Tellhow SciTech Co., Ltd. | 3,250,000.00 | 3,250,000.00 |
| Other receivables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,108,656.15 | 2,108,656.15 |
| Other receivables | Chongqing Tongfang Hezhi Technology Co., Ltd. | 658,040.43 | 658,040.43 |
| Other receivables | Shenzhen Tongfang Information Technology Co., Ltd. | 162,418.79 | 0.00 |
| Other receivables | Easyway (Suzhou) New Technology Co., Ltd. | 32,977.10 | 0.00 |
| Other receivables | Easyway Technology Co., Ltd. | 31,274.18 | 93,100.31 |
| Other receivables | Beijing Tongfang Time Link Electronic Co., Ltd. | 27,636.80 | 31,793.23 |
| Other receivables | Tongfang Investment Co., Ltd. | 7,429.15 | 15,434.24 |
| Other receivables | Tongfang Environment Co., Ltd. | 6,179.75 | 0.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Other receivables | Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 5,236.87 | 0.00 |
| Other receivables | Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 17,775,551.13 |
| Other receivables | Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 11,622,579.27 |
| Other receivables | Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 0.00 | 7,854,794.10 |
| Other receivables | CINTS Company Limited | 0.00 | 145,299.14 |
| Tsinghua University and its subordinate units: | | | |
| Advance payments | Beijing Tongli Huaqing Technology Co., Ltd. | 8,535,875.00 | 0.00 |
| Advance payments | Tsinghua University | 75,820.22 | 70,820.22 |
| Advance payments | Tsinghua University Machinery Factory | 0.00 | 3,931,237.05 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Advance payments | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 16,024,047.69 | 0.00 |
| Advance payments | Beijing Tsinghua Tongcheng Planning and Design Institute Co., Ltd. | 261,000.00 | 2,200,000.00 |
| Advance payments | Unisplendour Software Systems Co., Ltd. | 5,000.00 | 0.00 |
| Joint ventures and associates: | | | |
| Advance payments | Tongfang Environment Co., Ltd. | 2,454,000.00 | 2,454,000.00 |
| Advance payments | Jilin Tongfang Science and Technology Trade Co., Ltd. | 2,206,284.17 | 2,206,284.17 |
| Advance payments | Beijing Tongfang Time Link Electronic Co., Ltd. | 1,019,608.29 | 1,586,268.19 |
| Advance payments | Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 562,380.00 | 0.00 |
| Advance payments | Shenzhen Tongfang Information Technology Co., Ltd. | 45,000.00 | 45,000.00 |
| Advance payments | Tellhow Sci-Tech Co., Ltd. | 44,433.35 | 0.00 |
| Advance payments | Beijing Wenlu Laser Technology Co., Ltd. | 28,000.00 | 0.00 |
| Advance payments | Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 330,109.18 |
| Joint ventures and associates: | | | |
| Dividends receivable | Tongfang Investment Co., Ltd. | 90,909,090.91 | 0.00 |
| Dividends receivable | Advanced Systems Development Co., Ltd. | 17,068,000.00 | 0.00 |
| Dividends receivable | Beijing Global Safety Technology Co., Ltd. | 0.00 | 675,000.00 |
| Dividends receivable | Yunnan Yundian Tongfang Technology Co., Ltd. | 0.00 | 5,344,868.89 |

2. Payables

| Item | Related parties | Closing balance | Opening balance |
|---|----------------------------------|------------------------|------------------------|
| Tsinghua University and its subordinate units: | | | |
| Accounts payable | Tsinghua University | 186,872,785.28 | 345,058,519.11 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Accounts payable | Unisplendour Corporation Limited | 556,250.00 | 540,000.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|--|------------------------|------------------------|
| Accounts payable | Architechtral Design and Research Institute of Tsinghua University | 550,000.00 | 550,000.00 |
| Joint ventures and associates: | | | |
| Accounts payable | Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. | 57,677,347.00 | 36,154,893.91 |
| Accounts payable | Tongfang Environment Co., Ltd. | 15,367,889.52 | 19,585,866.57 |
| Accounts payable | Easyway Technology Co., Ltd. | 2,124,022.00 | 19,203,221.00 |
| Accounts payable | Beijing Tongfang Time Link Electronic Co., Ltd. | 1,920,000.00 | 1,920,000.00 |
| Accounts payable | Guangzhou Tongfang Refine Air Conditioning Co., Ltd. | 921,819.00 | 0.00 |
| Accounts payable | Advanced Systems Development Co., Ltd. | 812,805.50 | 0.00 |
| Accounts payable | Tongfang Cloud Computing Technology Co., Ltd. | 230,945.35 | 407,254.12 |
| Accounts payable | Beijing Ensaiwei Energy-Saving Technology Services Co., Ltd. | 80,000.00 | 80,000.00 |
| Accounts payable | Beijing Haishian Data Technology Co., Ltd. (formerly Beijing Nuctech Data Systems Co., Ltd.) | 48,822.00 | 0.00 |
| Accounts payable | Jilin Tongfang Science and Technology Trade Co., Ltd. | 36,684.00 | 36,684.00 |
| Accounts payable | Guangzhou Thomee Lighting Co., Ltd. | 22,480.00 | 150,450.00 |
| Accounts payable | Tellhow Sci-Tech Co., Ltd. | 20,506.81 | 0.00 |
| Accounts payable | Beijing Global Safety Technology Co., Ltd. | 0.00 | 2,277,693.87 |
| Accounts payable | Chongqing Tongfang Hezhi Technology Co., Ltd. | 0.00 | 430,650.00 |
| Accounts payable | Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 27,685.00 |
| Other related parties: | | | |
| Accounts payable | Tsinghua Holdings Human Settlements Environment Institute | 4,804,302.58 | 262,473.07 |
| Tsinghua University and its subordinate units: | | | |
| Other payables | Tsinghua University | 3,703,256.68 | 738,776.68 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Other payables | Tibet Ziguang Chunhua Investment Co., Ltd. | 2,103,453,375.00 | 0.00 |
| Other payables | "China Academic Journal (CD)" Electronic Magazine Co., Ltd. | 2,291,659.46 | 1,711,787.40 |
| Other payables | Tsinghua Tongfang Optical Disc Electronic Press | 261,355.38 | 238,189.17 |
| Other payables | Beijing Huaqing Property Management Co., Ltd. | 14,400.00 | 0.00 |
| Other payables | Tsinghua Holdings Co., Ltd. | 0.00 | 1,953,706,071.30 |
| Other payables | Tsinghua UniGroup | 0.00 | 5,000,000.00 |
| Other payables | Beijing Spreadtrum Hi-Tech Communications Technology Co., Ltd. | 0.00 | 1,732,125.75 |
| Joint ventures and associates: | | | |
| Other payables | Easyway Technology Co., Ltd. | 10,446,041.75 | 10,407,045.25 |
| Other payables | Jilin Tongfang Science and Technology Trade Co., Ltd. | 528,470.47 | 500,000.00 |
| Other payables | Beijing Tongfang Time Link Electronic Co., Ltd. | 200,000.00 | 200,000.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

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(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Other payables | Advanced Systems Development Co., Ltd. | 100,584.00 | 0.00 |
| Other payables | Tongfang Investment Co., Ltd. | 57,648.75 | 57,648.75 |
| Other payables | Tellhow Sci-Tech Co., Ltd. | 45,572.00 | 0.00 |
| Other payables | Tongfang Cloud Computing Technology Co., Ltd. | 14,224.24 | 14,224.24 |
| Other payables | Tongfang Environment Co., Ltd. | 100.00 | 0.00 |
| Other payables | Tongfang Ecological (Macau) One-person Ltd. | 58.84 | 128,248.12 |
| Other payables | Beijing Tongfang Bo Yu Engineering Technology Co., Ltd. | 30.00 | 0.00 |
| Other payables | Shenzhen Tongfang Information Technology Co., Ltd. | 0.00 | 2,509,930.09 |
| Other payables | Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 0.00 | 160,000.00 |
| Other payables | Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 260,713.31 |
| Other payables | Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 81,000.00 |
| Other payables | Easyway (Suzhou) New Technology Co., Ltd. | 0.00 | 14,890.32 |
| Other related parties: | | | |
| Other payables | Tsinghua Holdings Human Settlements Environment Institute | 463,496.00 | 55,000.00 |
| Other payables | Beijing Ziguang Pharmaceutical Co., Ltd. | 1,030.00 | 0.00 |
| Tsinghua University and its subordinate units: | | | |
| Advance receipts | Tsinghua University | 519,828.10 | 565,630.01 |
| Advance receipts | Beijing Tsinghua Industrial Development Research Institute | 2,432.40 | 0.00 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Advance receipts | Unisplendour Digital Group | 100,707.00 | 0.00 |
| Advance receipts | Tsinghua Holdings Co., Ltd. | 9,820.00 | 9,820.00 |
| Advance receipts | Capital Bio Corporation | 3,200.00 | 3,200.00 |
| Joint ventures and associates: | | | |
| Advance receipts | Shanxi BC&TV Tongfang Digital Television Co., Ltd. | 76,100.00 | 155,000.00 |
| Advance receipts | Easyway Technology Co., Ltd. | 72,300.00 | 198,700.00 |
| Advance receipts | Tellhow Software Co., Ltd. | 62,000.00 | 0.00 |
| Advance receipts | Jilin Tongfang Science and Technology Trade Co., Ltd. | 53,280.00 | 0.00 |
| Advance receipts | Tongfang Environment Co., Ltd. | 3,758.30 | 0.00 |
| Advance receipts | Beijing Tongfang Time Link Electronic Co., Ltd. | 895.00 | 895.00 |
| Advance receipts | Dazhou BC&TV Tongfang Wireless Digital Television Co., Ltd. | 0.00 | 0.00 |
| Advance receipts | Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 0.00 | 150,000.00 |
| Advance receipts | Easyway (Suzhou) Electronic Technology Co., Ltd. | 0.00 | 57,175.00 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Item | Related parties | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Advance receipts | Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 0.00 | 15,572.40 |
| Other related parties: | | | |
| Advance receipts | Tsinghua Holdings Human Settlements Environment Institute | 51,934.33 | 0.00 |
| Controlling shareholders and other companies controlled by the same controlling shareholder: | | | |
| Dividends payable | Tsinghua Holdings Co., Ltd. | 60,264,872.80 | 47,475,937.80 |
| Joint ventures and associates: | | | |
| Dividends payable | Tongfang Investment Co., Ltd. | 10,216,800.00 | 10,216,800.00 |

XII. Contingencies

As at 31 December 2015, there is nothing significant to be disclosed.

XIII. Commitments

As at 31 December 2015, there is nothing significant to be disclosed.

XIV. Events after the balance sheet date

1. Disposal of important subsidiary proposed

On 18 November 2015, the company held its third extraordinary shareholders meeting in 2015. "The Proposal on the Related Transaction over the Transfer of 36.39% Equity Interests in Tongfang Guoxin to Ziguang Chunhua and Estimated Enlarged Related Transactions" was approved during the meeting.

On 8 April 2016, the Company received the Confirmation of Transfer Registration issued by China Securities Depository and Clearing Co., Ltd.: On 7 April 2016, an aggregate of 220,835,000 shares of Tongfang Guoxin Co., Ltd. (the Company's subsidiary) was assigned to Tibet Ziguang Chunhua Investment Co., Ltd., a wholly-owned subsidiary of Unisplendour Group Co., Ltd. So far, the related party transactions over the transfer of 36.39% equity shares in Tongfang Guoxin to Ziguang Chunhua have been completed. Upon completion of the deal, the Company still holds 30,280,244 shares of Tongfang Guoxin, with the shareholding proportion down to 4.99% from 41.38%.

2. Major acquisitions and related transactions proposed

On 22 February 2016, the Company held the first extraordinary shareholders meeting in 2016. "The Agreement on acquirement of 44% Equity Interests in Shenzhen Huarongtai through Tongfang Innovation (the subsidiary of the Company), and An Additional Investment at price no more than RMB 195 million to Shenzhen Huarongtai was approved during the meeting.

The Company intends to accept 40% equity interest in Shenzhen Huarongtai Asset Management Co., Ltd. held by Tsinghua Holdings Limited, and 4% equity interest in Shenzhen Huarongtai Asset Management Co., Ltd. held by Shenzhen City Ao Rong Xin Investment Development Co., Ltd. through its wholly-owned subsidiary Beijing Tongfang Innovation Investment Co., Ltd., and make an additional investment to Huarongtai at price no more than RMB 195 million. As the transaction party is the controlling shareholder of Tsinghua Holdings, and the other transaction party, Ao Rong Xin Investment Development Co., Ltd. is a subsidiary actually controlled by Mr. Huang Yu, Vice Chairman of the Company, and who is also the

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

actual controller of Huarongtai, the transaction thus constitutes a related party transaction. As of the date of approval of financial report, the transaction has been completed.

3. Dividend distribution matters

According to the resolution of the 18th meeting of the 6th Board of Directors of the Company on 18 April 2016, the dividend distribution and not to convert capital premium into share capital plan proposed by the Board of Directors of the Company was:

Based on the total share capital of 2,963,898,951 shares as at 31 December 2015, the cash dividend of RMB 1.3 (tax included) for every 10 shares is distributed to all shareholders, totaling at RMB 385,306,863.63, and the remaining profit of RMB 4,025,361,802.02 is left to be distributed in later years. There is no capitalization from capital premium.

Except as disclosed in the above, the Company has no other significant events after balance sheet date to be disclosed.

XV. Other significant matters

1. Segment information

(1) Recognition basis and accounting policies of segments report

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1) that engaged in business activities from which it may earn revenues and incur expenses;

2) whose operating results are regularly reviewed by the Company's management to make decisions about the resources to be allocated to the segment and assess its performance; and

3) for which discrete information on financial position, operating results and cash flows is available for the Company.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and the segments are similar in each of the following aspects:

- 1) the nature of each product and service;
- 2) the nature of production process;
- 3) the type of customers for their products and services;
- 4) the methods used to distribute the products or provide their services;
- 5) the influence of legislations, administrative regulations on production of goods and rendering of services.

Based on operating segments, considering the principle of importance, comparability and consistency of the information of different accounting periods, the Company finalized the report segments as "public safety", "Internet service and terminal", "Smart city", "Energy saving and environmental protection", "science and technology park", "headquarters and investment".

Accounting policies adopted for the segment report are consistent with those for the consolidated financial statements.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Financial information of reporting segment for current year

| Reporting segment | 31 December 2015 | | | Year 2015 | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Total assets | Total liabilities | Revenue of main business | Cost of main business | Profit before income tax |
| Public safety | 9,505,186,338.84 | 7,127,874,701.15 | 4,927,808,315.39 | 3,354,350,854.17 | 609,860,945.51 |
| Internet services and terminals | 15,706,436,948.74 | 9,909,746,481.98 | 15,568,907,079.08 | 13,480,557,503.34 | 9,883,314.18 |
| Smart City | 3,615,732,275.27 | 2,628,129,580.64 | 3,325,791,838.00 | 2,840,935,417.18 | 141,563,233.41 |
| Energy saving and environmental protection | 16,662,039,299.59 | 10,966,077,664.08 | 4,655,865,670.53 | 3,409,413,983.95 | 796,119,492.38 |
| Science and Technology Park | 3,132,351,809.43 | 2,412,765,556.75 | 117,484,521.26 | 85,272,318.50 | 61,304,381.69 |
| Headquarters and investment | 9,220,657,653.31 | 2,141,750,120.19 | 0.00 | 0.00 | 754,631,862.02 |
| Sub-total | 57,842,404,325.18 | 35,186,344,104.79 | 28,595,857,424.26 | 23,170,530,077.14 | 2,373,363,229.19 |
| Offset between business segments | -981,568,452.59 | -981,344,705.95 | -363,848,024.18 | -359,924,163.35 | 0.00 |
| Total | 56,860,835,872.59 | 34,204,999,398.84 | 28,232,009,400.08 | 22,810,605,913.79 | 2,373,363,229.19 |

(Continued)

| Reporting segment | 31 December 2014 | | | Year 2014 | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Total assets | Total liabilities | Revenue of main business | Cost of main business | Profit before income tax |
| Public safety | 6,272,167,387.02 | 4,250,133,223.44 | 4,532,829,117.30 | 3,187,385,037.34 | 516,418,737.77 |
| Internet services and terminals | 14,856,618,141.83 | 8,980,368,297.11 | 13,801,382,823.07 | 11,762,513,214.29 | 334,280,682.65 |
| Smart City | 3,861,619,753.22 | 2,819,167,320.42 | 3,252,144,518.91 | 2,746,719,364.12 | 134,515,715.85 |
| Energy saving and environmental protection | 14,357,487,778.30 | 9,829,185,817.17 | 4,393,832,411.91 | 3,265,743,567.11 | 183,201,399.47 |
| Science and Technology Park | 3,198,802,581.04 | 2,397,565,314.18 | 101,568,651.30 | 78,611,917.01 | 41,752,982.45 |
| Headquarters and investment | 7,867,901,836.19 | 6,773,962,179.46 | 0.00 | 0.00 | 213,010,525.46 |
| Sub-total | 50,414,597,477.60 | 35,050,382,151.78 | 26,081,757,522.49 | 21,040,973,099.87 | 1,423,180,043.65 |
| Offset between business segments | -689,588,571.64 | -689,364,825.00 | -324,844,711.05 | -313,402,928.43 | 0.00 |
| Total | 49,725,008,905.96 | 34,361,017,326.78 | 25,756,912,811.44 | 20,727,570,171.44 | 1,423,180,043.65 |

XVI. Notes to significant items in the parent company's financial statements

1. Accounts receivable

(1) Classification of accounts receivable

| Type | Closing balance | | | | |
|---|------------------|-------------------|------------------------|-----------------|------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,720,036,442.56 | 100.00% | 321,398,412.57 | 18.69% | 1,398,638,029.99 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Type | Closing balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 100.00% | 0.00 |
| Total | 1,720,036,442.56 | 100.00% | 321,398,412.57 | 18.69% | 1,398,638,029.99 |

(Continued)

| Type | Opening balance | | | | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|
| | Book balance | | Provision for bad debt | | Carrying amount |
| | Amount | % of total amount | Amount | Provision ratio | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 1,675,600,475.53 | 99.99% | 279,917,592.93 | 16.71% | 1,395,682,882.60 |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 152,376.00 | 0.01% | 152,376.00 | 100.00% | 0.00 |
| Total | 1,675,752,851.53 | 100.00% | 280,069,968.93 | 16.71% | 1,395,682,882.60 |

1) Aging portfolios

| Account age | Closing balance | | |
|-------------------|-------------------------|-------------------|------------------------|
| | Accounts receivable | % of total amount | Provision for bad debt |
| Within 1 year | 854,423,636.60 | 49.67% | 8,523,433.78 |
| 1-2 years | 148,026,590.81 | 8.61% | 6,625,033.59 |
| 2-3 years | 82,426,299.92 | 4.79% | 12,252,978.18 |
| 3-4 years | 73,529,386.59 | 4.28% | 21,668,274.33 |
| 4-5 years | 312,926,922.10 | 18.19% | 24,920,407.81 |
| More than 5 years | 248,703,606.54 | 14.46% | 247,408,284.88 |
| Total | 1,720,036,442.56 | 100.00% | 321,398,412.57 |

(2) The top 5 largest accounts receivable at the end of the year is RMB 584,488,623.86, making up of 33.98% of the total balance, provision for bad debts at the end of the year is RMB 3,442,488.63.

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

2. Other receivables

(1) Classification of other receivables

| Type | Closing balance | | | | | Book value | |
|---|--------------------------|----------------|------------------------|--------------|--------------------------|------------|--|
| | Book balance | | Provision for bad debt | | Provision ratio | | |
| | Amount | Proportion | Amount | Proportion | | | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 10,855,252,878.76 | 100.00% | 165,810,468.50 | 1.53% | 10,689,442,410.26 | | |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Total | 10,855,252,878.76 | 100.00% | 165,810,468.50 | 1.53% | 10,689,442,410.26 | | |

(Continued)

| Type | Opening balance | | | | | Carrying amount | |
|---|-------------------------|-------------------|------------------------|-----------------|-------------------------|-----------------|--|
| | Book balance | | Provision for bad debt | | Provision ratio | | |
| | Amount | % of total amount | Amount | Provision ratio | | | |
| Receivables with individual significant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Provision for bad debts accrued on portfolios classifies by the characteristics of credit risk | 5,632,753,133.60 | 100.00% | 180,673,785.95 | 3.21% | 5,452,079,347.65 | | |
| Receivables with individual insignificant amount and identified separately for bad debt provision | 0.00 | 0.00% | 0.00 | 0.00% | | 0.00 | |
| Total | 5,632,753,133.60 | 100.00% | 180,673,785.95 | 3.21% | 5,452,079,347.65 | | |

1) Aging portfolios

| Account age | Closing balance | | |
|-------------------|--------------------------|-------------------|------------------------|
| | Other receivables | % of total amount | Provision for bad debt |
| Within 1 year | 7,694,729,982.76 | 70.88% | 880,113.44 |
| 1-2 years | 1,600,894,614.61 | 14.75% | 1,822,273.17 |
| 2-3 years | 154,586,787.81 | 1.42% | 2,528,505.56 |
| 3-4 years | 382,088,963.24 | 3.52% | 1,857,366.24 |
| 4-5 years | 417,525,484.22 | 3.85% | 5,448,982.79 |
| More than 5 years | 605,427,046.12 | 5.58% | 153,273,227.30 |
| Total | 10,855,252,878.76 | 100.00% | 165,810,468.50 |

Notes to the Financial Statements of Tsinghua Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(2) Classification of other receivables by nature

| Nature | Closing book balance | Opening book balance |
|--|-----------------------------|-----------------------------|
| Intercourse funds | 10,670,189,798.84 | 5,406,024,376.75 |
| Guarantee deposit and security deposit | 136,803,776.34 | 129,495,180.60 |
| Petty cash | 38,752,776.11 | 44,967,594.63 |
| Payments for other entities | 5,550,061.08 | 23,561,613.06 |
| Energy conservation subsidies | 0.00 | 16,640,260.00 |
| Others | 3,956,466.39 | 12,064,108.56 |
| Total | 10,855,252,878.76 | 5,632,753,133.60 |

(3) The top 5 largest other receivables at the end of the year is RMB 8,020,865,751.29, making up of 73.89% of the total balance, provision for bad debts at the end of the year is RMB 0.00.

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

3. Long-term equity investments**(1) Long-term equity investments by category**

| Item | Closing balance | | | Opening balance | | |
|--|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Investment in subsidiaries | 6,573,756,444.48 | 45,757,599.40 | 6,527,998,845.08 | 6,676,236,991.55 | 45,757,599.40 | 6,630,479,392.15 |
| Investments in joint venture or associates | 3,225,689,714.23 | 0.00 | 3,225,689,714.23 | 2,963,606,973.31 | 0.00 | 2,963,606,973.31 |
| Total | 9,799,446,158.71 | 45,757,599.40 | 9,753,688,559.31 | 9,639,843,064.86 | 45,757,599.40 | 9,594,086,265.46 |

(2) Investment in subsidiaries

| Investee | Opening balance | Increase in current year | Decrease in current year | Closing balance | Provision for impairment for the current year | | Provision for impairment Ending Balance |
|--|------------------|--------------------------|--------------------------|------------------|---|---|---|
| | | | | | Provision for impairment for the current year | Provision for impairment Ending Balance | |
| Beijing ERENEBEN Information Technology Co., Ltd. | 1,213,925,700.00 | 0.00 | 0.00 | 1,213,925,700.00 | 0.00 | 0.00 | 0.00 |
| Nantong Tongfang Semiconductor Co., Ltd. | 814,000,000.00 | 0.00 | 0.00 | 814,000,000.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Computer Co., Ltd. | 599,910,000.00 | 0.00 | 0.00 | 599,910,000.00 | 0.00 | 0.00 | 0.00 |
| TsingHua TongFang Artificial Environment Co., Ltd. | 434,834,441.73 | 0.00 | 0.00 | 434,834,441.73 | 0.00 | 0.00 | 0.00 |
| Tongfang Industry Co., Ltd. | 400,000,000.00 | 0.00 | 0.00 | 400,000,000.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Guoxin Co., Ltd. | 369,770,200.00 | 0.00 | 0.00 | 369,770,200.00 | 0.00 | 0.00 | 0.00 |
| Shenyang Tongfang Multimedia Technology Co., Ltd. | 315,870,970.73 | 0.00 | 0.00 | 315,870,970.73 | 0.00 | 0.00 | 0.00 |
| Shenzhen Tongfang Multimedia Technology Co., Ltd. | 300,000,000.00 | 0.00 | 0.00 | 300,000,000.00 | 0.00 | 0.00 | 0.00 |
| Longjiang Environmental Protection Group Co., Ltd. | 277,085,530.96 | 0.00 | 0.00 | 277,085,530.96 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Lingxun Technology Co., Ltd. | 247,000,000.00 | 0.00 | 0.00 | 247,000,000.00 | 0.00 | 0.00 | 0.00 |
| Nantong Tongfang Technology Park Co., Ltd. | 200,000,000.00 | 0.00 | 0.00 | 200,000,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Innovation Investment Co., Ltd. | 169,666,900.00 | 0.00 | 0.00 | 169,666,900.00 | 0.00 | 0.00 | 0.00 |
| Shenyang Tongfang Technology Park Co., Ltd. | 155,271,232.65 | 0.00 | 0.00 | 155,271,232.65 | 0.00 | 0.00 | 0.00 |
| Resuccess Investments Ltd. | 140,504,808.10 | 0.00 | 0.00 | 140,504,808.10 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Gigamega Technology Co., Ltd. | 117,771,000.00 | 0.00 | 0.00 | 117,771,000.00 | 0.00 | 0.00 | 0.00 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Investee | Opening balance | Increase in current year | Decrease in current year | Closing balance | Provision for impairment for the current year | | Provision for impairment Ending Balance |
|--|-------------------------|--------------------------------|-----------------------------|-------------------------|---|------------------------------------|---|
| | | | | | Provision for impairment for the current year | impairment for the current year | |
| Tongfang Knowledge Network Digital Publishing Technology Co., Ltd. | 100,054,351.74 | 0.00 | 0.00 | 100,054,351.74 | 0.00 | 0.00 | 0.00 |
| Shandong Tsinghua Tongfang Luying Electronic Co., Ltd. | 82,866,626.66 | 0.00 | 0.00 | 82,866,626.66 | 0.00 | 0.00 | 0.00 |
| Tongfang Global Limited | 65,228,000.00 | 0.00 | 0.00 | 65,228,000.00 | 0.00 | 0.00 | 0.00 |
| Tongfang R.I.A Company Limited | 60,000,000.00 | 0.00 | 0.00 | 60,000,000.00 | 0.00 | 0.00 | 0.00 |
| Huai'an Tongfang Water Affairs Co., Ltd. | 57,260,000.00 | 0.00 | 0.00 | 57,260,000.00 | 0.00 | 0.00 | 0.00 |
| Nuctech Company Limited | 57,000,000.00 | 0.00 | 0.00 | 57,000,000.00 | 0.00 | 0.00 | 0.00 |
| Advanced Systems Development Co., Ltd. | 55,480,547.07 | 0.00 | 55,480,547.07 | 0.00 | 0.00 | 0.00 | 0.00 |
| TongFang HongKong Limited | 52,708,800.00 | 0.00 | 0.00 | 52,708,800.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Technology Park Co., Ltd. | 51,640,000.00 | 0.00 | 0.00 | 51,640,000.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Carbon Technology Co., Ltd. | 47,000,000.00 | 0.00 | 47,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Qingxin Optoelectronics Co., Ltd. | 45,757,599.40 | 0.00 | 0.00 | 45,757,599.40 | 0.00 | 0.00 | 45,757,599.40 |
| Technovator International Limited | 43,363,900.00 | 0.00 | 0.00 | 43,363,900.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Optoelectronic (HK) Limited | 39,478,529.25 | 0.00 | 0.00 | 39,478,529.25 | 0.00 | 0.00 | 0.00 |
| Huizhou Tongfang Water Affairs Co., Ltd. | 36,000,000.00 | 0.00 | 0.00 | 36,000,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Software Co., Ltd. | 34,864,600.00 | 0.00 | 0.00 | 34,864,600.00 | 0.00 | 0.00 | 0.00 |
| TongFang Asia Pacific (R&D Center) Pte Ltd. | 21,772,500.00 | 0.00 | 0.00 | 21,772,500.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Microelectronics Co., Ltd. | 21,479,648.26 | 0.00 | 0.00 | 21,479,648.26 | 0.00 | 0.00 | 0.00 |
| THTF USA Inc. | 20,641,105.00 | 0.00 | 0.00 | 20,641,105.00 | 0.00 | 0.00 | 0.00 |
| Tongfang Health Technology (Beijing) Co., Ltd. | 17,500,000.00 | 0.00 | 0.00 | 17,500,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Property Management Co., Ltd. | 9,530,000.00 | 0.00 | 0.00 | 9,530,000.00 | 0.00 | 0.00 | 0.00 |
| Beijing Tongfang Education and Training School | 1,000,000.00 | 0.00 | 0.00 | 1,000,000.00 | 0.00 | 0.00 | 0.00 |
| Total | 6,676,236,991.55 | 0.00 | 102,480,547.07 | 6,573,756,444.48 | 0.00 | 45,757,599.40 | |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

(3) Investments in joint venture or associates

| Invested entity | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | | Others | Declaration of cash dividends or profits | Closing balance | Provision for impairment Ending Balance |
|---|------------------|-----------------------|-----------------------|--|----------------------------|------------------------|---------------|---------------|--|------------------|---|
| | | | | Equity gains and losses recognized under the equity method | Other comprehensive income | Other equity movements | Adjustment | | | | |
| I. Joint ventures | | | | | | | | | | | |
| Aegon THFF Life Insurance Co., Ltd. | 1,036,388,956.78 | 151,700,943.40 | 0.00 | -7,166,491.48 | 9,647,181.29 | 0.00 | 0.00 | 0.00 | 0.00 | 1,190,570,589.99 | 0.00 |
| Tongfang NOK (Wuxi) Membrane Technology Co., Ltd. | 7,679,070.10 | 0.00 | 6,826,972.97 | -852,097.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| II. Associates | | | | | | | | | | | |
| Tellhow Sci-Tech Co., Ltd. | 478,149,651.69 | 0.00 | 4,188,822.25 | 14,901,794.26 | 0.00 | 55,501,857.77 | 6,150,740.70 | 0.00 | 538,213,740.77 | 0.00 | |
| Tongfang Investment Co., Ltd. | 396,161,626.26 | 0.00 | 0.00 | 65,021,170.32 | -24,289,563.03 | 565,038.43 | 72,727,272.73 | 0.00 | 364,730,999.25 | 0.00 | |
| Tongfang JiangXin Shipbuilding Co., Ltd. | 329,082,998.86 | 0.00 | 0.00 | -4,775,371.65 | 0.00 | 0.00 | 0.00 | 0.00 | 324,307,627.21 | 0.00 | |
| Jarun Investment Co., Ltd. | 327,293,081.27 | 0.00 | 0.00 | 4,539,585.41 | 0.00 | 0.00 | 8,684,390.00 | 0.00 | 323,058,276.68 | 0.00 | |
| Tongfang Environment Co., Ltd. | 165,895,326.10 | 0.00 | 0.00 | 13,098,166.44 | 86,029.79 | -10,904.16 | 33,626,880.00 | 0.00 | 145,441,738.17 | 0.00 | |
| Tongfang Tellhow Comic And Animation Industry Investment Co., Ltd. | 79,615,482.24 | 80,000,000.00 | 0.00 | -2,643,846.68 | 0.00 | 0.00 | 0.00 | 0.00 | 156,971,635.56 | 0.00 | |
| Yunnan Yundian Tongfang Technology Co., Ltd. | 72,256,643.04 | 0.00 | 0.00 | 11,717,014.01 | 0.00 | 0.00 | 2,316,469.28 | 0.00 | 81,657,187.77 | 0.00 | |
| Beijing Global Safety Technology Co., Ltd. | 38,921,149.94 | 0.00 | 0.00 | 8,752,242.67 | -1,359.46 | -15,097.71 | 675,000.00 | 0.00 | 46,981,935.44 | 0.00 | |
| Beijing Tongfang Electronic Commerce Co., Ltd. | 27,086,606.16 | 0.00 | 0.00 | 1,339,706.86 | 0.00 | 0.00 | 0.00 | 0.00 | 28,426,313.02 | 0.00 | |
| Dong Fang Huan Lv Technology Co., Ltd. (formerly Beijing Yi Hao Technology Co., Ltd.) | 2,852,167.54 | 0.00 | 0.00 | -271,720.08 | 0.00 | 0.00 | -2,580,447.46 | 0.00 | 0.00 | 0.00 | |
| Jilin Tongfang Science and Technology Trade Co., Ltd. | 1,321,122.21 | 0.00 | 0.00 | -32,042.29 | 0.00 | 0.00 | 0.00 | 0.00 | 1,289,079.92 | 0.00 | |
| Chongqing Tongfang Hezhi Technology Co., Ltd. | 993,091.12 | 0.00 | 0.00 | -3,13,021.95 | 0.00 | 0.00 | 0.00 | 0.00 | 680,069.17 | 0.00 | |
| Advanced Systems Development | 0.00 | 0.00 | 0.00 | 4,974,208.24 | -79,231.10 | 0.00 | 2,364,000.00 | 18,478,962.21 | 21,009,939.35 | 0.00 | |
| Beijing Zhonglu TongFang Culture & Communication Co., Ltd. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |

Notes to the Financial Statements of Tongfang Co, Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

| Invested entity | Opening balance | Increasing investment | Decreasing investment | Movements during the current year | | | | | Provision for impairment Ending Balance |
|---|-------------------------|-----------------------|-----------------------|--|----------------------------|------------------------|--|----------------------|--|
| | | | | Equity gains and losses recognized under the equity method | Other comprehensive income | Other equity movements | Declaration of cash dividends or profits | Others | |
| Beijing ASK Tongfang Technology Co., Ltd. | 0.00 | 0.00 | 0.00 | 2,350,581.93 | 0.00 | 0.00 | 0.00 | 0.00 | 2,350,581.93 |
| Total | 2,963,606,973.31 | 231,700,943.40 | 11,015,795.22 | 110,639,878.88 | -14,636,942.51 | 56,040,894.33 | 126,544,752.71 | 15,898,514.75 | 3,225,689,714.23 |

Supplementary information to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this supplementary information are denominated in RMB.)

4. Revenue and Costs

| Item | Amount for the current year | | Amount for the previous year | |
|----------------|-----------------------------|-------------------------|------------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 6,430,684,346.64 | 6,026,522,986.84 | 8,024,194,287.76 | 7,588,704,546.65 |
| Other business | 157,774,524.49 | 62,483,791.63 | 146,669,696.18 | 50,132,803.92 |
| Total | 6,588,458,871.13 | 6,089,006,778.47 | 8,170,863,983.94 | 7,638,837,350.57 |

5. Investment income

| Item | Amount for the current year | Amount for the previous year |
|--|-----------------------------|------------------------------|
| | | |
| Investment income on disposal of financial assets at fair value through profit or loss | 577,715,118.47 | 17,090.50 |
| Income from long-term equity investments under cost method | 153,815,524.40 | 174,755,762.20 |
| Income from long-term equity investments under equity method | 110,639,878.88 | 116,850,327.54 |
| Investment income on disposal of long-term equity investments | 99,726,230.91 | 21,126,620.32 |
| Investment income during the holding period of financial assets at fair value through profit or loss | 4,566,936.30 | 3,117,508.25 |
| Entrusted loan income | 1,584,148.75 | 2,821,903.75 |
| Investment income during the holding period of available-for-sale financial assets | 205,853.00 | 2,236,011.68 |
| Total | 948,253,690.71 | 320,925,224.24 |

Approval of financial reports

Approved and authorized for issue by the board of directors on 18 April 2016.

Supplementary information to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this supplementary information are denominated in RMB.)

Supplementary information to financial statements

1. Statement of non-recurring profit or loss for current year

(1) Under the requirements in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Their Securities to the Public - Non-recurring Profit or Loss (2008) issued by CSRC, the non-recurring profit or loss for the Company in 2015 is listed below:

| Item | Amount for the current year |
|--|------------------------------------|
| Profit or loss on disposal of non-current assets | 716,371,317.42 |
| Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature | 0.00 |
| Government grants recognized in current profit or loss | 220,786,354.82 |
| Fund possession cost paid by non-financial enterprises and recorded under current profit and loss | 0.00 |
| Profit or loss of non-monetary asset swap | 0.00 |
| Gain/loss from Changes in fair value arising from holding financial assets (liabilities) at fair value through profit or loss and investment gains/loss arising from disposal of financial assets (liabilities) at fair value through profit or loss and available-for-sale financial assets, except for the effective hedging activities related to the company's ordinary activities | 357,112,591.30 |
| Gain/loss from changes in fair value of investment properties under fair value method for subsequent measurement | -1,794,889.76 |
| Other non-operating income or expenses other than the above items | 1,511,571.82 |
| Other profit and loss items that fall within the meaning of non-recurring profit and loss | -6,056,260.63 |
| Sub-total | 1,287,930,684.97 |
| Impact on income tax | 103,411,507.43 |
| Impact on non-controlling interests (after tax) | 469,026,612.66 |
| Total | 715,492,564.88 |

2. Return on net assets and earnings per share

Under the requirements in Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No.9- Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 revision) issued by the CSRC, the weighted average return on net assets, basic earnings per share and diluted earnings per share for the Company in 2015 is listed below:

| Profit during the reporting period | Weighted average return on net assets | Earnings per share | |
|--|--|-------------------------------------|---------------------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to shareholders of the parent company | 7.67% | 0.44 | 0.44 |
| Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses | 3.32% | 0.19 | 0.19 |

Notes to the Financial Statements of Tongfang Co., Ltd.

From 1 January 2015 to 31 December 2015

(Unless otherwise specified, all the amounts in this Notes are denominated in RMB.)

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