SHENZHEN TELLUS HOLDING CO., LTD

Financial Report

Semi-Annual Report 2018

（Un-audited）

August 2018

Financial Report

Units in Notes of Financial Statements is RMB

1. Consolidated Balance Sheet

2018-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	277,556,456.47	161,793,218.56
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	81,270,957.00	44,215,236.68
Accounts paid in advance	5,002,538.34	3,737,706.70
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		221,232.88
Dividend receivable	52,732,683.74	779,868.09
Other receivables	24,823,888.53	14,819,164.11
Purchase restituted finance asset		
Inventories	5,858,705.33	12,646,227.22
Assets held for sale		
Non-current asset due within one year		
Other current assets	122,022,053.76	219,582,250.70
Total current assets	569,267,283.17	457,794,904.94
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	10,176,617.20	10,176,617.20
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	244,379,388.10	284,464,749.15
Investment property	70,972,017.37	73,223,512.21
Fixed assets	116,927,224.82	120,296,822.84
Construction in progress	388,384,816.21	378,160,896.69
Engineering material		
Disposal of fixed asset		
Productive biological asset		
Oil and gas asset		

Intangible assets	51,677,187.69	52,349,686.92
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	1,751,891.37	1,779,713.94
Deferred income tax asset	24,374,557.81	24,394,028.91
Other non-current asset	673,661.62	673,661.62
Total non-current asset	909,317,362.19	945,519,689.48
Total assets	1,478,584,645.36	1,403,314,594.42
Current liabilities:		
Short-term loans	143,000,000.00	120,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	22,940,795.88	28,032,708.69
Accounts received in advance	10,891,562.79	13,790,019.47
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	22,622,742.58	23,171,154.53
Taxes payable	9,650,704.98	9,927,572.27
Interest payable	235,225.83	229,494.72
Dividend payable		
Other accounts payable	182,185,901.15	153,099,910.49
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	391,526,933.21	348,250,860.17
Non-current liabilities:		
Long-term loans	34,934,887.55	38,600,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	3,920,160.36	3,920,160.36
Long-term wages payable		
Special accounts payable		
Accrual liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities	14,520,000.00	14,520,000.00

Total non-current liabilities	53,375,047.91	57,040,160.36
Total liabilities	444,901,981.12	405,291,020.53
Owner's equity:		
Share capital	297,281,600.00	297,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	565,226,274.51	565,226,274.51
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	2,952,586.32	2,952,586.32
Provision of general risk		
Retained profit	124,718,875.66	97,798,595.80
Total owner's equity attributable to parent company	990,179,336.49	963,259,056.63
Minority interests	43,503,327.75	34,764,517.26
Total owner's equity	1,033,682,664.24	998,023,573.89
Total liabilities and owner's equity	1,478,584,645.36	1,403,314,594.42

2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	152,388,443.29	97,991,738.05
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		
Account paid in advance	117,736.22	
Interest receivable		221,232.88
Dividends receivable	52,732,683.74	779,868.09
Other receivables	104,505,630.50	98,321,166.40
Inventories		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	70,500,000.00	203,500,000.00
Total current assets	380,244,493.75	400,814,005.42
Non-current assets:		
Available-for-sale financial assets	10,176,617.20	10,176,617.20
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	878,457,157.13	789,830,758.66
Investment real estate	45,200,498.37	46,749,467.61

Fixed assets	15,116,889.20	15,536,781.07
Construction in progress	8,075,987.18	5,554,512.79
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	291,629.96	341,121.77
Research and development costs		
Goodwill		
Long-term deferred expenses	236,786.48	223,715.66
Deferred income tax assets	13,849,840.74	13,869,311.84
Other non-current assets		
Total non-current assets	971,405,406.26	882,282,286.60
Total assets	1,351,649,900.01	1,283,096,292.02
Current liabilities:		
Short-term borrowings	143,000,000.00	120,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	14,000.00	14,000.00
Accounts received in advance	2,523,809.60	1,511.00
Wage payable	4,985,150.49	5,769,360.88
Taxes payable	1,139,784.03	474,977.89
Interest payable	183,561.00	165,604.16
Dividend payable		
Other accounts payable	316,818,068.69	295,776,662.59
Liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	468,664,373.81	422,202,116.52
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Accrual liabilities		
Deferred income		
Deferred income tax liabilities		

Other non-current liabilities		
Total non-current liabilities		
Total liabilities	468,664,373.81	422,202,116.52
Owners' equity:		
Share capita	297,281,600.00	297,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	562,032,851.23	562,032,851.23
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	2,952,586.32	2,952,586.32
Retained profit	20,718,488.65	-1,372,862.05
Total owner's equity	882,985,526.20	860,894,175.50
Total liabilities and owner's equity	1,351,649,900.01	1,283,096,292.02

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	197,955,081.73	160,984,104.56
Including: Operating income	197,955,081.73	160,984,104.56
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost		
Including: Operating cost	153,739,952.11	118,024,813.96
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	2,922,621.92	2,810,925.76
Sales expenses	8,337,907.27	6,883,605.25
Administration expenses	19,137,092.41	19,352,021.76
Financial expenses	2,771,872.61	26,460.54
Losses of devaluation of asset	392,040.25	-189,620.97
Add: Changing income of fair value(Loss is listed with "-")		
Investment income (Loss is listed with "-")	17,866,022.25	9,636,578.24
Including: Investment income on affiliated company and	12,795,300.82	2,929,608.85

joint venture		
Exchange income (Loss is listed with "-")		
Assets disposal income (Loss is listed with "-")		
Other income		
III. Operating profit (Loss is listed with "-")	28,519,617.41	23,712,476.50
Add: Non-operating income	34,394.39	319,517.17
Less: Non-operating expense	99,688.31	6,919.80
IV. Total Profit (Loss is listed with "-")	28,454,323.49	24,025,073.87
Less: Income tax expense	1,887,473.77	623,687.09
V. Net profit (Net loss is listed with "-")	26,566,849.72	23,401,386.78
(i) net profit from continuous operation (Net loss is listed with "-")	26,566,849.72	23,401,386.78
(ii) net profit from discontinued operation (Net loss is listed with "-")		
Net profit attributable to owner's of parent company	26,920,279.86	24,596,905.09
Minority shareholders' gains and losses	-353,430.14	-1,195,518.31
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of		

available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	26,566,849.72	23,401,386.78
Total comprehensive income attributable to owners of parent Company	26,920,279.86	24,596,905.09
Total comprehensive income attributable to minority shareholders	-353,430.14	-1,195,518.31
VIII. Earnings per share:		
(i) Basic earnings per share	0.0906	0.0827
(ii) Diluted earnings per share	0.0906	0.0827

4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	20,083,496.42	21,455,828.43
Less: Operating cost	1,842,326.22	1,800,520.02
Tax and extras	818,654.42	852,504.05
Sales expenses		
Administration expenses	7,986,244.31	8,630,924.30
Financial expenses	2,215,649.63	-315,599.87
Losses of devaluation of asset	69,500.70	-189,620.97
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	14,956,569.69	14,439,969.08
Including: Investment	12,154,498.47	5,721,803.49

income on affiliated company and joint venture		
Assets disposal income (Loss is listed with “-”)		
Other income		
II. Operating profit (Loss is listed with “-”)	22,107,690.83	25,117,069.98
Add: Non-operating income	3,130.97	
Less: Non-operating expense		
III. Total Profit (Loss is listed with “-”)	22,110,821.80	25,117,069.98
Less: Income tax expense	19,471.10	19,471.10
IV. Net profit (Net loss is listed with “-”)	22,091,350.70	25,097,598.88
(i) net profit from continuous operation (Net loss is listed with “-”)	22,091,350.70	25,097,598.88
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses		

arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	22,091,350.70	25,097,598.88
VII. Earnings per share:		
(i) Basic earnings per share	0.0743	0.0844
(ii) Diluted earnings per share	0.0743	0.0844

5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	190,354,252.94	172,205,464.81
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		

Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	14,796,131.60	17,681,721.14
Subtotal of cash inflow arising from operating activities	205,150,384.54	189,887,185.95
Cash paid for purchasing commodities and receiving labor service	156,589,699.73	100,485,791.06
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	25,206,855.48	30,466,874.43
Taxes paid	10,795,455.49	12,522,480.67
Other cash paid concerning operating activities	40,628,841.95	39,031,478.39
Subtotal of cash outflow arising from operating activities	233,220,852.65	182,506,624.55
Net cash flows arising from operating activities	-28,070,468.11	7,380,561.40
II. Cash flows arising from investing activities:		
Cash received from recovering investment	454,400,000.00	237,000,000.00
Cash received from investment income	4,153,597.07	10,890,968.34
Net cash received from disposal of fixed, intangible and other long-term assets		272,340.00
Net cash received from disposal of subsidiaries and other units	1,504,125.26	2,343,240.90
Other cash received concerning investing activities	46,001,000.00	
Subtotal of cash inflow from investing activities	506,058,722.33	250,506,549.24
Cash paid for purchasing fixed, intangible and other long-term assets	14,848,244.60	12,861,466.12
Cash paid for investment	357,030,000.00	322,000,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning	5,733,400.00	

investing activities		
Subtotal of cash outflow from investing activities	377,611,644.60	334,861,466.12
Net cash flows arising from investing activities	128,447,077.73	-84,354,916.88
III. Cash flows arising from financing activities		
Cash received from absorbing investment	9,000,000.00	7,672,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	9,000,000.00	7,672,000.00
Cash received from loans	25,082,000.00	15,600,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	34,082,000.00	23,272,000.00
Cash paid for settling debts	8,665,112.45	
Cash paid for dividend and profit distributing or interest paying	10,030,329.79	1,562,339.36
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	18,695,442.24	1,562,339.36
Net cash flows arising from financing activities	15,386,557.76	21,709,660.64
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	70.53	-153.38
V. Net increase of cash and cash equivalents	115,763,237.91	-55,264,848.22
Add: Balance of cash and cash equivalents at the period -begin	161,793,218.56	178,497,640.10
VI. Balance of cash and cash equivalents at the period -end	277,556,456.47	123,232,791.88

6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	26,539,659.00	32,112,173.50
Write-back of tax received		
Other cash received	10,135,679.87	4,567,298.11

concerning operating activities		
Subtotal of cash inflow arising from operating activities	36,675,338.87	36,679,471.61
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	8,333,154.63	8,371,531.53
Taxes paid	1,125,249.42	1,808,421.17
Other cash paid concerning operating activities	31,499,877.17	11,123,303.80
Subtotal of cash outflow arising from operating activities	40,958,281.22	21,303,256.50
Net cash flows arising from operating activities	-4,282,942.35	15,376,215.11
II. Cash flows arising from investing activities:		
Cash received from recovering investment	344,000,000.00	220,000,000.00
Cash received from investment income	3,180,515.85	10,718,165.59
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		14,150,000.00
Other cash received concerning investing activities	46,001,000.00	
Subtotal of cash inflow from investing activities	393,181,515.85	244,868,165.59
Cash paid for purchasing fixed, intangible and other long-term assets	2,710,314.68	250,108.10
Cash paid for investment	339,971,900.00	293,998,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	5,733,400.00	
Subtotal of cash outflow from investing activities	348,415,614.68	294,248,108.10
Net cash flows arising from investing activities	44,765,901.17	-49,379,942.51
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	23,000,000.00	
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	23,000,000.00	
Cash paid for settling debts		
Cash paid for dividend and	9,086,253.58	1,099,583.35

profit distributing or interest paying		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	9,086,253.58	1,099,583.35
Net cash flows arising from financing activities	13,913,746.42	-1,099,583.35
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	54,396,705.24	-35,103,310.75
Add: Balance of cash and cash equivalents at the period -begin	97,991,738.05	110,800,890.39
VI. Balance of cash and cash equivalents at the period -end	152,388,443.29	75,697,579.64

7. Statement of Changes in Owners' Equity (Consolidated)

Current Period

In RMB

Item	Current Period												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	297,281,600.00				565,226,274.51				2,952,586.32		97,798,595.80	34,764,517.26	998,023,573.89
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	297,281,600.00				565,226,274.51				2,952,586.32		97,798,595.80	34,764,517.26	998,023,573.89
III. Increase/ Decrease in this year (Decrease is listed with "-")											26,920,279.86	8,738,810.49	35,659,090.35
(i) Total comprehensive income											26,920,279.86	-353,430.14	26,566,849.72
(ii) Owners' devoted and decreased capital												9,092,240.63	9,092,240.63
1.Common shares invested by shareholders												9,000,000.00	9,000,000.00
2. Capital invested by holders of other equity													

instruments													
3. Amount reckoned into owners equity with share-based payment													
4．Other												92,240.63	92,240.63
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	297,281,600.00				565,226,274.51				2,952,586.32		124,718,875.66	43,503,327.75	1,033,682,664.24

Last period

In RMB

Item	Last period												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	297,281,600.00				564,192,605.51				2,952,586.32		30,935,823.12	13,173,721.23	908,536,336.18
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	297,281,600.00				564,192,605.51				2,952,586.32		30,935,823.12	13,173,721.23	908,536,336.18
III. Increase/ Decrease in this year (Decrease is listed with "-")					1,033,669.00						24,596,905.09	6,476,481.69	32,107,055.78
(i) Total comprehensive income											24,596,905.09	-1,195,518.31	23,401,386.78
(ii) Owners' devoted and decreased capital												7,672,000.00	7,672,000.00
1.Common shares invested by shareholders												7,672,000.00	7,672,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into													

owners equity with share-based payment													
4．Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others					1,033,669.00								1,033,669.00
IV. Balance at the end of the report period	297,281,600.00				565,226,274.51				2,952,586.32		55,532,728.21	19,650,202.92	940,643,391.96

8. Statement of Changes in Owners' Equity (Parent Company)

Current Period

In RMB

Item	Current period

	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	297,281,600.00				562,032,851.23				2,952,586.32	-1,372,862.05	860,894,175.50
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	297,281,600.00				562,032,851.23				2,952,586.32	-1,372,862.05	860,894,175.50
III. Increase/ Decrease in this year (Decrease is listed with "-")										22,091,350.70	22,091,350.70
(i) Total comprehensive income										22,091,350.70	22,091,350.70
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution											

for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	297,281,600.00				562,032,851.23				2,952,586.32	20,718,488.65	882,985,526.20

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	297,281,600.00				560,999,182.23				2,952,586.32	-55,254,452.82	805,978,915.73
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this	297,281,600.0				560,999,182.23				2,952,586.32	-55,254,452.	805,978,915.73

year	0									82	
III. Increase/ Decrease in this year (Decrease is listed with “-”)					1,033,669.00					25,097,598.88	26,131,267.88
(i) Total comprehensive income										25,097,598.88	25,097,598.88
(ii) Owners’ devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners’ equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others					1,033,66						1,033,6

					9.00						69.00
IV. Balance at the end of the report period	297,281,600.00				562,032,851.23				2,952,586.32	-30,156,853.94	832,110,183.61

Shenzhen Tellus Holding Co., Ltd.

Notes to Financial Statements of Semi-annual Report 2018

(The unit is RMB unless otherwise specified)

I. Company profiles

1. Company profile

Chinese name of the Company: 深圳市特力(集团)股份有限公司

Foreign name of the Company: Shenzhen Tellus Holding Co.,Ltd

Registered address of the Company: 3/F, Tellus Building, Shuibei 2nd Road, Luohu District, Shenzhen, Guangdong Province.

Office address of the Company: 15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen

Stock exchange for listing: Shenzhen Stock Exchange

Short form of the stock and Stock code: Tellus-A(000025),Tellus-B(200025)

Registered capital: RMB 297,280,000.00

Legal representative: Lv Hang

Unified social credit code: 91440300192192210U

2. Business nature, operating scope and major products and services of the Company

Business nature: wholesale industry of energy, materials and machinery electronic equipments.

Operating scope: Investment in industries (a separate application would be made for specific project); domestic commerce, supply and distribution of materials (excluding those commodities subject to exclusive operation, control and sale); rental and management of independently-owned properties. Operation of the products produced by the Company and its subsidiaries, productive materials used by us, and import and export of metal proceeding machinery and general components. The import and export business is subject to the foreign trade review certificate No.098 (SMGZZDi).

Major products and services: sales, detection and maintenance of autos and sales of jwerly, property leasing and service.

3. The history of the Company

Shenzhen Testrite Group Co., Ltd. (hereinafter referred to as the Company), previously known as Shenzhen Machinery Industry Company, was incorporated on 10 November 1986. In 1992, as authorized by the reply relating to Shenzhen Machinery Industry Company transforming to Shenzhen Testrite Machinery Co., Ltd.(SFBF[1991]1012) issued by the Office of Shenzhen People Government, Shenzhen Machinery Industry Company was transformed to Shenzhen Testrite Machinery Co., Ltd. in 1993, as authorized by the reply relating to Shenzhen Testrite Machinery Co., Ltd. transforming to a public company (SFBF[1992]1850) issued by the Office of Shenzhen People Government and the reply relating to issuance of stocks by Shenzhen Testrite Machinery and Electric Co., Ltd. (SRYFZ[1993]092) issued by Shenzhen branch of People's Bank of China, Shenzhen Testrite Machinery Co., Ltd. changed to be a public company and made the initial public offering. The name of the Company changed to Shenzhen Testrite Machinery and Electric Co., Ltd., with a total share capital of 166,880,000 shares, among which, 120,900,000 shares were converted from the original assets and 45,980,000 shares were newly issued. The newly issued shares comprises of 25,980,000 RMB ordinary shares (A shares) and 20,000,000 RMB special shares (B shares). In June 1993, as approved by the reply relating to listing of Shenzhen Testrite Machinery and Electric Co., Ltd. (SZBF[1993]34) issued by Shenzhen Securities Management Office and the Listing Grant issued by Shenzhen Stock Exchange(SZSZ[1993]22), Shenzhen Testrite Machinery and Electric Co., Ltd. was listed on Shenzhen Stock Exchange. On 15 March 1993, being approved by branch of Shenzhen Special Economic Zone of People's Bank of China "Shen Ren Yin Fu Zi (1993) No.: 092", the Company released 25.98 million registered common A shares with RMB 1.00 par value as well as 20 million B shares. And the Company renamed as Shenzhen Tellus Holding Co., Ltd. instead of

Shenzhen Testrite Machinery Co., Ltd. dated 30 June 1994 after approval from the Shenzhen Administration for Industry and commerce.

Capital structure of the Company while initial public offering:

Type	Amount (Share)	Ratio (%)
I. Non-tradable share		
Including: State shares	120,900,000	72.45
Total non-tradable shares	120,900,000	72.45
II. Outstanding shares		
1. Tradable A-Share	25,980,000	15.57
2. Tradable B-Share	20,000,000	11.98
Total tradable shares	45,980,000	27.55
Total	166,880,000	100.00

All previous changes in the share capital after the public issue of the Company:

(1) Bonus shares in 1993

The Company held the resolution of annual shareholders' general meeting of 1993, distribute dividend of 0.5 Yuan in cash for every 10 shares and 2 more bonus shares to all shareholders based on the Company's total share capital of 166,880,000 shares on 31st, Dec., 1993, and the Company's total share capital changed to 200,256,000 shares.

On 22nd April 1994, Shenzhen Securities Regulatory Office approved the stock dividend scheme of the Company. After the implementation of the stock dividend program, the ownership structure of the Company became as follows:

Type	Amount (Share)	Ratio (%)
State-owned corporate shares	145,080,000	72.45
Domestic public shares	31,176,000	15.57
RMB special stock (B-Share)	24,000,000	11.98
Total	200,256,000	100.00

(2) Bonus shares and capitalization in 1994

On 28th May 1995, the shareholders' general meeting of the Group approved the bonus share and capitalization program proposed by the board of directors. The Company distributes 0.5 bonus shares to every 10 shares with 0.5 more shares increased for 0.5 Yuan dividend in cash to all shareholders based on the Company's total share capital of 200,256,000 shares on 31st, Dec., 1994, and the Company's total share capital changed to 220,281,600 shares.

Equity structure of the Company after bonus scheme implemented:

Type	Amount (Share)	Ratio (%)
State-owned corporate shares	159,588,000	72.45
Domestic public shares	34,293,600	15.57
RMB special stock (B-Share)	26,400,000	11.98
Total	220,281,600	100.00

(3) The changes of controlling shareholders in 1997

On 31st March 1997, in accordance with the approval of "Shenfuhan [1997] No.19" and "Zhengjianhan [1997] No.5", the People's Government of SZ Municipality and China Securities Regulatory Commission agreed Shenzhen Investment and Management Company to transfer its 159,588,000 shares of State shares to "Shenzhen Special Development Group Co., Ltd" (hereinafter referred to as "SDG"), which took proportion of 72.45% in the total share capital.

(4) Reform of non-tradable shares in 2006

In December 2005, Shenzhen State-owned Assets Supervision and Administration Commission approved the non-tradable shares reform program of Shenzhen Tellus (Group) Ltd. which reported by the Company's non-tradable shareholders - Shenzhen Special Development Group Co., Ltd.

On 4th January 2006, SDG paid 13,717,440 shares of stock to the shareholders of A shares in circulation as the consideration of the non-tradable shares reform, and SDG held 66.22% of the Company's total share capital after the non-tradable shares reform. After the implementation of the non-tradable shares reform program, the ownership structure of the company became as follows:

Type	Amount (Share)	Ratio (%)
State-owned corporate shares	145,870,560	66.22
Domestic public shares	48,011,040	21.80
RMB special stock (B-Share)	26,400,000	11.98
Total	220,281,600	100.00

(5) Non-public RMB common stock offer in 2015

In accordance with the provisions of the Company's 19th extraordinary meeting of the 7th session of board of directors on April 21, 2014 and the resolutions of the fourth extraordinary general meeting of 2014 on June 3, 2014, the non-public offering of RMB ordinary shares (A shares) that the Company issues to

Shenzhen SDG Co., Ltd. and Shenzhen CMAF Jewelry Industry Investment Company (limited partnership) should not exceed 77,000,000 shares, of which the par value is 1 Yuan per share, the total raised funds are no more than RMB 646,800,000.00 Yuan, the issuance objects are all subscribed by cash. On May 19, 2014, State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality issued “Reply to issues related to non-public offering of shares of Shenzhen Test Rite (Group) Co., Ltd. from SASAC of Shenzhen Municipality” (SGZWH No. [2014]237) which agreed the Company’s plan for non-public offering of shares. The Company’s non-public offering has obtained the “Approval for non-public offering of shares of Shenzhen Test Rite (Group) Co., Ltd.” (CSRC License No. [2015]173) approved by China Securities Regulatory Commission, which agrees the Company to issue the non-public offering of RMB ordinary shares (A shares) not exceeding 77,000,000 new shares. The registered capital is RMB 297,281,600.00 after change, and the company’s ownership structure is as follows:

Type	Amount (Share)	Ratio (%)
State-owned corporate shares	151,870,560	51.09
Domestic public shares	119,011,040	40.03
RMB special stock (B-Share)	26,400,000	8.88
Total	297,281,600	100.00

(6) Reducing stock by controlling shareholder in 2016

In accordance with the Announcement on Reducing Share Holding of Controlling Shareholder the company disclosed on June 1, 2016, from May 4, 2016 to May 31, 2016, Shenzhen SDG Co., Ltd. totally reduced 2,972,537 shares of the company’s unrestricted outstanding shares by concentrated bidding, accounting for 1% of the company’s total share capital. On September 30, 2016, the company received a Letter About Reducing Test Rite A Shares and Completing the Share Holding Reducing Plan from SDG, from September 29, 2016 to September 29, 2016, SDG totally reduced 2,972,767 shares of the company’s unrestricted outstanding shares by concentrated bidding, accounting for 1% of the company’s total share capital. Up to September 29, 2016, SDG completed the share holding reducing plan. The company's equity structure was as follows:

Type	Amount (Share)	Ratio (%)
State-owned corporate shares	145,925,256	49.09
Domestic public shares	124,956,344	42.03
RMB special stock	26,400,000	8.88

Type	Amount (Share)	Ratio (%)
(B-Share)		
Total	297,281,600	100.00

As of 30 June 2018, the Company have 297,281,600 shares offered in total, found more in 32 of Note VI.

4. Consolidation scope of the Company in the year

Totally 15 companies included in the consolidation scope for the first half Year of 2018, found more in "Equity in other entity" in the Note VIII. One company deducted in consolidation range in the Year.

5. Relevant party offering approval reporting of financial statements and date thereof

This financial statement is approved for disclosure by resolution from the Board dated 22 August 2018.

II. Basis Preparation of the Financial Statements

1.Preparation base

The financial statements of the Group is prepared based on the going-concern assumption in accordance with the actually occurred transactions and events, the "Accounting standards for Business Enterprise-Basic rules" (ministry of finance order No. 33 issued, ministry of finance No.76 revised), the "Accounting Standards for Business Enterprises – Basic Standards" and 42 specific accounting standards promulgated by the ministry of finance on 15th, Feb., 2006, the subsequently promulgated application guide and interpretation of the accounting standards for business enterprises and other relevant provisions (hereinafter collectively referred to as "ASBE"), and China Securities Regulatory Commission "information disclosure regulations No.15 for the companies publicly issuing securities - general provisions of financial reports" (2014 Revision).

According to the relevant requirements under the Accounting Standards for Business Enterprises, the Company has adopted the accrual basis as its basis of accounting. Except for certain financial instruments, historical costs have been adopted as the basis of measurement in these Financial Statements. Non-current assets held for sale are recorded at the lower of fair value less predicted expenses and the original carrying value when the assets satisfy such conditions for sale. Provisions of corresponding impairment losses are recognized in respect of any impairment of assets.

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

The financial statements prepared by the Groups meet the requirements of the Accounting Standards for Business Enterprises, truthfully and completely reflect the financial situation of the Company on 30th, June 2018 and the business performance and cash flow in January to June of 2018. In addition, the financial statements of the Company and the Group meet the disclosure requirements of "Preparation Regulation of Information Disclosure for Enterprise with Security Issued Publicly No.15—General Rules of Financial Report" revised by China Securities Regulatory Commission in all significant aspects in

2014.

IV. Main accounting policy and estimate

The Company and its subsidiaries determine specific accounting policies and accounting estimation based on their actual production characteristics according to the relevant requirements under the Accounting Standards for Business Enterprises. Details relating to significant accounting judgment and estimation made by the management, please refer to note IV(29) “Significant accounting judgment and estimation”.

1. Fiscal period

The accounting period of the Group includes annual and interim, accounting interim refers to the reporting period shorter than a complete fiscal year. The fiscal year of the Group adopts the Gregorian calendar, i.e. from 1 January to 31 December for each year.

2. Business cycle

Normal business cycle is the period from purchasing assets used for process by the Company to the cash and cash equivalent achieved. The Company’s normal business cycle was one-year (12 months), and as the determining criterion of the liquidity for assets and liabilities.

3. Book-keeping currency

RMB is the currency in the major economic environment of the Company and its sub-company which take RMB as the book-keeping currency. The Group adopts RMB as the currency when preparing this financial statement.

4. The accounting treatment of business merger under the common control and the different control.

Business merger refers to the transactions or matters that two or more than two individual enterprises form a reporting entity. Business merger includes the business merger under the common control and the different control.

(1) Business merger under the common control

Business merger under the common control means the enterprises participated in the merger are subject to the ultimate control of the same party or the same multi-party before and after the merger, and the control is not temporary. For the business merger under the same control, the party obtains the control rights of other enterprises participated in the merger on the merger date is the merging party, and other enterprises participated in the merger are the merged party. The merger date refers to the date that the merging party obtains the control rights of the merged party.

The assets and liabilities of the merging party should be measured in accordance with the book value of the combined party on the combining date. The balance between the book value of the net asset obtained by the merging party and the book value of the merger consideration (or the total face value of the issued shares) paid by the merging party, and adjust the capital reserve (share premium); for the capital reserve (share premium) insufficient to reduce, adjust the retained earnings.

All direct expenses the merging party spent for the business merger are included in the current profit and loss when the business merger occurred.

(2) Business merger under the different control

Business merger under the different control means the enterprises participated in the merger are not subject to the ultimate control of the same party or the same multi-party before and after the merger. For the business merger under the different control, the party obtains the control rights of other enterprises participated in the merger on the acquisition date is the acquirer, and other enterprises participated in the merger are the acquiree. The acquisition date refers to the date that the acquirer obtains the control rights of the acquiree.

As for the business merger under the different control, the merger costs contain the assets paid by the acquirer for obtaining the control rights of the acquiree on the acquisition date, the liabilities incurred or assumed, and the fair value of the issued equity securities. The intermediary fees such as auditing, legal services and consulting services costs and other administrative costs incurred by the business merger are charged to the current profit and loss. The transaction costs of the equity securities or debt securities issued as the combination consideration by the acquirer are reckoned in the initially recognized amount of the equity securities or debt securities. As for the involved or existing consideration reckoned in the merger costs in accordance with the fair value on the acquisition date, correspondingly adjust the consolidated goodwill for these needs to be adjusted or possess consideration because new or further evidence appears for the situations existing on the acquisition date within 12 months after the acquisition date The merger costs of the acquirer and the net identifiable assets obtained in the merger are reckoned in accordance with the fair value on the acquisition date. The balance of which the merger costs are more than the net identifiable assets' fair value share of the acquiree obtained in the merger on the acquisition date is recognized as goodwill. For those whose merger costs are less than the net identifiable assets' fair value share of the acquiree obtained in the merger, recheck the obtained identifiable assets, liabilities, and the fair value with contingent liability of the acquiree, and the measurement of the merger costs at first, while for those whose merger costs are still less than the net identifiable assets' fair value share of the acquiree obtained in the merge after rechecking, reckon its the balance in the current profit and loss.

For the deductable temporary difference obtained by the acquirer from the acquiree that is not confirmed because of not meeting the assets confirmation requirements of the deferred income taxes on the acquisition date, if there is new or further information states that the relevant conditions on the acquisition date has already existed and the economic interests on the acquisition date brought by the deductable temporary difference can be realized by the acquiree within 12 months after the acquisition date, then confirm the relevant deferred income tax assets, and decrease the goodwill, as for the goodwill insufficient for reducing, confirm the difference to be the current profit and loss; except for the above-mentioned cases, reckon those deferred income tax assets related to the business merger in the current profit and loss.

For a business combination not involving enterprises under common control and achieved in stages, the company shall determine whether the business combination shall be regarded as "a bundle of transactions" in accordance with "Interpretation 5 on Accounting Standards for Business Enterprises" (Cai Kuai 2012 No. 19) and clause 51 of ASBE 33- Consolidated Financial Statements relating to judgment standard for "a bundle of transactions"(please refer to this Note IV 5(2)). When the business combination is regarded as "a bundle of transactions", the accounting treatment for the business combination shall be in accordance with the previous paragraphs and Note IV 13 "long term equity investment"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment should be different when comes to individual financial report and consolidated financial report.

In the individual financial statements, the initial cost of the investment shall be the sum of the carrying amount of its previously-held equity interest in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. Other comprehensive income involved in the previously-held equity interest of the acquiree prior to the acquisition date shall be subject to accounting treatment on the same basis adopted by the acquiree in its direct disposal of related assets or liabilities (which are reclassified as investment income during the period , net of the audited changing corresponding shares resulted from the net liability and net assets re-measured and set by acquiree according to equity method).

In the consolidate financial statements, the previously-held equity interest of the acquire is re-measured according to the fair value at the acquisition date; the difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquire shall be subject to accounting treatment on the same basis adopted by the acquire in its direct disposal of related assets or liabilities (which are reclassified as investment income during the period, net of the audited changing corresponding shares resulted from the net liability and net assets re-measured and set by acquire according to equity method).

5. Preparing method of consolidated financial statements

(1) Determinate principles of range for consolidation financial statement

The scope of consolidated financial statements is determined based on control. Control is the power to govern the investees so as to obtain benefits from their operating activities by the involvement in the relevant activities of the investee. The scope of consolidation comprises the Company and all of its subsidiaries. Subsidiaries are the entities controlled by the Company.

Once relevant elements involved in the above definition of control change due to alteration of relevant facts or situations, the Company will make evaluation again.

(2) Preparing method of consolidated financial statements

Since the date of gaining the net assets and the actual control rights of the production and operation decision-making of the subsidiaries, the Group has started to bring it into the consolidation scope; stop to bring into the consolidation scope since the date of losing the actual control rights. As for the disposed subsidiaries, the business performance and cash flow before the disposal have been suitably included in the consolidated income statement and the consolidated cash flow statement; as for the subsidiaries currently disposed; don’t adjust the opening balance of the consolidated balance sheet. For the subsidiaries increased by the business merger under the different control, the business performance and cash flow after its acquisition date have been suitably included in the consolidated income statement and the consolidated cash flow statement, and don’t adjust the opening balance and correlation date of the combined financial statement. For the subsidiaries increased by the business merger under the common control, the business performance and cash flow from the beginning period of the merger to its merger date have been suitably included in the consolidated income statement and the consolidated cash flow statement, and adjust the correlation date of the combined financial statement at the same time.

When preparing the consolidated financial statements, for the accounting policies adopted by the subsidiaries and the Company being inconsistent during the accounting time period, adjust in accordance with the accounting policies of the Company and the financial statements of the subsidiaries during the accounting time period. As for the subsidiaries obtained by the business merger under the different control, adjust the financial statements based on the fair value of the net identifiable assets on the acquisition date.

All significant intra-group current account balances, transactions and unrealized profits are offset in the preparation of consolidated financial statements.

The stockholders' equity of the subsidiaries and the shares not belong to the Company in the current net profit or loss are respectively served as the separate presentation in the stockholders' equity and net profits of the minority interest and minority interest income in the consolidated financial statements. The shares of the current net profit or loss of the subsidiaries that belong to the minority interest are listed under net profit item in the consolidated profit statement as “minority interest income” item. Reduce the minority interest for those that the subsidiaries’ losses shared by the minority shareholders exceed the shares that the minority shareholders gained from the owner's equity at the beginning period of this subsidiary.

When losing the control rights of the original sub companies because of disposing some equity investment or other reasons, re-measure the residual equity in accordance with its fair value on the date of losing the control rights. Use the sum of the consideration obtained by disposing the stock rights and the fair value of the residual equity to minus the balance among the net assets’ shares of the original sub companies continuously calculated since the acquisition date in accordance with the original shareholding ratio, and then reckon in the current investment income when losing the control rights. The other consolidated incomes related to the equity investment of the original sub companies, It shall be subject to accounting treatment on the same basis adopted by the acquiree in its direct disposal of related assets or liabilities during the period when the control ceases (which are reclassified as investment income for the current period, other than changes resulting from re-measuring net liability or net assets under defined benefit plan of the original subsidiary). Thereafter, do the follow-up measurement for this part’s residual equity in accordance with the relevant provisions of “Accounting Standards for Business Enterprises No.2 - long-term equity investment” or “Accounting Standards for Business Enterprises No.22 - financial instruments recognition and measure', refer to the Note IV 13 "long-term equity investment" or the Note IV 9 "financial instruments" for details.

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal in commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; (iv) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control") (for details, please refer to Note IV 13(2)④) and "disposal of a portion of an interest in a subsidiary which lead to loss of control" (details are set out in previous paragraph). When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

6. Classification of joint arrangement and accounting for joint operations

A joint arrangement refers to an arrangement jointly controlled by two or more parties. In accordance with the Company's rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

Investment in joint venture is accounted for using the equity method accounting to the accounting policies referred to Note IV 13(2)②"Long-term equity investment accounted for using the equity method".

The Company shall, as a joint venture, recognize the assets held and obligations assumed solely by the Company, and recognize assets held and obligations assumed jointly by the Company in appropriation to the share of the Company; recognize revenue from disposal of the share of joint operations of the Company; recognize fees solely occurred by Company and recognize fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets dose not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in “Accounting Standards for Business Enterprises No. 8 – Asset Impairment”, the Company shall recognize the full amount of this loss in relation to its investment in or sale of assets to joint operations, or recognize the loss according to the Company’s share of commitment in relation to the its purchase of assets from joint operations.

7. Determination criteria of cash and cash equivalent

Cash and cash equivalent of the Company including stock cash, deposits available for payment at any time and the investment held by the Company with the follow characters obtained at the same time: short term (expire within 3 months commencing from purchase day), active liquidity, easy to convert to already-known cash, and small value change risks.

8. Foreign Currency Operations and translation of foreign currency statements

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognized, are translated into functional currency at the prevailing spot exchange rate on the date of exchange (usually refers to the middle rate of the exchange rate for the day as quoted by the People’s Bank of China, the same below) while the Company’s foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into functional currency at the exchange rate actually adopted.

(2) Basis for translation of foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All differences are included in the consolidated income statement, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalization; and ② except for other carrying amounts of the amortization costs, the differences arising from changes of the foreign currency items available for sale.

When preparing consolidated financial statement involving overseas operation, in case there is foreign currency monetary items which substantially constitute net investment in overseas operation, the exchange difference arising from exchange rate fluctuation shall be included in other comprehensive income; and shall transfer to gains and losses from disposal for the current period when the overseas operation is disposed of.

The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of reporting currency before and after the translation will be treated as changes in fair value (including changes in foreign exchange rates) and recognized in profit or loss for the period or recognized as other consolidated income.

(3) Translation of foreign currency financial statement

When preparing consolidated financial statement involving overseas operation, in case there is foreign currency monetary items which substantially constitute net investment in overseas operation, the exchange difference arising from exchange rate fluctuation shall be included in other comprehensive income as "translation difference of foreign currency statement"; and shall transfer to gains and losses from disposal for the current period when the overseas operation is disposed of.

Foreign currency financial statement for overseas operation is translated into RMB statement by the following means: assets and liabilities in balance sheet are translated at the spot rate as of balance sheet date; owner's equity items (other than undistributed profit) are translated at the spot rate prevailing on the date of occurrence. Income and expense items in profit statement are translated at the spot rate prevailing on the date of transactions. Beginning undistributed profit represents the translated ending undistributed profit of previous year; ending undistributed profit is allocated and stated as several items upon translation. Upon translation, difference between assets, liabilities and shareholders' equity items shall be recorded as foreign currency financial statement translation difference and recognized as other comprehensive income. In case of disposal of overseas operation where control is lost, foreign currency financial statement translation difference relating to the overseas operation as stated under shareholders' equity in balance sheet shall be transferred to current gains and losses of disposal in full or under the proportion it disposes.

Foreign currency cash flow and cash flow of overseas subsidiary are translated at the spot rate prevailing on the date of occurrence of cash flow. Influence over cash from exchange rate fluctuation is taken as adjustment items to separately stated in cash flow statement.

The beginning figure and previous year actual figures are stated at the translated figures in previous year financial statement.

If the Company loses control over overseas operation due to disposal of all the owners' equity or part equity investment in the overseas operation or other reasons, foreign currency financial statement translation difference relating to the overseas operation attributable to owners' equity of parent company as stated under shareholders' equity in balance sheet shall be transferred to current gains and losses of disposal in full.

If the Company reduces equity proportion while not loses control over overseas operation due to disposal of part equity investment in the overseas operation or other reasons, foreign currency financial statement translation difference relating to the disposed part will be vested to minority interests and will not transfer to current gains and losses. When disposing part equity interests of overseas operation which is associate or joint venture, foreign currency financial statement translation difference relating to the overseas operation shall transfer to current disposal gains and losses according to the disposed proportion.

9. Financial instruments

Financial asset or financial liability is recognized when the Company becomes a party to financial instrument contract. Financial assets and liabilities are initially measured at fair value. For financial assets and financial liabilities classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognized.

(1) Method of determination of the fair value for financial assets and financial liabilities

Fair value represents the price that market participator can receive for disposal of an asset or he should pay for transfer of a liability in an orderly transaction happened on the measurement date. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price-fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

(2) Classification, recognition and measurement of the financial assets

Financial assets traded in a regular way shall be accounted for recognition and derecognition based on the trading date. Financial assets are classified into financial assets through profit or loss at fair value, held-to-maturity investment, loans and receivables and financial assets available for sale upon initial recognition.

①Financial assets carried at fair value through profit or loss for the current period

They include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: A. the financial assets is acquired or incurred principally for the purpose of selling it in the near term; B. the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit taking; or C. the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or B. The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets carried at fair value through profit or loss for the current period is subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial assets are charged to profit or loss for the current period.

②Held-to-maturity investments

They are non-derivative financial assets with fixed maturity dates and fixed or determinable payments that the Group has positive intent and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss on derecognition, impairment or amortization is recognized through profit or loss for the current period.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income or expense over each period based on the effective interest of a financial asset or a financial liability (including a group of financial assets or financial liabilities). The effective interest is the rate that discounts future cash flows from the financial asset or financial liability over its expected life or (where appropriate) a shorter period to the carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Group will estimate the future cash flows (excluding future credit losses) by taking into account all contract terms relating to the financial assets or financial liabilities whilst considering various fees, transaction costs and discounts or premiums which are part of the effective interest rate paid or received between the parties to the financial assets or financial liabilities contracts.

③ Loans and receivable

They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables, are classified as loans and receivables by the Group.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in current profit or loss.

④Available-for-sale financial assets

They include non-derivative financial assets that are designated in this category on initial recognition, and the financial assets other than the financial assets at fair value through profit and loss, loans and receivables and held-to-maturity investments.

The closing cost of available-for-sale debt instruments are determined based on amortized cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortized amount arising from the difference between the amount due on maturity and the amount initially recognized using effective interest rate method, and less the amount of impairment losses recognized. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognized as other comprehensive income, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortized cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period.

However, equity instrument investment which is not quoted in active market and whose fair value cannot be measured reliably, and derivative financial asset which is linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, shall be subsequently measured at cost.

Interests received from available-for-sale financial assets held and the cash dividends declared by the investee are recognized as investment income.

(3) Impairment of financial assets

In addition to financial assets at fair value through profit or loss for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

①Impairment of held-to-maturity investments, loans and receivables

The carrying amount of financial assets measured at costs or amortized costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

②Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument investment is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument investment.

The company’s standards to judge if the fair value of available for sale equity instruments investment has a “severe” depreciation is that if the fair value of a single available for sale financial asset has a sharp fall which exceeds 50% of its holding cost, then this available for sale financial asset is affirmed to have a severe decrease in value and should have the provision for asset impairment to confirm the impairment loss.

The company’s standards to judge if the fair value of available for sale equity instruments investment has a “non-temporary" depreciation is that if the fair value of a single available for sale financial asset has a sharp fall and this downtrend is predicted to be non-temporary with the duration over a year that cannot be fundamentally changed in the whole holding period, then this available for sale financial asset is affirmed to have a non-temporary decrease in value and should have the provision for asset impairment to confirm the impairment loss.

When the available-for-sale financial assets impair, the accumulated loss originally included in the capital reserve arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other consolidated income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

(4) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognized: ①the contract right to recover the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and ③ the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not assign maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognized in profit or loss for the current period: the carrying amount and the sum of the consideration received and any accumulated gain or loss that had been recognized directly in equity.

If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

For financial assets that are transferred with recourse or endorsement, the Company needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognized. If the risk and rewards of ownership of the financial assets have been retained, the financial assets shall not be derecognized. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Company shall assess whether the control over the financial assets is retained, and the financial assets shall be accounted for according to the above paragraphs.

(5) Classification and measurement of financial liabilities

At initial recognition, financial liabilities are classified either as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. Financial liabilities are initially recognized at fair value. For financial liabilities classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognized.

① Financial liabilities at fair value through profit or loss for the period

The criteria for a financial liability to be classified as held for trading and designated as at financial liabilities at fair value through profit or loss are the same as those for a financial asset to be classified as held for trading and designated as at financial assets at fair value through profit or loss.

Financial liabilities at fair value through profit or loss for the period are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial liabilities are included into the current profit or loss.

② Other financial liabilities

Derivative financial liabilities which are linked to equity instruments that are not quoted in an active market and the fair value of which cannot be measured reliably measured, and which shall be settled by delivery of equity instruments are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

③Financial guarantee contract

Financial guarantee contract in respect of financial liabilities not designed at fair value through profit or loss shall be initially measured at fair value, and subsequently measured at the lower between the amount determined under Accounting Standards for Enterprises No.13-Contingent issues and its initial measurement amount less accumulative amortization determined under Accounting Standards for Enterprises No.14-Revenue.

(6) Derecognition of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement is entered between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value as of the execution date of relevant contract, and subsequently measured at fair value. Change of fair value of derivatives is recorded in profit or loss for the period.

In respect of mixed instruments containing embedded derivatives, if they are financial assets or financial liabilities not designated at fair value through profit or loss, and there is no close relation between embedded derivatives and such main contract in terms of economic characteristics and risk, separate instrument shares the same conditions with embedded derivatives and meets definition of derivatives, the embedded derivatives are split off from the mixed instruments and accounted for as separate derivative financial instrument. If an embedded derivative instrument cannot be measured separately upon acquisition or at subsequent balance sheet date, the mixed instruments shall be taken in its entirety as financial assets or financial liabilities designated at fair value through profit or loss.

(8) Offset of Financial Assets and Financial Liabilities

If the Group owns the legitimate rights of offsetting the recognized financial assets and financial liabilities, which are enforceable currently, and the Group plans to realize the financial assets or to clear off the financial liabilities by net amount method, the amount of the offsetting financial assets and financial liabilities shall be reported in the balance sheep. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

(9) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as movement of equity. No fair value change of equity instrument would be recognized by the Company. Transaction fees relating to equity transactions are deducted from equity.

The distribution (excluding the dividends) to the equity instrument holders by the Group shall reduce the shareholder’s equity. The Group shall not recognize the changes of the equity instruments’ fair value.

10. Account receivable

Account receivable including receivables and other account receivables etc.

(1) Recognition standards for bad debt provision

On balance sheet date, the Company examined book value of the account receivable, if the followed objective evidence has been show for impairment occurred, impairment provision shall withdrawal: ①the debtor has serious financial difficulties; ②debtor violated the terms of the contract (such as interest or principal payment default or overdue etc.); ③debtor probably close down or exercise other financial restructuring; and ④other objective evidence showing impairment occurred on receivables.

(2) Withdrawal method for bad debt provision

①Recognition criteria and depreciation method for account receivable with large single amount and accrued for provision of bad debt on a single basis

Account receivable with over RMB one million and other account receivable with over RMB 500,000 are recognized as account receivable with large single amount.

The Company exercise impairment test separately on account receivable with large single amount, if no impairment been found in financial assets after separate testing, they shall be included in portfolios of accounts receivable with similar credit risk features for impairment tests.

For accounts receivable with confirmed impairment losses after separate tests, they shall not be included in portfolios of accounts receivable with similar credit risk features for impairment tests.

②Recognition criteria and depreciation method for account receivable with accrued for provision of bad debt on credit risk portfolio basis

A. Recognition basis for credit risk characteristics portfolio

As for the account receivable with minor single amount and those with major amount without impairment had been found after testing on a single basis, the Company grouping the financial assets according to similarity and relativity of the credit risk characteristics. The credit risk characteristics usually reflect the repaying capability for all due amount from debtors, in line with the terms of the contract, and related with the measurement of future cash flow on assets which has been examined.

Recognition basis for different portfolio:

Item	Basis
Age portfolio	Divide the portfolio on the age of account receivable as a credit risk characteristics

B. Depreciation method for bad debt provision recognized by credit risk characteristics portfolio

At the time of impairment testing, the bad debt amount will recognized by the estimated losses, according to historical losses experience, which has been occurred in account receivable portfolio, and current economic status as well as portfolio structure and similar credit risk characteristics (debt paying capability for debtor based on terms of the contract).

Depreciation method of bad debt provision in different portfolio:

Item	Depreciation method
Age portfolio	Accrual bad debt provision by aging of accounts

a. Depreciation method of bad debt provision by aging of accounts in portfolio

Age	Accrual ratio of account receivable (%)	Accrual ratio of other receivables (%)
Within 1 year (including one year, the same below)	No accrual	No accrual
1-2 years	5	5
2-3 years	20	20
Over 3 years	50	50

③Accounts receivable that are individually insignificant but with bad debt provision provided on an individual basis:

Account receivable with RMB one million at most and other account receivable with RMB 500,000 at most are recognized as account receivable with insignificant single amount.

As for the account receivable with insignificant single amount but with followed features, exercise impairment separately, if there has evidence of impairment, provision for bad debts shall be made at the difference of present value of estimated future cash flows in short of their book values, and shall be recognized as impairment losses: account receivable with dispute and arbitration involved or exist with the counter party; receivables which has obvious evidence that the debtor probably unable to performed payment obligations etc.

(3) Reversal of bad debt provisions

If there is evidence showing that the value of the account receivable has been recovered, and that the recovery is objectively related to events after recognition of the loss, the originally recognized impairment loss should be reversed and included in current profit and loss. However, the book values after such reversal shall not exceed the amortized costs of the account receivable on the reversal date, assuming there is no provision for impairment.

11. Inventories

(1) Classification of inventories

Inventory including raw materials, stock commodity and low value consumables etc.

(2) Pricing for inventories delivered and obtained

Inventories are priced at actual costs when acquired. Inventory cost includes procurement cost, processing cost and other costs. Raw materials and inventory commodities are measured under weighted average method when applied for use and delivered.

(3) Recognition for net realizable value of inventories and withdrawal method for inventory impairment provision

Net realizable value refers to the amount resulted by inventory’s estimated sale price minor the cost, which is going to occurred till end of the completion, estimated sales expenses and relevant taxes, in daily activities. At the time of recognizing the net realizable value for inventory, on basis of unambiguous evidence, take the purpose of inventory held and influence of events after the balance sheet date into account at the same time.

On balance sheet date, measure of the inventory is made as the lower of their cost and or net realizable values. Provision for inventory depreciation reserve are made while the net realizable values below the cost. Inventory falling price reserves withdrawal usually base on the difference of the cost of single inventory which over the net realizable value. As for inventories with numerous quantity and low unit price, inventory depreciation provision is made based on categories of inventories.

After inventory impairment provision, if any factor rendering write-downs of the inventories has been eliminated as net realizable value higher than its book value resulted, the amounts written down are recovered and reversed from the inventory depreciation reserve, which has been provided for. The reversed amounts are included into the current profit and loss.

(4) Inventory system was the perpetual inventory system.

(5) Low value consumptions and packing materials are amortized under amortization method when applied for use.

12. Held-for-sale assets and disposal group

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance, the same below) rather than through continuous use, and when all of the following conditions are met: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale in its present condition; the Company has made a resolution in respect of a disposal plan and obtained a firm purchase commitment from a buyer; and the sale is probable to be completed within one year. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Where goodwill acquired in a business combination has been allocated to the asset group or groups to which a disposal group belongs in accordance with the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the disposal group shall include the goodwill allocated to it.

When the Company measures initially or remeasures the non-current assets and disposal group classified as held for sale on the balance sheet date, its carrying amount is written down to its fair value less selling costs if its carrying amount is higher than its fair value less costs to sell. The reduced amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. With regard to the disposal group, the asset impairment loss recognised is offset by the carrying amount of the goodwill in the disposal group first, and then by the carrying amount of each of the non-current assets in the disposal group which are applicable to the measure requirements under the Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held For Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as “Held-For-Sale Standard”) pro rata. If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale disposal group less its costs to sell increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset which is applicable to the measurement requirements of the Held-For-Sale Standard after the non-current asset is classified as held for sale. The reversed amount is credited to current profit or loss, and the carrying amount of each non-current asset (other than goodwill) which is applicable to the measurement requirements of the Held-For-Sale Standard is increased pro rata according to the percentage of each non-current asset's carrying amount. Neither the carrying amount of goodwill which has been offset nor the asset impairment loss recognised before the non-current asset to which the measurement requirements of the Held For-Sale Standard is applicable is classified as held for sale can be reversed.

No depreciation or amortisation is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognised.

When a non-current asset or a disposal group does not meet the condition to be classified as held for sale, the Company ceases to classify it as held for sale or removes the non-current asset from the disposal group held for sale, and measures it at the lower of: (1) the carrying amount before it was classified as held for sale, adjusted for any depreciation (or amortisation) or impairment that would have been recognised had it not been classified as held for sale, and (2) its recoverable amount.

13. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note 9. "Financial instruments" under section IV.

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. For business combination resulted in an enterprise not under common control by acquiring equity of the acquiree under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

Agent fees incurred by the absorbing party or acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognized based on the purchase cost actually paid by the Company in cash, the fair value of equity securities issued by the Group, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Company, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”.

(2) Subsequent measurement and income recognition method

Long term equity investment by which the Company has common control (other than that constituting joint operation) or significant influence in investee is measured under equity method. In addition, long term equity investment by which the Company is able to exercise control in investee is measured under cost method in financial statements.

①Long term equity investment measured under cost method

Under cost method, long term equity investment is measured at initial investment cost, and cost of long term equity investment shall be adjusted in case of adding or recovering investment. Other than the price actually paid when obtaining investment or cash dividends or distribution declared but not paid in consideration, investment income for the period would be recognized based on the cash dividend or distribution declared by the investee.

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor’s interest in the fair value of the investee’s identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor’s interest in the fair value of the investee’s identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group’s share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group’s share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee’s net profits or losses based on the fair values of the investee’s individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

The Group’s share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor’s net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the Accounting Standards for Business Enterprises by the Group on 1 January 2007, the amounts amortized over the original residual term using the straight-line method is included in the profit or loss for the period.

③Acquisition of minority interests

Upon the preparation of the consolidated financial statements, since acquisition of minority interests increased of long-term equity investment which was compared to fair value of identifiable net assets recognized which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognized as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

④Disposal of long-term equity investments

In these consolidated financial statements, where the parent company disposes of a portion of the long term equity investments in a subsidiary without a change in control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the shareholders' equity. As for the disposal of a portion of the long term equity investments in a subsidiary by the parent company leading to lose of control over such subsidiary, it shall be accounted for under the relevant accounting policies described in Note IV.5-(2) Headed "preparation methods for consolidated financial statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognized through profit or loss in the current period.

In respect of long-term equity investment at equity with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognized for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment at cost with the remaining equity interest after disposal is also accounted for at cost, other comprehensive income recognized due to measurement at equity or recognition and measurement for financial instruments prior to obtaining control over investee shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee and carried forward to current gains and losses on pro rata basis. The movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In the event of loss of control over investee due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when the control over investee is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners’ equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners’ equity shall be fully transferred.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners’ equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Group disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to “transactions in a basket”, each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognized as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

14. Investment real estate

Investment real estate is the real estate that held by the Company for purpose of obtaining rent or capital appreciation or both purpose received. Investment real estate including rented land use right, land use right held ready for transfer after appreciation and rented buildings etc.

The investment real estate shall be measured initially at the cost. The subsequent spending related to the investment real estate, if it is very likely for the related economic interest to flow in and its cost can be reliably measured, shall be included in the cost for the investment real estate. Other subsequent spending shall be included in the current profit or loss when occurring.

The Company applies the cost model for subsequent measurement of investment real estate, and depreciates and amortizes it as per the policy consistent to those for the houses and buildings and land use right.

For details about the methods for impairment testing of the investment real estate and for accrual of impairment provision, see Note IV 20 “Impairment of long term assets”.

Where property for own use or inventory transfers to investment property, or investment property transfers to property for own use, carrying value before such transfer shall be taken as book value after such transfer.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Upon the conversion, investment property which is measured at cost is accounted for with the carrying value prior to conversion, and investment property which is measured at fair value is accounted for with the fair value as of the conversion date.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognized in profit or loss for the current period.

15. Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one fiscal year. Fixed assets are only recognized when the relevant economic benefits are likely to inflow to the Company and their cost can be measured reliably. Fixed assets are initially measured at cost taking into account predicted disposal expenses.

(2) Depreciation method of fixed assets

The initial measurement of a fixed assets shall be made at its cost and consider expected discard expenses factors alternatives. Accrual depreciation of fixed assets shall be made based on straight-line depreciation within the service life since the second month, when the fixed assets reached its expected condition for use. Service life, estimated net residual value and annual depreciation rate for vary fixed assets are as:

Type	Depreciation term (year)	Residual rate (%)	Annual depreciation rate (%)
House and buildings	35	3	2.77
Machinery equipment	12	3	8.08
Transportation equipment	7	3	13.86
Electronic equipment	7	3	13.86
Office and other equipment	7	3	13.86
Decoration charge for self-owned houses	10	0	10.00

Estimated net residual value is the amount obtained from disposal of such fixed assets after estimated disposal expense deducted, on assumption basis of the fixed assets has full estimated service life and in an anticipating condition of service life terminated.

(3) Impairment test method and accrual of depreciation reserves for fixed asset

Impairment test method and accrual of depreciation reserves for fixed asset please found in “20. Impairment of non-current and non-financial assets” in Note IV.

(4)Recognition and accounting method of fixed assets acquired under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

(5) Others

As for the subsequent expenditure related to fixed assets, if the economic benefits related to the fixed assets is probable to flow into the Company and its cost could be measured reliably, then the expenditure shall be included in costs of the fixed assets, and the carrying value of the replaced portion shall be derecognized. Other subsequent expenditures other than this shall be included in profits or losses of the period when occurred.

Fixed assets are derecognised when there is no economic benefit arising from disposal or expected use or disposal of fixed assets. The disposal income from disposal, transfer, dumping or damage of fixed assets less its carrying value and related tax expenses shall be recorded in profits or losses of the period.

The Company, at least, re-reviews the use of life, projected net residual value and depreciation method of fixed assets at the end of year. For any change of the above factor, it shall be dealt as change of accounting estimation.

16. Construction-in-progress

Cost of construction-in-progress should recognized by the actual construction costs, including vary construction costs during the period of construction, the capitalized borrowing costs prior to the expected conditions for use and other relevant expenses etc. The construction-in-progress should carry forward as fixed assets after reached the expected conditions for use.

Impairment test method and impairment provision method for the construction-in-progress found in “20.impairment of non-current/non-financial assets” in Note IV.

17. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalized as part of the cost of that asset; and capitalization shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognized as expense in the period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific purpose borrowing denominated in foreign currency shall be capitalized as part of the cost of the qualifying asset. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment property, inventories, etc) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

18. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

Land use right acquired shall normally be recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortized using the straight-line method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortized.

The Group shall review the useful life of intangible asset with an infinite useful life and the amortization method applied at period-end. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset. If there is evidence indicating that the period during which the intangible assets brings in economic benefits to the Group can be predicted, the Group shall estimate the useful life of that asset and make amortization under the amortization policies applicable to intangible assets with finite useful life.

(2) Research and development expenditures

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognized as profit or loss in the current period.

Expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

①it is technically feasible that the intangible asset can be used or sold upon completion;

②there is intention to complete the intangible asset for use or sale;

③the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;

④there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

⑤the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

(3) Intangible assets impairment test method and their impairment provision

The method for impairment test and impairment provision of intangible assets is detailed in Note IV. 20 “Impairment of non-current non-monetary financial asset”.

19. Long-term prepaid expenses

Long-term prepaid expenses refer to the general expenses that occurred but shall be amortized over one year in reporting period and later period. Long-term prepaid expenses shall amortized by straight-line method in expected benefit period.

20. Long-term assets impairment

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of long-term investments such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognize an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

21. Staff remuneration

Staff remuneration includes short term staff remuneration, post office benefit, dismissal benefit, among which:

Short term staff remuneration mainly consists of salary, bonus, allowance and subsidy, staff benefits, medical insurance, maternity insurance, work related injury insurance, housing funds, labor unit fee and education fee, non-monetary benefits, etc. short term staff remuneration actually happened during the accounting period in which staff provides services to the Company is recognized as liability, and shall be included in current gains and losses or relevant asset cost. Non-monetary benefits are measured at fair value.

Post office benefits mainly consist of defined withdraw plan and defined benefit plan. Defined withdraw plan mainly includes basic pension insurance, unemployment insurance and annuity, and the contribution payable is included in relevant asset cost or current gains and losses when occurs. Our defined benefit plan mainly relates to retirement benefits. The Company engaged independent actuary to make estimation on demographic variables and financial variables under predicted accumulative benefits unit method with unbiased and consistent actuary assumption, measure liabilities arising from defined benefit plan and determine vesting periods of various liabilities. On balance sheet date, the Company presented liabilities arising from defined benefit plan at present value, and recorded service costs as profit or loss for the period.

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognize employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labor relationship plans and employee redundant proposals; and the Company recognize cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. However, if the compensation for termination of employment is not expected to be fully paid within 12 months from the reporting period, it shall be accounted for other long-term staff remuneration.

Employee internal retirement plans is to use the same principle to deal with termination benefits. The group will pay staff salary, social insurance and others from the date they stop providing service to their retire-day. This amount shall be included in the current profits and losses (termination benefits), only when it meets the projected liabilities confirmation conditions.

For other long-term employee benefits provided by the Company to its employees, if satisfy with the established withdraw plan, then the benefits are accounted for under the established withdraw plan, otherwise accounted for under defined benefit scheme.

22. Accrual liability

The obligation pertinent to contingencies shall be recognized as accrual liability when the following conditions are satisfied simultaneously: (1) That obligation is a current obligation of the Group; (2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and (3) The amount of the obligation can be measured in a reliable way.

At the balance sheet date, considering matters related to risks, uncertainties and time value of money and other factors, the expected liabilities are measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

If the expenditure required paying all or part of the expected liabilities was compensated by the third party, and the amount of compensation basically can be sure when received, it could be recognized as a separate asset. But the amount of compensation confirmed couldn't be more than the book value of the estimated debts.

(1)Contract in loss

Contract in loss is identified when the inevitable cost for performance of the contractual obligation exceeds the inflow of expected economic benefits. When a contract in loss is identified and the obligations thereunder are qualified by the aforesaid recognition criterion for contingent liability, the difference of estimated loss under contract over the recognized impairment loss (if any) of the subject matter of the contract is recognized as projected liability.

(2)Restructuring obligations

For detailed, official and publicly announced restructuring plan, the direct expenses attributable to the restructuring are recognized as contingent liabilities, provided that the aforesaid recognition criterion for contingent liability is met. In respect of restructuring obligations which involve disposal of partial business, such obligations may be recognized in relation to restructuring only when the Company undertakes to dispose partial business, namely its execution of binding disposal agreement.

23. Income

(1) Income of commodities sales

When the transfer of significant risks and rewards of ownership of the goods to the buyer is done, when the right of management usually associated with ownership is not reserved, when we didn't effectively control the goods sold, the amount of revenue can be measured reliably. The associated economic benefits are likely to flow into the enterprise. And the related costs incurred or to be incurred can be measured in a reliable way. Thus we realize sales income.

The company engages in sales of cars, confirming income after the vehicle delivery to customers according to agreement, payment received or the rights to receive payment.

Revenue from sale of jewelry of the Company is classified into retail revenue and wholesale revenue based on way of sales. Retail revenue is recognized upon the commodity is delivered to consumers with receipt of goods payment. Wholesale revenue is recognised when the commodity is delivered to customers, signed by the customers for receipt of the goods and the Company receives goods payment or the voucher to ask for the goods payment.

(2) Income from providing labor

On condition that provision of services trade results can be reliably estimated, we confirm income from providing labor on the balance sheet date according to the percentage of completion. The Company calculates the completion schedule through the ratio of the costs incurred taking up of the estimated total cost.

The results of labor transaction provided can be estimated reliably only when simultaneously: ①the amount of revenue can be measured reliably; ②the economic interests are likely to flow into the enterprise; ③the degree of completion can be reliably determined; ④cost occurred and to be occurred can be reliably measured.

If the service transaction results couldn’t be able to reliably estimated, labor income will be calculated according to according to amount of labor costs which has occurred and is expected to be t compensated, and labor costs occurred would be included as expenses of the current period. Labor cost occurred which cannot be compensated will not be included as revenue.

The Company engages in car repair services, confirming income after the car repair service is delivered to customers according to agreement, payment received or the rights to receive payment.

(3) Use fee income

According to the relevant contract or agreement, revenue is recognized in accordance with the accrual basis.

(4) Interest income

Interest income is confirmed in accordance with time and actual interest others make use of the monetary capital of the group

24. Government subsidy

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government, but excluding the capital invested by the government as the owner of the enterprise. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income. Government grant obtained by the Company for the purpose of constructing or otherwise forming long term assets is recognized as government grant related to assets, and other government grants are recognized as those related to income. If government document fails to identify specific grantee, government grants will be categorized into government grants related to income or assets respectively under the below method: (1) in case government document indicates the specific project applicable to the grant, such categorization shall be made based on the respective proportion of expenditures to form assets or be recorded as expenses in budget for the specific project. The allocation proportion will be reviewed on each balance sheet date, and is subject to necessary alteration; (2) in case government document only indicate general purpose of such grant instead of specific project, the grant shall be viewed as government grant related to income.

The government subsidy with monetary assets concerned should be measured by the actual received or receivable amount while non-monetary assets government subsidy measured by fair value; if without realizable fair value obtained, measured by nominal amount instead. The government subsidy with nominal amount measured should reckon into current gains and losses.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified; and (4)other relevant conditions which shall be met based on the specific situations of the Company and the subject matter.

Asset-related government subsidies are recognized as deferred income and accounted into the current gains/losses equally within service life for the relevant assets. The government subsidies pertinent to incomes, which are used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and should reckoned into current gains/losses in period of when relevant expenses are recognized; if used for compensating the occurred relevant expenses and losses, reckoned into current gains/losses directly.

Government subsidies related to assets and revenue is included at the same time, which are classified into different sections and respectively for accounting treatment; for the other indistinguishable sections, they are all classified into the government subsidies related to revenue as a whole.

The government subsidies related to daily activities of the company is classified into other revenue according to the economic business substance; the government subsidies not related to daily activities, is classified into nonbusiness revenue.

As for the recognized government subsidy needs to return, if there has relevant balance of deferred incomes, relevant book balance of the deferred income should be written down, and the exceeded part should included in the current gains/losses; if there has no relevant balance of deferred incomes, reckoned into current gains/losses directly.

25. Deferred income tax assets and deferred income tax liabilities

(1) The current income tax

At the balance sheet date, for the current income tax liabilities (or assets) arising during the current and previous periods, current income tax should be calculated in line with expected payable (or return) income tax amount in accordance with the provisions of the tax law. Calculation of the current income tax expenses on the basis of the computation of taxable income is adjusted to the pre-tax accounting profit according to the relevant provisions of the tax law.

(2) The deferred income tax assets and deferred income tax liabilities

As for the balance between the book value of some assets and liabilities and the tax base, and those temporary difference arisen from balance which is not recognized as an asset or liability but whose difference between the book value and tax base could be calculable in accordance with the provisions of the tax law, we adopt debt method of balance sheet to recognize deferred income tax assets and deferred income tax liabilities.

As for taxable temporary differences which is arisen from initial recognition of goodwill, and those related to initial recognition of assets or liabilities arisen during trade with neither merging nor those which won't affect the accounting profit and taxable income (or deductible loss), related deferred tax liabilities will not be confirmed. In addition, as for temporary differences taxable related to subsidiary companies, associated enterprises and joint venture investment, if the group is able to control the reversal time of the temporary difference, and the temporary differences in the foreseeable future probably will not be reversed, we also could not confirm the deferred income tax liabilities. In addition to the above condition, the group could confirm all the other deferred income tax liabilities arising from taxable temporary differences.

As for deductible temporary differences related to initial reorganization of asset or liability arising from trades with neither merge nor those which won't affect the accounting profit and taxable income (or deductible loss), we'll not recognize relevant deferred income tax assets. In addition, as for deductible temporary differences related to subsidiary companies, associated enterprises and joint venture investment, if the temporary differences in the foreseeable future probably will not be reversed, we also could not confirm the deferred income tax assets. In addition to the above condition, the group could confirm all the other deferred income tax assets arising from deductible temporary differences within benchmark of income of taxable deductible temporary differences.

As for deductible loss or tax deduction which to be reversed in the following years, we confirm the corresponding deferred income tax assets within benchmark of future taxable income to be likely deducted for deductible loss and tax deduction.

On the balance sheet date, the deferred income tax assets and liabilities are measured according to the provisions of the tax law, in accordance with the applicable tax rate during related assets to be expected recovery or related liabilities to be paid off.

At the balance sheet date, we recheck the book value of deferred income tax assets. If in future it is unlikely to obtain adequate taxable income to offset the benefit of the deferred income tax asset, then we write down the book value of deferred income tax assets. When it is probable to obtain adequate taxable income, amount written down shall be reversed.

(3) The income tax expenses

The income tax expense included the current income tax and deferred income tax.

In addition to trades and current income tax and deferred income tax related to projects which are included in other comprehensive income or directly included in owners' interest, as well as the book value whose goodwill arranged in line with deferred income tax arising from enterprises combination, all the other current income tax and deferred income tax expenses or income will be included in current profit and loss.

(4) Offset of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

26. Leasing

Finance lease transfers substantially all the risks and rewards related to the ownership of an asset. Its ownership may eventually transfer, also may not. While all the other leases are classified as operating leases.

(1) The Company keeps record of lease business as lessee

Rental expense of operating lease is included in the relevant asset costs or current profits and losses through the straight-line method during every period. Initial direct costs shall be included in profit or loss for the current period. Or rent to the actual shall be included in the current profits and losses.

(2) The Company keeps record of lease business as lessor

Rental income of operating lease is included in the relevant asset costs or current profits and losses through the straight-line method during every period. The larger amount of initial direct costs shall be capitalized when it is created, and shall be included in the current profits and losses during the lease period in accordance with same basic as the confirmed amount by stages. The other small amount of initial direct costs shall be included in the current profits and losses when it's created. Or rent to the actual shall be included in the current profits and losses.

(3) Financing lease business with the Group recorded as lessee

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease.

Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. In addition, initial direct costs attributable to leased items incurred during the process of lease negotiation and signing of lease agreement shall be included in the value of leased assets. The balance of minimum lease payment after deducting unrecognized financing expenses shall be accounted for long-term liability and long-term liability due within one year.

Unrecognized financing expenses shall be recognized as financing expenses for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

(4) Financing lease business with the Group recorded as lessor

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present value shall be recognized as unrealized financing income. The balance of lease receivable after deducting unrecognized financing income shall be accounted for long-term debt and long-term debt due within one year.

Unrecognized financing income shall be recognized as financing income for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

27. Other significant accounting policies and accounting estimation

(1) Discontinued operation

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria: ① it represents an independent key operation or key operating region; ② it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or ③ it only establishes for acquisition of subsidiary through disposal.

Accounting for discontinued operation is set out in note IV 12 “classified as assets or assets group held for sale”.

28. Changes of major accounting policies and accounting estimation

(1) Changes of accounting policy

No accounting policy changed in reporting period.

(2) Changes of accounting estimate

No accounting estimate changed in reporting period.

29. Major accounting judgment and estimate

The Company need make judgment, estimation and hypothesis to book value of those unaccountable items in sheet due to inner uncertainties of operating activities in the process of using accounting policies.

These judgments, estimates and assumptions are made in line with the Company's past management experience, and in consideration of other relevant factors. These judgments, estimates and assumptions will affect disclosure of amount of income, expenses, assets and liabilities as well as contingent liability on the balance sheet day. However, the uncertainties in these estimates may cause significant adjustments to book value of those asset or liability affected in the future.

The Company rechecks regularly the judgment, estimation and hypothesis based on sustainable management. As for a change affecting only the current period, the amount shall be confirmed only in the current period; for those not only affecting the current but the future, the amount shall be confirmed in the current and future period.

At the balance sheet date, the Company needs to determine amount of items of the financial statements, estimation and hypothesis shown as the following important areas:

(1)Classification of leases

The Company classifies its leases as operating lease and financing lease in accordance with “Accounting Standard for Business Enterprises No. 21 - Leases”. When classifying leases, the management needs to analyse and judge whether all risks and returns relating to the ownership of leased out assets have transferred to the leasee, or whether the Company has obliged to all risks and returns relating to the ownership of leased assets.

(2) Provision for bad debts

The Company accounts for the allowance for bad debt losses according to the receivable accounting policies. Accounts receivable is the valuation of accounts receivable can be recovered based on. Identification of devaluation of accounts receivable needs judgments and estimates of management level. Difference between actual results and the original estimates impact reversal of the book value accounts receivable and accounts receivable for provision for bad debts during the estimation was changing.

(3) Provision of inventory devaluation

According to the inventory accounting policies, the Company shall accrue inventory devaluation provision as for inventory whose cost is higher than net realizable and those obsolete or unmarketable in accordance with the lower one in cost and net realizable value. Write-down of inventories to net realizable value is to assess the salability and net amount of prospect realization. Identification of inventory impairment requires management’s judgment and estimation after their obtaining conclusive evidence and consideration of the purpose for holding inventories, events effects occurring after balance sheet date. The difference between actual results and original estimates will affect the reversal of book value and devaluation provision of inventories during the estimation was changing.

(4) Financial assets available for sale

In respect of impairment of available-for-sale financial assets, whether impairment loss shall be recognized in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, the Company shall assess the excess of cost of the investee's identifiable net assets attributable to the investment over fair value and the duration, and financial condition and short term business outlook of the investee, including industry situation, technical reform, credit rating, default rate and risks from counterparties.

(5) Long-term provision for asset impairment

The Company has checked if there is any sign that the long-term asset except for the financial assets may have the impairment at the balance sheet date. For the intangible assets with uncertain service life, in addition to the annual impairment test, make the impairment test when it has signs of impairment. Proceed with the impairment test when there is any sign indicates that the book amounts of other long-term assets except for the financial assets are uncollectible

When the book value of the asset or group of assets exceeds its recoverable amount, i.e. the higher one between the net amount after subtracting the disposal costs from the fair value and the present value of the future cash flow, it indicates impairment occurs.

The net amount after subtracting the disposal costs from the fair value is determined by subtracting the incremental costs directly attributable to this disposal of assets from the sales agreement price similar to assets in fair dealing or the observable market price.

When predicting the present value of future cash flows, it is required to make significant judgments to the output, selling price and related operating expenses of this asset or group of assets and the discount rate used for calculating the present value. The Company shall adopt all available related data when predicting the recoverable amounts, including making predictions about the relevant output, selling price and related operating expenses based on reasonable and supportable assumptions.

(6) Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the Company takes a straight-line depreciation and amortization within service life in consideration of its residual value. The Company regularly review service life, thus determine the depreciation and amortization amount in each reporting period. Life is determined based on past experience of similar assets and technology update is expected. If the previous estimate changes, we will adjust depreciation and amortization expense in future periods.

(7) The deferred income tax assets

Within the limits that it is very likely to have sufficient taxable profits to offset losses, the Company confirms deferred income tax assets using all unused tax losses. This requires the management to use a lot of judgment to estimate the time and amount of future taxable profits, combined with the tax planning strategy, thus confirm the amount of deferred income tax assets.

(8) The income tax

During ordinary course of business, uncertainty exists in final tax treatment and calculation of a part of trading. Whether part of the project is in pre tax expenses requires approval of tax authorities. If the final confirmation of these tax matters differs from an initial estimate, the difference will affect current income tax and deferred income tax during the final period.

(9) Accrual liabilities

The Company estimates and accrues corresponding provision for product quality guarantee, expected contract loss, penalty for late delivery and others in accordance with terms of the contract, existing knowledge and experience. When such contingencies has formed a present obligation, and the performance of the current obligation is likely to lead to the outflow of economic benefits of the Company, the Company recognizes the best estimate of required expense when performing current obligation as accrual liability. The recognition and measurement of debt is largely dependent on the judgment of management. In the process of judgment the Company needs to assess the contingent risks, uncertainties and money and the time value and other factors.

V. Taxation

1. Main tax and tax rate

Type	Tax rate
VAT	The value-added tax for rental and water utilities income is levied at 5% and 3% respectively; the output tax for jewelry retail and wholesale, sale of auto and components, auto repair and maintenance, electricity utilities and property management fee are levied at 17% (adjusted to 16% since 1 May 2018) and 6%. Value-added tax is computed on the difference after deduction of the deductible input tax for the period.
Consumption duty	5% of the sales revenue of jewelry taxable consumer goods
City maintaining & construction tax	Calculated and paid on 7% of the turnover tax actually paid
Education surcharge	Calculated and paid on 3% of the turnover tax actually paid
Local education surcharge	Calculated and paid on 2% of the turnover tax actually paid
Corporation income tax	Calculated and paid on 25% of the taxable income amount and tax by the levy rate

VI. Enterprise consolidation and consolidated financial statements

Unless otherwise stated, the follow notes (including the items of financial statement of the Company), year-begin refers to 1st January 2018 while period-end refers to 30th June 2018.

1. Monetary fund

Item	Period-end balance	Balance at year-begin
Stock cash	109,592.35	119,576.83
Bank deposits:	277,446,864.12	161,673,641.73
Total	277,556,456.47	161,793,218.56

The Company has no monetary fund with use of right restricted up to 30 June 2018. At end of last year, the restricted use of right amount as 20,000,000.00 Yuan in monetary fund, which refers to the bank structured deposits purchased by the Company with 6-month terms

2. Accounts receivable

(1) Accounts receivable by category

Category	Period-end balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately	97,387,917.64	74.45	23,251,269.45	23.87	74,136,648.19
Receivables with bad debt provision accrual by credit portfolio	7,134,308.81	5.46			7,134,308.81
Accounts with single significant amount and bad debts provision accrued individually	26,279,070.64	20.09	26,279,070.64	100.00	
Total	130,801,297.09	100.00	49,530,340.09	37.87	81,270,957.00

(Cont.)

Category	Balance at year-begin				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately	65,959,038.60	70.59	22,936,980.76	34.77	43,022,057.84
Receivables with bad debt provision accrual by credit portfolio	1,193,178.84	1.28			1,193,178.84
Accounts with single significant amount and bad debts provision accrued individually	26,282,070.64	28.13	26,282,070.64	100.00	
Total	93,434,288.08	100.00	49,219,051.40	52.68	44,215,236.68

① Account receivable with single significant amount and withdrawal bad debt provision separately at year end

Account receivable(units)	Period-end balance			
	Account receivable	Bad debt reserve	Accrual ratio	Accrual reasons
Shenzhen Jinlu Industry and Trade Co., Ltd.	9,846,607.00	9,846,607.00	100.00	Has greater uncertainty in collection
Guangdong Zhanjiang Sanxing Auto Service Co., Ltd.	4,060,329.44	4,060,329.44	100.00	Not expected to collected due to long account age
Wang Changlong	2,370,760.40	2,370,760.40	100.00	Not expected to collected due to long account age
Huizhou Jiandacheng Daoqiao Engineering Company	2,021,657.70	2,021,657.70	100.00	Less likely to collection
Jiangling Automobile Factory	1,191,059.98	1,191,059.98	100.00	Not expected to collected due to long account age
Yangjiang Auto Trade Co., Ltd.	1,150,000.00	1,150,000.00	100.00	Not expected to collected due to long account age
Guangdong Materials Group Corp	1,862,000.00	1,862,000.00	100.00	Not expected to collected due to long account age
Deng Debing etc.	74,885,503.12	748,854.93	1.00	Sales of jewely on credit and in the credit terms
Total	97,387,917.64	23,251,269.45	23.87	

② Account receivable provided for bad debt reserve under aging analysis method in the groups

A/C age	Period-end balance		
	Account receivable	Bad debt reserve	Accrual ratio (%)
Within 1 year	7,134,308.81		
Total	7,134,308.81		

(2) Bad debt provision accrual collected or switch back

Amount of 748,854.93 Yuan accrual for bad debt provision in the period, bad debt provision has 434,566.24 Yuan switch-back and bad debt provision has 3,000.00 Yuan declined for change of the consolidation scope

(3) Top 5 account receivables at ending balance by arrears party

Name of the company	Relationship with the	Amount	Terms	Proportion in total

	Company			account receivables (%)
Shenzhen Jinlu Industry and Trade Co., Ltd.	Non-related party	9,846,607.00	Over 3 years	7.53
Guangdong Zhanjiang Sanxing Auto Service Co., Ltd.	Non-related party	4,060,329.44	Over 3 years	3.10
Deng Debing	Non-related party	4,695,771.50	within 1 year	3.59
Wei Tingyun	Non-related party	3,174,350.00	within 1 year	2.43
Xiao Yueliang	Non-related party	3,165,466.66	within 1 year	2.42
Total		24,942,524.60		19.07

(4) Account receivable derecognition due to financial assets transfer

The Company has no account receivable derecognition due to financial assets transfer in the Period.

(5) Assets and liabilities resulted by account receivable transfer and continues involvement

The Company has no assets and liabilities resulted by account receivable transfer and continues involvement in the Period.

3. Advance payment

(1) Advance payment by age

A/C age	Period-end balance		Balance at year-begin	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	4,909,812.67	98.15	3,717,452.76	99.46
1-2 years	72,471.73	1.45		
2-3 years			20,253.94	0.54
Over 3 years	20,253.94	0.40		
Total	5,002,538.34	100.00	3,737,706.70	100.00

(2) Top 5 advance payment at ending balance by prepayment object

Name of the company	Relationship with the Company	Amount	Terms	Proportion in total account receivables (%)
FAW TOYOTA Motor Sales Co.,	Non-related	4,278,869.08	within 1	85.53

Ltd.	party		year	
Hefei Jinshi Investment Co., Ltd.	Non-related party	399,542.08	within 1 year	7.99
Xi'an Xidian Asset Management Co., Ltd.	Non-related party	117,736.22	within 1 year	2.35
Chow Tai Fook Jewellery (Shenzhen) Co., Ltd.	Non-related party	88,993.79	within 1 year	1.78
Shenzhen Tellus Jilin Investment Co., Ltd.	Non-related party	72,471.73	within 1 year	1.45
Total		4,957,612.90		99.10

4. Interest receivable

(1) Interest receivable by category

Item	Period-end balance	Balance at year-begin
Structured deposit		221,232.88
Total		221,232.88

5. Dividends receivable

(1) Dividends receivable

Item (or invested unit)	Period-end balance	Balance at year-begin
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	52,500,000.00	
China Pudong Development Machinery Industry Co., Ltd.		547,184.35
Shenzhen SDG Tellus Property Management Co., Ltd.	232,683.74	232,683.74
Total	52,732,683.74	779,868.09

6. Other accounts receivable

(1) Other accounts receivable by category

Category	Period-end balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Other account receivable with single significant amount and withdrawal bad debt provision	39,195,957.36	50.13	39,195,957.36	100.00	

Category	Period-end balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
separately					
Other receivables with bad debt provision accrual by credit portfolio	28,321,626.31	36.22	3,497,737.78	12.35	24,823,888.53
Other accounts with single significant amount and bad debts provision accrued individually	10,669,248.95	13.65	10,669,248.95	100.00	
Total	78,186,832.62	100.00	53,362,944.09	68.25	24,823,888.53

(Cont.)

Category	Balance at year-begin				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Other account receivable with single significant amount and withdrawal bad debt provision separately	39,192,975.09	57.37	39,192,975.09	100.00	
Other receivables with bad debt provision accrual by credit portfolio	18,393,888.57	26.92	3,574,724.46	19.43	14,819,164.11
Other accounts with single significant amount and bad debts provision accrued individually	10,735,208.95	15.71	10,735,208.95	100.00	
Total	68,322,072.61	100.00	53,502,908.50	78.31	14,819,164.11

① Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

Account receivable(units)	Period-end balance			
	Account receivable	Bad debt reserve	Accrual ratio	Accrual reasons

Zhongqi South China Auto Sales Company	9,832,956.37	9,832,956.37	100.00	The Company has revoked, and estimated of uncollectible amount
South Industry & TRADE Shenzhen Industrial Company	7,359,060.75	7,359,060.75	100.00	The Company has revoked, and estimated of uncollectible amount
Shenzhen Zhonghao (Group) Co., Ltd.	5,000,000.00	5,000,000.00	100.00	Win a lawsuit, no executable assets from adversary
Gold Beili Electrical Appliances Company	2,706,983.51	2,706,983.51	100.00	Not expected to collected due to long account age
Shenzhen Xinxingtai Trade Co., Ltd.	2,418,512.90	2,418,512.90	100.00	The Company has revoked, and estimated of uncollectible amount
Shenzhen Petrochemical Group	1,907,138.45	1,907,138.45	100.00	Less likely to collection
Shenzhen SDG Huatong Industrial Package Co., Ltd.	1,212,373.79	1,212,373.79	100.00	The Company has revoked, and estimated of uncollectible amount
Shenzhen Jinhe Standard Mould Co., ltd.	1,023,560.00	1,023,560.00	100.00	The Company has revoked, and estimated of uncollectible amount
Heyuan Dongfeng Technology Service station	930,000.00	930,000.00	100.00	The company has revoked, and estimated of uncollectible amount
Shenzhen Nuoer Electrical Co., Ltd.	906,024.60	906,024.60	100.00	Not expected to collected due to long account age
Shenzhen South Great Wall Investment Holding Co., Ltd.	819,460.91	819,460.91	100.00	Has greater uncertainty in collection
Shenzhen Xiandao New Materials Company	660,790.09	660,790.09	100.00	The Company has revoked, and estimated of uncollectible amount
Shenzhen Baodong Property Development Company	609,773.00	609,773.00	100.00	Not expected to collected due to long account age
Others	3,809,322.99	3,809,322.99	100.00	Not expected to collected due to long account age

Total	39,195,957.36	39,195,957.36	100.00	

② In combination, other accounts receivable whose bad debts provision was accrued by age analysis

A/C age	Period-end balance		
	Other accounts receivable	Bad debt reserve	Accrual ratio (%)
Within 1 year	21,070,698.07		
1-2 years	222,017.41	11,100.88	5.00
2-3 years	92,728.40	18,545.68	20.00
Over 3 years	6,936,182.43	3,468,091.22	50.00
Total	28,321,626.31	3,497,737.78	12.35

(2) Bad debt provision accrual collected or switch back

Amount of 69,500.70 Yuan are accrual for bad debt provision in the period, the bad debt provision has 209,465.11 Yuan decreased for change of the consolidation scope

(3) Classification of other receivables by nature

Nature	Closing book balance	Book balance at year-begin
Intercourse accounts of related units receivable	6,432,951.98	5,043,179.46
Other intercourse	71,753,880.64	63,278,893.15
Total	78,186,832.62	68,322,072.61

(4) Top 5 other receivables at ending balance by arrears party

Name of the company	Nature	Period-end balance	A/C age	Ratio in total ending balance of other receivables(%)	Period-end balance of bad debt reserves
Zhongqi South China Auto Sales Company	ntercourse funds	9,832,956.37	Over 3 years	12.58	9,832,956.37
Chow Tai Fook Jewellery (Shenzhen) Co., Ltd.	ntercourse funds	8,830,754.82	within 1 year	11.29	
South Industry & TRADE Shenzhen Industrial Company	ntercourse funds	7,359,060.75	Over 3 years	9.41	7,359,060.75
Shenzhen Zhonghao (Group) Co., Ltd.	ntercourse funds	5,000,000.00	Over 3 years	6.39	5,000,000.00
Shenzhen Kaifeng Special Vehicles Industry Co., Ltd.	ntercourse funds	4,413,728.50	Over 3 years	5.65	2,206,864.25

Name of the company	Nature	Period-end balance	A/C age	Ratio in total ending balance of other receivables(%)	Period-end balance of bad debt reserves
Total		35,436,500.44		45.32	24,398,881.37

7. Inventory

(1) Inventory classification

Item	Period-end balance		
	Book balance	Depreciation reserve	Book value
Raw materials	15,208,749.62	14,771,812.17	436,937.45
Low value consumable			
Stock products	19,527,394.38	14,105,626.50	5,421,767.88
Total	34,736,144.00	28,877,438.67	5,858,705.33

(Cont.)

Item	Balance at year-begin		
	Book balance	Depreciation reserve	Book value
Raw materials	15,289,604.77	14,771,812.17	517,792.60
Low value consumable			
Stock products	26,225,810.26	14,097,375.64	12,128,434.62
Total	41,515,415.03	28,869,187.81	12,646,227.22

(2) Inventory depreciation reserve

Item	Balance at year-begin	Increase in the current period		Decrease in the current period		Period-end balance
		Accrual	Other	Switch back or write-off	Other	
Raw materials	14,771,812.17					14,771,812.17
Stock products	14,097,375.64	8,250.86				14,105,626.50
Total	28,869,187.81	8,250.86				28,877,438.67

(3) Accrual basis for inventory depreciation reserve and reason of switch back or write-off in the period

Item	Accrual basis for inventory impairment provision	Reasons of switch-back for inventory falling price reserves	Reasons of write-off for inventory falling price reserves
Stock products	Its net realizable value is lower than cost of inventory		

8. Other current assets

Item	Period-end balance	Balance at year-begin
Input tax ready for deducted	892,053.76	1,082,250.70
Financial products	121,130,000.00	218,500,000.00
Total	122,022,053.76	219,582,250.70

9. Financial assets available for sale

(1) Particular about financial assets available for sale

Item	Period-end balance			Balance at year-begin		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Equity instrument available for sale	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20
Including: measured by fair value						
Measured by cost	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20
Total	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20

(2) Financial assets available for sale measured by cost at period-end

The invested entity	Book balance				Depreciation reserves				Ratio of share-holding in invested entity (%)
	At year-begin	Increased in the year	Decreased in the year	At period-end	At year-begin	Increased in the year	Decreased in the year	At period-end	
China Pudong Development Machinery Industry Co., Ltd.	10,176,617.20			10,176,617.20					4.94
Shenzhen Jingwei Industrial Co., Ltd.	4,000,000.00			4,000,000.00	4,000,000.00			4,000,000.00	12.50
Shenzhen (Masco) Co., Ltd.	825,000.00			825,000.00	825,000.00			825,000.00	7.00
Wuhan Weite Hotel	640,000.00			640,000.00	640,000.00			640,000.00	
Shenzhen Petrochemical Group	700,000.00			700,000.00	700,000.00			700,000.00	100000 shares
Shenzhen Shuntian Electro car Technology Development Co., Ltd.	600,000.00			600,000.00	600,000.00			600,000.00	11.10
Shenzhen Jinhe Standard Mould Co., ltd.	453,440.00			453,440.00	453,440.00			453,440.00	15.00
Shenzhen China Auto Training Center	600,000.00			600,000.00	600,000.00			600,000.00	6.25
Dratini	162,000.00			162,000.00	162,000.00			162,000.00	6.25
Rishen International Co., Ltd.	145,800.00			145,800.00	145,800.00			145,800.00	7.50
Total	18,302,857.20			18,302,857.20	8,126,240.00			8,126,240.00	

(3) Changes of impairment in period

Type	Equity instrument available for sale	Debt instrument available for sale	Total
Balance of impairment accrual at year-begin	8,126,240.00		8,126,240.00
Accrual in the period			
Including: transfer-in from other comprehensive income			
Decreased in the period			
Including: switch back due to fair value rebound at period-end			
Balance of impairment accrual at period-end	8,126,240.00		8,126,240.00

10. Held-to-maturity investment

(1) Held-to-maturity investment

Item	Period-end balance			Balance at year-begin		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Treasury	20,000.00	20,000.00		20,000.00	20,000.00	
Total	20,000.00	20,000.00		20,000.00	20,000.00	

11. Long-term account receivable

(1) Long-term account receivable

Item	Period-end balance			Balance at year-begin			Range of discount rate
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value	
Other:							
Essentially constitute a long-term equity for net investment of invested company	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		
Including: Shenzhen Tellus Auto Service Chain Co., Ltd. *	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		
Total	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		

* Notes: the Company is an associate of the Company, thus the non-operating receivables by

the Company substantially constitute net investments in investee. Till the end of this reporting period, the total liabilities exceeded total assets, and owners' equity was negative. Carrying value of the long term equity investment in the company has been less to nil. This company ceased operation in this reporting period. Considering the actual conditions of this company, the Company made bad debt provision in full for this long term receivables.

12. Long-term equity investment

The invested entity	Balance at year-begin	+,-				
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change
I. Joint venture						
Shenzhen Tellus Gman Investment Co., Ltd	56,244,276.84			3,492,178.30		
Shenzhen Tellus Hang Investment Co., Ltd.	10,863,393.76			102,122.54		
Subtotal	67,107,670.60			3,594,300.84		
II. Associated enterprise						
Shenzhen Xinglong Machinery Mould Co., Ltd.	84,792,998.83					
Shenzhen Tellus Auto Service Chain Co., Ltd.						
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	84,114,516.50			8,560,197.63		
Shenzhen Auto Industry Imp& Exp Co., Ltd.	8,140,473.84			-362,624.06		
Shenzhen Dongfeng Auto Co., Ltd.	39,928,427.51			1,003,426.41		
Shenzhen New Yongtong Technology Co., Ltd.	380,661.87		380,661.87			
Shenzhen New Yongtong Oil Pump Environment Protection Co., Ltd.	127,836.59					
Shenzhen New Yongtong Consultant Co., Ltd.	41,556.83					
Shenzhen New Yongtong Auto Service Co., Ltd.						

The invested entity	Balance at year-begin	+,-				
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change
Shenzhen New Yongtong Dongxiao Auto Parts Sales Co., LTd.						
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.						
Hunan Changyang Industrial Co., Ltd.*①	1,810,540.70					
Shenzhen Jiecheng Electronic Co., Ltd*①	3,225,000.00					
Shenzhen Xiandao New Materials Company*①	4,751,621.62					
China Auto Industrial Shenzhen Trading Company*①	400,000.00					
Shenzhen General Standard Co., Ltd.*①	500,000.00					
Shenzhen Huoju Spark Plug Industry Co., Ltd.	17,849.20					
Zhongqi South China Auto Sales Company*①	2,250,000.00					
Shenzhen Bailiyuan Power Supply Co., Ltd*①	1,320,000.00					
Shenzhen Yimin Auto Trading Co., Ltd*①	200,001.10					
Subtotal	232,001,484.59		380,661.87	9,200,999.98		
III. Other equity investment						
Shenzhen Hanli Hi-Tech Ceramics Co., Ltd.*②	1,956,000.00					
Shenzhen South Auto Maintenance Center*②	6,700,000.00					
Subtotal	8,656,000.00					
Total	307,765,155.19		380,661.87	12,795,300.82		

(Cont.)

The invested entity	+,-			Period-end balance	Period-end balance depreciation reserves
	Cash dividend or profit announced to issued	Accrual provision	Other		
I. Joint venture					
Shenzhen Tellus Gman Investment Co., Ltd				59,736,455.14	
Shenzhen Tellus Hang Investment Co., Ltd.				10,965,516.30	
Subtotal				70,701,971.44	
II. Associated enterprise					
Shenzhen Xinglong Machinery Mould Co., Ltd.				84,792,998.83	
Shenzhen Tellus Auto Service Chain Co., Ltd.					
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	52,500,000.00			40,174,714.13	
Shenzhen Auto Industry Imp& Exp Co., Ltd.				7,777,849.78	
Shenzhen Dongfeng Auto Co., Ltd.				40,931,853.92	
Shenzhen New Yongtong Technology Co., Ltd.					
Shenzhen New Yongtong Oil Pump Environment Protection Co., Ltd.				127,836.59	127,836.59
Shenzhen New Yongtong Consultant Co., Ltd.				41,556.83	41,556.83
Shenzhen New Yongtong Auto Service Co., Ltd.					
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., LTd.					
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.					
Hunan Changyang Industrial Co., Ltd.*①				1,810,540.70	1,810,540.70
Shenzhen Jiecheng Electronic Co., Ltd*①				3,225,000.00	3,225,000.00
Shenzhen Xiandao New Materials Company*①				4,751,621.62	4,751,621.62
China Auto Industrial Shenzhen Trading Company*①				400,000.00	400,000.00
Shenzhen General Standard Co., Ltd.*①				500,000.00	500,000.00
Shenzhen Huoju Spark Plug Industry Co., Ltd.				17,849.20	17,849.20
Shenzhen Zhongqi South China Auto Sales Company*①				2,250,000.00	2,250,000.00
Shenzhen Bailiyuan Power Supply Co., Ltd*①				1,320,000.00	1,320,000.00

Shenzhen Yimin Auto Trading Co., Ltd*①				200,001.10	200,001.10
Subtotal	52,500,000.00			188,321,822.70	14,644,406.04
III. Other equity investment					
Shenzhen Hanli Hi-Tech Ceramics Co., Ltd.*②				1,956,000.00	1,956,000.00
Shenzhen South Auto Maintenance Center*②				6,700,000.00	6,700,000.00
Subtotal				8,656,000.00	8,656,000.00
Total	52,500,000.00			267,679,794.14	23,300,406.04

Note: *①Industry and commerce registration of the enterprise have been revoked, the long-term equity investment for the above mentioned enterprise have accrual for depreciation reserves in total.

Note: more details of *②Other equity investment can be seen in Note VIII-1 “Equity of subsidiaries”.

13. Investment real estate

(1) Investment real estate measured at cost

Item	House and building	Total
I. Original book value		
1、Balance at year-begin	161,317,125.12	161,317,125.12
2、Increase in the current period		
(1) Newly increased		
3、Decrease in the current period		
(1) Disposal		
4、Period-end balance	161,317,125.12	161,317,125.12
II. Accumulated depreciation and accumulated amortization		
1、Balance at year-begin	88,093,612.91	88,093,612.91
2、Increase in the current period	2,251,494.84	2,251,494.84
(1) Accrual or amortization	2,251,494.84	2,251,494.84
3、Decrease in the current period		
(1) Disposal		
4、Period-end balance	90,345,107.75	90,345,107.75
III.Depreciation reserves		
IV. Book value		
1. Ending book value	70,972,017.37	70,972,017.37
2. Book value at year-begin	73,223,512.21	73,223,512.21

(2) Investment real estate with ownership restricted

Up to 30 June 2018, the Company had no investment real estate with ownership restricted.

(3) Investment real estate with certificate of title im-completed

There are no investment real estate with certificate of title im-completed up to 30 June 2018

14. Fixed assets

(1) Fixed assets

Item	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office and other equipment	Renovation costs of self-owned housing	Total
I. Original book value							
1. Balance at year-begin	271,013,453.39	17,133,707.07	5,543,208.41	10,793,798.87	4,142,044.95	2,697,711.99	311,323,924.68
2.Increase in the current period		581,102.20	47,863.25	185,943.98	104,195.24		919,104.67
(1) Purchase		581,102.20	47,863.25	185,943.98	104,195.24		919,104.67
3. Decrease in the current period		2,972,262.88	335,000.00	873,146.98	1,397,636.02		5,578,045.88
(1) Disposal or scrapping		2,972,262.88	335,000.00	873,146.98	1,397,636.02		5,578,045.88
4. Period-end balance	271,013,453.39	14,742,546.39	5,256,071.66	10,106,595.87	2,848,604.17	2,697,711.99	306,664,983.47
II. Accumulated depreciation							
1. .Balance at year-begin	153,917,272.35	13,084,301.89	3,946,918.48	8,687,439.96	3,491,998.99	2,416,329.26	185,544,260.93
2. Increase in the current period	3,021,632.68	163,340.26	479,230.62	202,704.02	37,552.15		3,904,459.73
(1) Accrual	3,021,632.68	163,340.26	479,230.62	202,704.02	37,552.15		3,904,459.73
3. Decrease in the current period		1,736,178.76		858,904.98	1,361,331.33		3,956,415.07
(1) Disposal or scrapping		1,736,178.76		858,904.98	1,361,331.33		3,956,415.07

Item	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office and other equipment	Renovation costs of self-owned housing	Total
4. Period-end balance	156,938,905.03	11,511,463.39	4,426,149.10	8,031,239.00	2,168,219.81	2,416,329.26	185,492,305.59
III.Depreciation reserves							
1. Balance at year-begin	3,555,385.70	1,552,359.79	6,165.00	17,984.71	69,562.98	281,382.73	5,482,840.91
2. Increase in the current period							
(1) Accrual							
3. Decrease in the current period		1,232,684.68			4,703.17		1,237,387.85
(1) Disposal or scrapping		1,232,684.68			4,703.17		1,237,387.85
4. Period-end balance	3,555,385.70	319,675.11	6,165.00	17,984.71	64,859.81	281,382.73	4,245,453.06
IV. Book value							
1. Ending book value	110,519,162.66	2,911,407.89	823,757.56	2,057,372.16	615,524.55		116,927,224.82
2. Book value at year-begin	113,540,795.34	2,497,045.39	1,590,124.93	2,088,374.20	580,482.98		120,296,822.84

Note: Depreciation in this period amounting to RMB 3,904,459.73. Transfer from construction in progress to fixed assets amounting as RMB 0.00 in this period.

In reporting period, the provision amount for scrapped fixed assets decreased 650,147.31 Yuan, the provision for consolidate scope changed decreased 587,240.54 Yuan

(2) Temporary idle fixed asset

The Company had no temporary idle fixed asset end as 30 June 2018.

(3) Certificate of title un-completed

Item	Book value	Reasons
Shuibei Zhongtian Comprehensive Build	1,115,500.50	A failure to carry out the property certificate is caused by issues rooted in history
Hostel of People North Road	5,902.41	A failure to carry out the property certificate is caused by issues rooted in history
Songquan Apartment (mixed)	29,844.26	A failure to carry out the property certificate is caused by issues rooted in history
Tellus Building underground parking	10,275,006.26	Parking lot is un-able to carried out the certificate
Tellus Building transformation layer	1,818,333.44	Un-able to carried out the certificate
Trade department warehouse	89,458.93	A failure to carry out the property certificate is caused by issues rooted in history
Warehouse	949,420.09	A failure to carry out the property certificate is caused by issues rooted in history
1#,2# and 3-5/F 3# plant of Taoyuan Road	4,162,434.16	A failure to carry out the property certificate is caused by issues rooted in history
Yongtong Building	38,188,870.57	A failure to carry out the property certificate is caused by issues rooted in history
16# Taohua Garden	1,681,060.44	A failure to carry out the property certificate is caused by issues rooted in history
Automotive building	17,896,313.59	A failure to carry out the property certificate is caused by issues rooted in history

Item	Book value	Reasons
First floor of Bao'an commercial-residence build	1,055,720.37	A failure to carry out the property certificate is caused by issues rooted in history
Nuclear Office build	5,221,111.83	A failure to carry out the property certificate is caused by issues rooted in history
Total	82,488,976.85	

(4) Fixed assets with restriction in ownership

Up to 30 June 2018, the Company had no fixed assets with restriction in ownership.

15. Construction in process

(1) Basic situation of construction in process

Item	Period-end balance			Balance at year-begin		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Shuibei Jewelry Industrial Park	8,075,987.18		8,075,987.18	5,554,512.79		5,554,512.79
Phase I of the Tellus Shuibei Jewelry Building	380,308,829.03		380,308,829.03	372,606,383.90		372,606,383.90
Total	388,384,816.21		388,384,816.21	378,160,896.69		378,160,896.69

(2) Changes of major projects under construction

Item	Budget	Balance at year-begin	Increased in the period	Transfer to fixed assets in the period	Other decrease in the period	Period-end balance
Phase I of the Tellus Shuibei Jewelry Building	433,620,000	372,606,383.90	7,702,445.13			380,308,829.03
Total		372,606,383.90	7,702,445.13			380,308,829.03

(Cont.)

Item	Proportion of project investment in budget (%)	Progress	Accumulated amount of interest capitalization	Including: interest capitalized amount of the period	Interest capitalization rate of the period (%)	Capital source
Phase I of the Tellus Shuibei Jewelry Building	87.71	87.71	17,208,030.29	685,189.91	0.36	Raise funds +Self-raised
Total	87.71	87.71	17,208,030.29	685,189.91	0.36	

(3) Accrual of depreciation reserves of construction in process in the period

Up to 30 June 2018, the construction in process of the Company has no impairment evidence

16. Intangible assets

(1) Particular about intangible assets

Item	Land use right	Trademark right	Software	Total
I. Original book value				
1. Balance at year-begin	56,252,774.80	95,800.00	1,070,185.00	57,418,759.80
2. Increase in the year			23,000.00	23,000.00
(1) Purchase			23,000.00	23,000.00
3. Decrease in the current period				
(1) Disposal				
4. Period-end balance	56,252,774.80	95,800.00	1,093,185.00	57,441,759.80
II. accumulated amortization				
1. Balance at year-begin	4,271,209.65	75,304.83	722,558.40	5,069,072.88
2. Increase in the current period	609,507.42	3,589.98	82,401.83	695,499.23
(1) Accrual	609,507.42	3,589.98	82,401.83	695,499.23
3. Decrease in the current period				
(1) Disposal				
4. Period-end balance	4,880,717.07	78,894.81	804,960.23	5,764,572.11
III.Depreciation reserves				
IV. Book value				
1. Ending book value	51,372,057.73	16,905.19	288,224.77	51,677,187.69

Item	Land use right	Trademark right	Software	Total
2. Book value at year-begin	51,981,565.15	20,495.17	347,626.60	52,349,686.92

Note: The amount amortized in this period accounting as RMB 695,499.23.

(2) Up to 30 June 2018, details of intangible assets restricted in aspect of ownership or use of rights can be seen in Note VI-47.

(3) Up to 30 June 2018, the Company has no intangible assets with un-confirmed service life

17. Long-term deferred expense

Item	Balance at year-begin	Increase in the current period	Amortization during this period	Other decrease	Closing amount
Decoration charge	1,779,713.94	358,218.53	379,476.58	6,564.52	1,751,891.37
Total	1,779,713.94	358,218.53	379,476.58	6,564.52	1,751,891.37

18. Deferred income tax assets/ deferred income tax liabilities

(1) Details of recognized deferred income tax assets

Item	Period-end balance		Balance at year-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision of assets impairment	78,513,371.56	19,628,342.90	78,513,371.56	19,628,342.90
Equity investment difference	14,844,139.31	3,711,034.83	14,844,139.31	3,711,034.83
Un-realized transaction profit with affiliated companies	4,140,720.32	1,035,180.08	4,218,604.72	1,054,651.18
Total	97,498,231.19	24,374,557.81	97,576,115.59	24,394,028.91

(2) Details of unrecognized deferred income tax assets

Item	Period-end balance	Balance at year-begin
Deductible temporary difference	91,128,654.07	92,186,466.78
Offset-able losses	27,011,412.35	34,548,078.47
Total	118,140,066.42	126,734,545.25

(3) Offset-able losses of the unrecognized deferred income tax assets will expire the following year

Year	Period-end balance	Balance at year-begin	Note

2018		14,595,474.27	
2019	12,533,828.34	14,499,089.58	
2020	505,862.23	505,862.23	
2021	2,121,161.25	1,842,637.49	
2022	7,475,385.50	3,105,014.90	
2023	4,375,175.03		
Total	27,011,412.35	34,548,078.47	

19. Other non current assets

Item	Period-end balance	Balance at year-begin
Project account paid in advance	573,661.62	573,661.62
Other	100,000.00	100,000.00
Total	673,661.62	673,661.62

20. Details of asset impairment provision

Item	Amount at year-begin	Provision in the period	Decreased in the period			Closing amount
			Written back	Write off	Other	
I. Bad debt reserve	104,901,163.58	818,355.63	434,566.24		212,465.11	105,072,487.86
II. Held-to-maturity investment impairment provision	20,000.00					20,000.00
III. Inventory impairment provision	28,869,187.81	8,250.86				28,877,438.67
IV.Long-term equity investment impairment provision	23,300,406.04					23,300,406.04
V. Fixed assets impairment provision	5,482,840.91			650,147.31	587,240.54	4,245,453.06
VI. Financial assets depreciation reserves available for sale	8,126,240.00					8,126,240.00
Total	170,699,838.34	826,606.49	434,566.24	650,147.31	799,705.65	169,642,025.63

Note: decreased in the period in “other” refers to the consolidate scope declined

21. Short-term loans

(1) Category

Item	Period-end balance	Balance at year-begin
Debt of honor	143,000,000.00	120,000,000.00
Total	143,000,000.00	120,000,000.00

(2) No un-settlement short-term loans due in the period

22. Account payable

(1) Account payable

Item	Period-end balance	Balance at year-begin
Account payables	22,940,795.88	28,032,708.69
Total	22,940,795.88	28,032,708.69

(2) Major account payable with over one year age

Item	Period-end balance	Unsettled reasons
Shenzhen SDG Real Estate Co., Ltd.	6,054,855.46	Intercourse funds of related company unpaid
Total	6,054,855.46	

23. Account received in advance

(1) Account received in advance

Item	Period-end balance	Balance at year-begin
Within 1 year	9,828,288.78	10,035,943.26
1-2 years		2,699,525.20
2-3 years	8,723.00	345,811.38
Over 3 years	1,054,551.01	708,739.63
Total	10,891,562.79	13,790,019.47

Note: prepayment over 3 years mainly represents the prepayment from the subsidiary Shenzhen Xinyongtong Auto Inspection Equipment Co., Ltd. (not carried forward since the customer has not reviewed and accepted the equipment during the installment and commissioning stage) and the prepayment from Huari Company for components acquisition.

24. Wages payable

(1) Wages payable

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
I. Short-term compensation	21,442,246.57	24,756,977.57	24,410,975.90	21,788,248.24
II. Post-employment welfare- defined contribution plans	1,728,907.96	2,671,268.89	3,565,682.51	834,494.34
III. Compensation from		176,030.00	176,030.00	

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
labor relationship dismissed				
IV. Other welfare due within one year				
Total	23,171,154.53	27,604,276.46	28,152,688.41	22,622,742.58

(2) Short-term compensation

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
1. Wages, bonuses, allowances and subsidies	19,225,690.87	21,515,586.71	21,098,120.23	19,643,157.35
2. Welfare for workers and staff		376,841.00	376,841.00	-
3. Social insurance	10,365.82	1,172,131.54	1,175,817.39	6,679.97
Including: Medical insurance	9,179.74	1,055,635.18	1,059,321.03	5,493.89
Work injury insurance	513.72	43,426.52	43,426.52	513.72
Maternity insurance	672.36	73,069.84	73,069.84	672.36
4. Housing accumulation fund	2,035,280.61	1,229,218.18	1,235,111.80	2,029,386.99
5. Labor union expenditure and personnel education expense	170,909.27	463,200.14	525,085.48	109,023.93
6. Short-term compensated absences				
7. Short-term profit sharing plan				
8. Other				
Total	21,442,246.57	24,756,977.57	24,410,975.90	21,788,248.24

(3) Defined contribution plans

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
1. Basic endowment insurance	133,161.62	2,340,971.27	2,343,514.76	130,618.13

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
2. Unemployment insurance	1,268.72	37,233.62	37,392.08	1,110.26
3. Enterprise annuity	1,594,477.62	293,064.00	1,184,775.67	702,765.95
Total	1,728,907.96	2,671,268.89	3,565,682.51	834,494.34

24. Tax payable

Item	Period-end balance	Balance at year-begin
Value-added tax	562,137.80	502,040.39
Enterprise income tax	1,395,184.91	2,319,674.83
Individual income tax	557,263.42	286,741.01
Urban maintenance and construction tax	107,208.61	155,053.76
Property right tax	1,263,800.29	897,951.76
land VAT	5,362,682.64	5,362,682.64
Land use tax	233,161.63	123,484.44
Educational surtax	117,829.47	152,004.54
Stamp duty	18,242.02	62,434.50
Other	33,194.19	65,504.40
Total	9,650,704.98	9,927,572.27

26. Interest payable

Item	Period-end balance	Balance at year-begin
Interest payable of short-term loans	183,561.00	165,604.16
Interest of long-term loans with interest-installment and principal paid on due	51,664.83	63,890.56
Total	235,225.83	229,494.72

27. Other payable

(1) Classification of other payable according to nature of account

Item	Period-end balance	Balance at year-begin
Relevance contact, borrowings and interests	33,084,552.95	58,367,438.13
Deposit and margin	20,910,521.82	16,365,292.81
Other	128,190,826.38	78,367,179.55
Total	182,185,901.15	153,099,910.49

(2) Significant other payable with over one year age

Item	Period-end balance	Reasons of un-paid or carry-over
Shenzhen SDG Co., Ltd.	22,962,986.08	Term of repayment has not been regulated by parent company
Total	22,962,986.08	

28. Long-term loans

Item	Period-end balance	Balance at year-begin
Mortgage loan	34,934,887.55	38,600,000.00
Total	34,934,887.55	38,600,000.00

29. Long-term account payable

Item	Period-end balance	Balance at year-begin
Deposit of staff residence	3,908,848.40	3,908,848.40
Allocation for technology innovation projects	11,311.96	11,311.96
Total	3,920,160.36	3,920,160.36

30. Other non-current liability

Item	Closing amount	Amount at year-begin
Rental received in advance	14,520,000.00	14,520,000.00
Total	14,520,000.00	14,520,000.00

Notes: other non-current liability refers to the rental received in advance from Shuibei Jewelry Building, the income was subsequently measured at amortized cost at effective rate.

31. Share capital

Item	Balance at year-begin	Increased/decreased (+,-) in the Period					Period-end balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Subtotal	
I. Restricted shares							
1. State-owned shares							
2. State-owned legal person’s shares	6,000,000				-6,000,000	-6,000,000	0
3.Other domestic shares	71,000,000				-71,000,000	-71,000,000	0
Including: Domestic legal person’s shares	71,000,000				-71,000,000	-71,000,000	0

Item	Balance at year-begin	Increased/decreased (+,-) in the Period					Period-end balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Subtotal	
Domestic natural person's shares							
4. Foreign shares							
Including: Foreign legal person's shares							
Foreign natural person's shares							
Total restricted shares	77,000,000				-77,000,000	-77,000,000	0
II. Unrestricted shares							
1. RMB Ordinary shares	193,881,600				+77,000,000	+77,000,000	270,881,600
2. Domestically listed foreign shares	26,400,000						26,400,000
3. Overseas listed foreign shares							
4. Others							
Total unrestricted shares	220,281,600				+77,000,000	+77,000,000	297,281,600
III. Total shares	297,281,600				0	0	297,281,600

32. Capital reserves

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
Capital premium	559,544,773.35			559,544,773.35
Other capital reserve	5,681,501.16			5,681,501.16
Total	565,226,274.51			565,226,274.51

33. Surplus reserves

Item	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance
Statutory surplus reserves	2,952,586.32			2,952,586.32
Total	2,952,586.32			2,952,586.32

34. Retained profits

Item	The period	Last year
Undistributed profits at the end of last year before adjustment	97,798,595.80	30,935,823.12
Adjust the total undistributed profits at the beginning of the year (Increase +, Decrease -)		
Undistributed profits at the beginning of the year after adjustment	97,798,595.80	30,935,823.12
Add: The net profits belong to shareholders of patent company of this period	26,920,279.86	24,596,905.09
Less: Withdraw statutory surplus reserves		
Withdraw free surplus reserves		
Withdrawal of general risk provisions		
Common stock dividends payable		
Common stock dividends transferred to capital stock		
Retained profits at end of the period	124,718,875.66	55,532,728.21

35. Operating income and cost

Item	Jan.- Jun.2018		Jan.- Jun.2017	
	Income	Cost	Income	Cost
Main operating	194,190,757.18	152,737,808.48	158,321,271.67	117,170,941.78
Other operating	3,764,324.55	1,002,143.63	2,662,832.89	853,872.18
Total	197,955,081.73	153,739,952.11	160,984,104.56	118,024,813.96

36. Tax and surcharges

Item	Jan.- Jun.2018	Jan.- Jun.2017
Consumption tax	238,345.22	21,580.86
City maintenance and construction tax	364,256.92	368,816.45
Education surcharge	258,836.71	254,567.79
Land use right	209,447.09	312,379.03
Property tax	1,729,876.12	1,792,852.09
Stamp duty	102,522.31	57,109.97
Other taxes	19,337.55	3,619.57
Total	2,922,621.92	2,810,925.76

37. Sales expenses

Item	Jan.- Jun.2018	Jan.- Jun.2017
Employee compensation	5,088,693.99	4,628,353.86
Advertising and exhibition expenses	337,873.81	110,070.26

Item	Jan.- Jun.2018	Jan.- Jun.2017
Depreciation and amortization	578,266.24	451,080.13
Office expenses	302,546.51	411,090.60
Utilities	395,335.70	150,135.43
Transportation and business trip cost	177,820.47	189,297.19
Other	1,457,370.55	943,577.78
Total	8,337,907.27	6,883,605.25

38. Administration expense

Item	Jan.- Jun.2018	Jan.- Jun.2017
Employee compensation	14,695,652.80	14,072,858.71
Office expenses	754,044.43	1,384,396.56
Transportation and business trip cost	322,091.67	626,527.69
Business entertainment expenses	441,210.59	376,655.28
Depreciation and amortization	868,746.73	959,488.65
Consulting and service expenses	1,382,567.03	898,254.97
Other	672,779.16	1,033,839.90
Total	19,137,092.41	19,352,021.76

39. Financial expenses

Item	Jan.- Jun.2018	Jan.- Jun.2017
Interest expenses	4,367,283.44	2,069,420.04
Less: Interest income	1,053,302.07	1,396,595.43
Less: interest capitalized amount	685,189.91	720,020.72
Exchange gains and losses	14,108.62	-81,475.00
Other	128,972.53	155,131.65
Total	2,771,872.61	26,460.54

40. Assets impairment loss

Item	Jan.- Jun.2018	Jan.- Jun.2017
Bad debt loss	383,789.39	-189,620.97
Loss on inventory	8,250.86	
Total	392,040.25	-189,620.97

41. Investment income

Item	Jan.- Jun.2018	Jan.- Jun.2017
Income of long-term equity	12,795,300.82	2,929,608.85

Item	Jan.- Jun.2018	Jan.- Jun.2017
investment calculated based on equity		
Income of disposal of long-term equity investment	1,308,598.25	4,916,001.05
Investment income of financial products during the holding period	3,762,123.18	1,790,968.34
Total	17,866,022.25	9,636,578.24

42. Non-operating income

Item	Jan.- Jun.2018	Jan.- Jun.2017	Amount reckoned into current non-recurring gains/losses
Gains from non-current assets scrap		58,186.00	
Gains for account unable to paid	3,131.97	225,926.22	3,131.97
Other	31,262.42	35,404.95	31,262.42
Total	34,394.39	319,517.17	34,394.39

43. Non-operating expenditure

Item	Jan.- Jun.2018	Jan.- Jun.2017	Amount reckoned into current non-recurring gains/losses
Loss of non-current assets scrap and damage	99,240.38	6,919.80	99,240.38
Other	447.93		447.93
Total	99,688.31	6,919.80	99,688.31

44. Income tax expense

(1) Statement of income tax expense

Item	Jan.- Jun.2018	Jan.- Jun.2017
Current income tax expense	1,671,294.17	1,077,177.35
Deferred income tax expense	19,471.10	-103,215.92
Adjustment for precious period	196,708.50	-350,274.34
Total	1,887,473.77	623,687.09

(2) Adjustment on accounting profit and income tax expenses

Item	Jan.- Jun.2018
Total profit	28,454,323.49
Income tax measured by statutory/applicable tax rate	7,113,580.88
Impact by different tax rate applied by subsidies	
Adjusted the previous income tax	196,708.50
Impact by non-taxable revenue	

Impact on cost, expenses and losses that unable to deducted	-3,157,937.97
Impact by the deductible losses of the un-recognized previous deferred income tax	
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	-2,264,877.64
Change of the balance of deferred income tax assets/liabilities at period-begin resulted by tax rate adjustment	
Income tax expense	1,887,473.77

45. Notes to statement of cash flow

(1) Other cash received in relation to operation activities

Item	Jan.- Jun.2018	Jan.- Jun.2017
Intercourse funds	14,445,364.48	16,403,125.71
Interest income	350,767.12	1,278,595.43
Total	14,796,131.60	17,681,721.14

(2) Other cash paid in relation to operation activities

Item	Jan.- Jun.2018	Jan.- Jun.2017
Expenses of operation management cash paid	6,238,289.92	6,123,845.66
Intercourse funds and other	34,390,552.03	32,907,632.73
Total	40,628,841.95	39,031,478.39

(3) Other cash received in relation to investment activities

Item	Jan.- Jun.2018	Jan.- Jun.2017
Down-payment for equity transfer received	46,001,000.00	
Total	46,001,000.00	

(4) Other cash paid in relation to investment activities

Item	Jan.- Jun.2018	Jan.- Jun.2017
Equity transfer fee	5,733,400.00	
Total	5,733,400.00	

46. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

Supplementary information	Jan.- Jun.2018	Jan.- Jun.2017
1. Net profit adjusted to cash flow of operation activities:		
Net profit	26,566,849.72	23,401,386.78
Add: Provision of assets impairment	392,040.25	-189,620.97
Depreciation of fixed assets, consumption of oil assets and	6,155,954.57	6,493,475.89

Supplementary information	Jan.- Jun.2018	Jan.- Jun.2017
depreciation of productive biology assets		
Amortization of intangible assets	695,499.23	696,315.90
Amortization of long-term deferred expenses	379,476.58	381,828.78
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with "-")	63,707.05	-57,116.20
Loss of disposing fixed assets(gain is listed with "-")	35,533.33	5,850.00
Loss from change of fair value(gain is listed with "-")		
Financial expenses (gain is listed with "-")	3,596,467.06	1,267,924.32
Investment loss (gain is listed with "-")	-17,866,022.25	-9,636,578.24
Decrease of deferred income tax asset((increase is listed with "-")	19,471.10	35,297.85
Increase of deferred income tax liability (decrease is listed with "-")		-122,687.02
Decrease of inventory (increase is listed with "-")	5,938,424.27	3,049,116.56
Decrease of operating receivable accounts (increase is listed with "-")	-23,770,419.43	-3,111,248.97
Increase of operating payable accounts (decrease is listed with "-")	-30,277,449.59	-14,833,383.28
Other		
Net cash flow arising from operating activities	-28,070,468.11	7,380,561.40
2. Material investment and financing not involved in cash flow		
Debt transfer to capital		
Convertible bonds due within one year		
Fixed assets financing lease-in		
3. Net change of cash and cash equivalents:		
Balance of cash at period end	277,556,456.47	123,232,791.88
Less: Balance of cash equivalent at period-begin	161,793,218.56	178,497,640.10
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increasing of cash and cash equivalents	115,763,237.91	-55,264,848.22

(2) Constitution of cash and cash equivalent

Item	Period-end balance	Balance at year-begin

Item	Period-end balance	Balance at year-begin
Ⅰ. Cash	277,556,456.47	141,793,218.56
Including: stock cash	109,592.35	119,576.83
Bank deposit available for payment at any time	277,446,864.12	141,673,641.73
Other monetary fund available for payment at any time		
II. Cash equivalent		
Including: bond investment matured within 3 months		
II. Balance of cash and cash equivalent at year-end	277,556,456.47	141,793,218.56
Including: Cash and cash equivalent with restriction used by parent company or subsidiary in the Group		

Note: cash and cash equivalent excluding the cash and cash equivalent with use-restricted concerned of the parent company or subsidiaries in the Group

47. Assets with ownership or use right restricted

Item	Book value at Period-end	Reason
Intangible assets	49,637,241.84	
Long-term equity investment	40,174,714.13	See Note IX-5-(2)
Total	89,811,955.97	

(1)The land of this project (SFDZ No. 2000609764) needs to be mortgaged in order to satisfy the requirements for the implementation of Testrite Shuibei Jewelry Building project, the Company's subsidiary Shenzhen Zhongtian Industry Co., Ltd. signed the loan contract (Mortgage & Loan 2014 Gu 250 Tianbei) with borrowing amount of 0.3 billion Yuan and loan term from June 24, 2014 to June 23, 2024 with China Construction Bank Shuibei Branch on June 24, 2014, and the Company providing the joint liability guaranty (Guarantee and loan 2014 Gu 250 Tianbei). Up to June 30, 2018, loans of 34,934,887.55 Yuan from the bank under the name of Shenzhen Zhongtian Industrial Co., Ltd.

48. Item of foreign currency

(1) Item of foreign currency

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary fund			
Including: USD	856.00	6.6166	5,663.81

VII. Changes of consolidation range

1.Enterprise merger under the different control

The Company had no enterprise merger under the different control in Period.

2.Enterprise merger under the same control

The Company had no enterprise merger under the same control in Period.

3.Reverse purchase

The Company had no reverse purchase in Period.

4.Disposal of subsidiaries

(1) Loss controlling right by disposing subsidiary investment by single time

Name of subsidiary	Share disposal price	Share disposal ratio (%)	Disposal ways	Time for losing controlling rights	Basis for determination of timing of losing control	Difference between share of the net assets of the subsidiary based on disposal price and disposal investment in the consolidated financial statements
Shenzhen Tellus New Yongtong Automobile Development Co. Ltd*1	848,065.00	95	Transfer	2018-1-16	Equity transfer amount has been received in full and the control right on the target company has been transferred to the acquiree.	1,072,860.12

(Cont.)

Name of subsidiary	Proportion of the remaining equity interest on the date of losing control (%)	Carrying value of the remaining equity interest on the date of losing control	Fair value of the remaining equity interest on the date of losing control	Profit or loss arising from remeasuring the remaining equity interest at fair value	Basis of determination and major assumption for fair value of the remaining equity interest on the date of losing control	Amount of other comprehensive income transferred to investment profit or loss relating to equity investment by the original subsidiary
Shenzhen Tellus New Yongtong Automobile Development Co. Ltd*1						

VIII. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Acquired way
				Directly	Indirectly	
Shenzhen Tellus New Yongtong Automobile Development Co. Ltd.	Shenzhen	Shenzhen	Service industry	100.00		Obtained by establishment or investment
Shenzhen Dongchang Yongtong Motor Vehicle Detection Co., Ltd.	Shenzhen	Shenzhen	Service industry		95.00	Obtained by establishment or investment
Shenzhen Bao'an Shiquan Industrial Co., Ltd.	Shenzhen	Shenzhen	Commerce		100.00	Obtained by establishment or investment
Shenzhen SDG Tellus Real Estate Co., Ltd.	Shenzhen	Shenzhen	Manufacture	100.00		Obtained by establishment or investment
Shenzhen Tellus Real Estate	Shenzhen	Shenzhen	Service	100.00		Obtained by

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Acquired way
				Directly	Indirectly	
Exchange Co. Ltd.			industry			establishment or investment
Shenzhen New Yongtong Automobile Inspection Equipment Co. Ltd.	Shenzhen	Shenzhen	Service industry	51.00		Obtained by establishment or investment
Shenzhen Automobile Industry Trading General Company	Shenzhen	Shenzhen	Commerce	100.00		Obtained by establishment or investment
Shenzhen Automotive Industry Supply Corporation	Shenzhen	Shenzhen	Service industry		100.00	Obtained by establishment or investment
Shenzhen SDG Huari Automobile Enterprise Co.Limited	Shenzhen	Shenzhen	Service industry	60.00		Obtained by establishment or investment
Shenzhen Huari Anxin Automobile Inspection Ltd.	Shenzhen	Shenzhen	Service industry		100.00	Obtained by establishment or investment
Shenzhen Zhongtian Industrial Co., Ltd.	Shenzhen	Shenzhen	Service industry	100.00		Obtained by establishment or investment
Shenzhen Huari TOYOTA Automobile Sales Service Co., Ltd.	Shenzhen	Shenzhen	Commerce	60.00		Obtained by establishment or investment
Shenzhen Hanli Hi-Tech Ceramics Co., Ltd.*1	Shenzhen	Shenzhen	Ceramic technology	80.00		Obtained by establishment or investment
Shenzhen South Auto Maintenance Center*1	Shenzhen	Shenzhen	Vehicle maintenance		100.00	Obtained by establishment or investment
Anhui Tellus Starlight Jewelry Investment Co., Ltd.	Hefei	Hefei	Commerce	51.00		Obtained by establishment

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Acquired way
				Directly	Indirectly	
						or investment
Anhui Tellus Starlight Junzun Jewelry Co., Ltd.	Hefei	Hefei	Commerce		60.00	Obtained by establishment or investment
Sichuan Tellus Jewelry Technology Co., Ltd.	Chengdu	chengdu	Commerce	66.67		Obtained by establishment or investment

Note: *1. The operating period of Shenzhen Hanli Hi-Tech Ceramics Co., Ltd. was from September 21, 1993 to September 21, 1998, and the operating period of Shenzhen South Auto Maintenance Center was from July 12, 1994 to July 2002 11, these companies have ceased to operate for many years and have been revoked the industrial and commercial registration because they did not participate in the annual inspection of industry and commerce. The Company has not been able to exercise effective control over such companies which should not be included in the consolidated scope of the consolidated financial statements of the Company, and the book value of the Company's investment in such companies and the net value of the net investment in these companies was zero.

(2) Important non-wholly-owned subsidiary

Subsidiary	Share-holding ratio of minority (%)	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Shenzhen Huari Toyota Automobile Co. Ltd	40%	178,427.65		-383,764.20
Shenzhen SDG Huari Automobile Enterprise Co.Limited	40%	-164,768.84		11,388,573.08

(3) Main finance of the important non-wholly-owned subsidiary

Subsidiary	Period-end balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Shenzhen Huari Toyota	49,311,422.47	1,126,789.34	50,438,211.81	51,397,622.30		51,397,622.30

Subsidiary	Period-end balance					
Automobile Co. Ltd						
Shenzhen SDG Huari Automobile Enterprise Co.Limited	44,108,876.78	29,581,702.43	73,690,579.21	45,219,146.52		45,219,146.52

(Cont.)

Subsidiary	Balance at year-begin					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Shenzhen Huari Toyota Automobile Co. Ltd	48,902,736.46	1,164,059.81	50,066,796.27	51,472,275.89		51,472,275.89
Shenzhen SDG Huari Automobile Enterprise Co.Limited	46,281,176.84	29,886,773.06	76,167,949.90	47,284,595.12		47,284,595.12

Subsidiary	Jan.- Jun.2018				Jan.- Jun.2017			
	Business income	Net profit	Total comprehensive income	Cash flow from operating activities	Business income	Net profit	Total comprehensive income	Cash flow from operating activities
Shenzhen Huari Toyota Automobile Co. Ltd	85,879,290.03	446,069.13	446,069.13	2,611,399.29	97,707,246.23	204,462.59	204,462.59	967,416.91

Subsidi	Jan.- Jun.2018				Jan.- Jun.2017			
Shenzhen SDG Huari Automobile Enterprise Co.Limited	17,507,428.39	-411,922.09	-411,922.09	-972,706.87	17,870,512.30	146,386.14	146,386.14	-2,957,442.18

(4) Material limits on using group assets or discharging group debts

There is no material limit on using group assets or discharging group debts by our subsidiaries.

2. Transactions leading to change of owner's equity while not resulting in loss of control in subsidiary

There is no transaction by the Company leading to change of owner's equity while not resulting in loss of control in subsidiary.

3. Equity in joint venture and cooperative enterprise

(1) Important cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	
Affiliation:						
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen	Shenzhen	Sales and maintain of Benz	35.00		Equity method
Shenzhen Dongfeng Auto Co., Ltd.	Shenzhen	Shenzhen	Auto manufacture and maintain		25.00	Equity method
Joint venture:						
Shenzhen Tellus Gman Investment Co., Ltd	Shenzhen	Shenzhen	Investment in industry and property	50.00		Equity method

Name	Main operation	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment on
			management and leasing			

(2) Main financial information of the important joint venture

Item	2018-6-30 / Jan.- Jun.2018		2017-12-31/ Jan.- Jun.2017	
	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Auto Co., Ltd.	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Auto Co., Ltd.
Current assets	377,072,861.88	615,374,679.81	390,613,571.00	685,184,923.52
Non -current assets	19,399,274.80	238,233,604.05	23,214,032.00	241,719,824.00
Total assets	396,472,136.68	853,608,283.86	413,827,603.00	926,904,747.52
Current liabilities	285,413,217.64	633,219,931.93	173,500,413.00	708,700,096.37
Non –current liabilities		58,701,889.00		60,436,348.10
Total liabilities	285,413,217.64	691,921,820.93	173,500,413.00	769,136,444.47
Minority shareholders' equity		-2,040,952.77		-1,945,407.03
Attributable to parent company shareholders' equity	111,058,919.04	163,727,415.70	240,327,190.00	159,713,710.08
Share of net assets calculated by shareholding ratio	38,870,621.66	40,931,853.92	84,114,516.50	39,928,427.51
Adjustment items				
--Goodwill				
--Unrealized profit of internal trading				
—Other	1,304,092.47			
Book value of equity investment in joint ventures	40,174,714.13	40,931,853.92	84,114,516.50	39,928,427.51

Item	2018-6-30 / Jan.- Jun.2018		2017-12-31/ Jan.- Jun.2017	
	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Auto Co., Ltd.	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Auto Co., Ltd.
Fair value of the equity investment of affiliation with public offers concerned				
Operation income	625,845,433.53	206,529,913.61	602,080,907.00	249,209,515.73
Net profit	24,457,707.54	3,918,159.88	24,584,092.96	-9,138,940.53
Net profit of the termination of operation				
Other comprehensive income				
Total comprehensive income	24,457,707.54	3,918,159.88	24,584,092.96	-9,138,940.53
Dividends received from affiliation in the year	52,500,000.00		9,100,000.00	

(3) Main financial information of the important cooperative enterprise

Item	Shenzhen Tellus Gman Investment Co., Ltd	
	2018-6-30 / Jan.- Jun.2018	2017-12-31/ Jan.- Jun.2017
Current assets	27,302,262.00	45,981,179.66
Including: cash and cash equivalents	13,284,634.82	14,656,470.18
Non -current assets	387,762,141.96	388,901,782.46
Total assets	415,064,403.96	434,882,962.12
Current liabilities	25,591,493.77	38,394,408.48
Non –current liabilities	270,000,000.00	284,000,000.00
Total liabilities	295,591,493.77	322,394,408.48
Minority shareholders’ equity		
Attributable to parent company shareholders’ equity	119,472,910.19	112,488,553.64

Item	Shenzhen Tellus Gman Investment Co., Ltd	
	2018-6-30 / Jan.- Jun.2018	2017-12-31/ Jan.- Jun.2017
Share of net assets calculated by shareholding ratio	59,736,455.14	56,244,276.84
Adjustment items		
--Goodwill		
--Unrealized profit of internal trading		
—Other		
Book value of equity investment in joint ventures	59,736,455.14	56,244,276.84
Fair value of the equity investment of joint ventures with public offers concerned		
Operation income	33,843,551.10	19,777,905.85
Financial expense	9,221,726.36	10,275,774.46
Income tax expense		
Net profit	6,984,356.55	-6,609,390.37
Net profit of the termination of operation		
Other comprehensive income		
Total comprehensive income	6,984,356.55	-6,609,390.37
Dividends received from joint venture in the year		

(4) Summary financial information of not important joint venture and cooperative enterprise

Item	2018-6-30 / Jan.- Jun.2018	2017-12-31/ Jan.- Jun.2017
Joint ventures:		
Total investment of book value	10,965,516.30	10,863,393.76
Total amount of the follow items calculated by share-holding ratio		
—net profit	102,122.54	140,991.04
—Other comprehensive income		
—Total comprehensive income	102,122.54	140,991.04
affiliation:		

Item	2018-6-30 / Jan.- Jun.2018	2017-12-31/ Jan.- Jun.2017
Total investment of book value	92,570,848.61	93,314,134.54
Total amount of the follow items calculated by share-holding ratio		
—net profit	-362,624.06	1,007,637.49
—Other comprehensive income		
—Total comprehensive income	-362,624.06	1,007,637.49

(5) Excess deficit from joint venture or affiliated business

Name	Cumulative losses un-recognized in the end of last year	Losses of current period-end un-recognized (or net profit shares in the period)	Cumulative losses un-recognized at current period-end
Shenzhen Tellus Auto Service Chain Co., Ltd.	98,104.52	759.21	98,863.73
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., LTd.	1,057,579.35	273,881.84	1,331,461.18
Shenzhen New Yongtong Auto Service Co., Ltd.	79,046.58	472,747.73	551,794.31
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.	221,136.79	592,499.80	813,636.59

4. Important co-management

No co-management in the Period.

IX. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company (%)	Voting right ratio on the enterprise (%)
Shenzhen SDG Co., Ltd.	Shenzhen	Development and operation of real estate and domestic commerce	2,582,820,000 Yuan	49.09	49.09

Note: Ultimate controller of the Company is SASAC of Shenzhen.

2. Subsidiary of the Company

Found more in Note VIII-1.

3. Details of joint-venture and affiliated enterprise of the Company

Found more in Note VIII-3.

4. Particulars about other related parties

Other related parties	Relationship with the Company
Shenzhen SDG Swan Industrial Company Ltd.	Subsidiary of parent company
Shenzhen Machinery Equipment Imp & Exp. Company	Subsidiary of parent company
Shenzhen SDG Real Estate Co., Ltd.	Subsidiary of parent company
Hong Kong Yujia Investment Co, Ltd.	Subsidiary of parent company
Shenzhen Tellus Real Estate Yueyang Co.,	Subsidiary of parent company
Shenzhen SDG Development Center Construction Supervision Co., Ltd.	Subsidiary of parent company
Shenzhen Tellus Yangchun Real Estate Co., Ltd.	Subsidiary of parent company
Shenzhen Longgang Tellus Real Estate Co., Ltd.	Subsidiary of parent company
Shenzhen SDG Property Management Co., Ltd.	Subsidiary of parent company
Chengdu RuihangJewelry Co., Ltd. – Lin Hang	Shareholder of subsidiary and related individual
Chengdu Zhongjin Guifu Jewelry Co., Ltd. – Lin Tonggui	Shareholder of subsidiary and related individual
Chengdu Hezhiyuan Jewelry Co., Ltd. – Xiong Yungui	Affiliated enterprise and related individual of the subsidiary’s shareholder
Anhui Jinzun Jewerly Co., Ltd.	Shareholder of subsidiary

5. Related transaction

(1) Related lease

①As a lessor for the Company

Lessee	Assets type	Lease income in recognized in Jan.- Jun. 2018	Lease income in recognized in Jan.- Jun. 2017
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	House leasing	2,523,809.60	2,523,809.60
henzhen SDG Tellus Property Management Co., Ltd.	House leasing	70,190.48	
Shenzhen New Yongtong Auto Service Co., Ltd.	House leasing	308,502.84	134,586.67

Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., Ltd.	House leasing	226,285.74	95,190.49

(2) Related guarantee

① The Company serves as guarantor

The Company entered into pledge contract with Zung Fu Auto Management (Shenzhen) Co., Ltd. (hereinafter referred to as Zung Fu Shenzhen), pursuant to which, during the period from establishment of our associate company Shenzhen Renhu Tellus Auto Service Co., Ltd. (hereinafter referred to as Renhu Tellus) to the expiration date of the joint venture contract between the Company and Renhe Shenzhen, provided that Zung Fu Shenzhen provides borrowings to Zung Fu Tellus under entrusted loan, Zung Fu Tellus makes borrows from bank or other financial institutions and guaranteed by Zung Fu Shenzhen, and the total borrowings shall not exceed RMB100 million, the Company bears 35% of the obligations arising from above borrowings according to its shareholding proportion. It was agreed for the Company to pledge 35% equity interests held in Zung Fu Tellus to Zung Fu Shenzhen as counter guarantee for the above borrowings.

Other than the above guarantee, the Company's provision of guarantees as guarantor all relates to such guarantees provided to subsidiaries.

②The Company as secured creditor

Chengdu Ruihang Jewelry Co.,Ltd. the shareholder of Sichuan Test Rite Jewelry Technology Co.,Ltd. which is the subsidiary of the Company, jointly with the affiliated individual Lin Hang, set Sichuan Test Rite Jewelry Technology Co,.Ltd. as the secured creditor with a ceiling amount of secured guarantee, and the principal creditor's right secured is the receivables of RMB13,810,000 from Sichuan Test Rite Jewelry Technology Co,.Ltd. to the guaranteed Zhang Hongcheng and others; Chengdu He Zhiyuan Jewelry Co.,Ltd., as an affiliated corporation of Chengdu Cai Zhiyuan Jewelry Co.,Ltd. the shareholder of Sichuan Test Rite Jewelry Technology Co.,Ltd., which is the subsidiary of the Company, jointly with affiliated individual Xiong Yungui, set Sichuan Test Rite Jewelry Technology Co,.Ltd. as the secured creditor with a ceiling amount of secured guarantee, and the principal creditor's right secured is the receivables of RMB52,940,000 from Sichuan Test Rite Jewelry Technology Co,.Ltd to the guaranteed Xiao Yueliang and others; Chengdu Zhongjin Guifu Jewelry Co.,Ltd. as the shareholder of Sichuan Test Rite Jewelry Technology Co.,Ltd., which is the subsidiary of the Company, and the affiliated individual Lin Tonggui, set Sichuan Test Rite Jewelry Technology Co,.Ltd as the secured creditor with a ceiling amount of secured guarantee, and the principal creditor's right secured is the receivables of RMB9,640,000 from Sichuan Test Rite Jewelry Technology Co,.Ltd. to the guaranteed Zhen Ruijin and others;

（3）Hiring the affiliated parties to provide labor services

①Center Enterprise opted for the engineering supervision organization of Test Rite Shuibei project through a public tender. In May 2013, Center Enterprise has signed a contract on the Engineering Supervision of Test Rite Shuibei Jewelry Building with Shenzhen Tefa Development Center Construction Supervision Co., Ltd., which was commissioned by Center Enterprise to implement supervision on the Test Rite Shuibei Project with a total of RMB5, 041,900 as commissioned supervision expenses, among which, RMB240, 000 has been paid from Jan. to Jun. 2018, and total amount of RMB4, 997,200 has been paid by Jun. 30th, 2018.

②Center Enterprise has signed a property management service contract with Shenzhen Tefa Teli Property Management Co., Ltd., which shall provide property management (including early intervention) service for Center Enterprise, paying RMB 1,403,196.03 for various types of management expenses from Jan.to Jun. 2018.

(4) Related fund occupation expenses

Related party	Content	Jan.- Jun.2018	Jan.- Jun.2017
Borrow-in:			
Shenzhen SDG Co., Ltd.	Fund occupation expenses	216.794.15	261,953.30
Anhui Jinzun Jewerly Co., Ltd.	Fund occupation expenses	18,368.53	
Starlight Jewerly Co., Ltd.	Fund occupation expenses	4,411.18	
Borrow-out:			
Shenzhen Xinglong Machinery Mould Co., Ltd.	Fund occupation expenses	37,708.32	37,708.32

(5) Remuneration of key manager

Item	Jan.- Jun.2018	Jan.- Jun.2017
Remuneration of key manager	5.35 million Yuan	4.19 million Yuan

6. Receivable/payable items of related parties

(1) Receivable item

Item	Period-end balance		Balance at year-begin	
	Book balance	Bad debt reserve	Book balance	Bad debt reserve
Account receivable:				
Shenzhen New Yongtong Auto Service	1,089,566.00	927,602.00	1,359,506.00	927,602.00

Item	Period-end balance		Balance at year-begin	
	Book balance	Bad debt reserve	Book balance	Bad debt reserve
Co., Ltd.				
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., LTd.	799,200.00	680,400.00	997,200.00	680,400.00
Total	1,888,766.00	1,608,002.00	2,356,706.00	1,608,002.00
Other account receivable:				
Shenzhen Tellus Auto Service Chain Co., Ltd.	1,359,297.00	1,359,297.00	1,359,297.00	1,359,297.00
Shenzhen New Yongtong Technology Co., Ltd.			116,480.22	58,240.11
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.	530,506.24	529,111.24	529,111.24	529,111.24
Shenzhen Xiandao New Material Co., Ltd.	660,790.09	660,790.09	660,790.09	660,790.09
Shenzhen Xinglong Machinery Mould Co., Ltd.	2,300,432.90	1,055,072.90	2,262,724.58	1,036,172.99
Shenzhen Tellus New Yongtong Auto Service Co., ltd.	114,776.33	114,776.33	114,776.33	114,776.33
Total	4,965,802.56	3,719,047.56	5,043,179.46	3,758,387.76
Dividends receivable:				
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	52,500,000.00			
Shenzhen SDG Tellus Property Management Co., Ltd*	232,683.74		232,683.74	
Total	52,732,683.74		232,683.74	
Long-term receivables				
Shenzhen Tellus Auto Service Chain Co., Ltd.	2,179,203.68	2,179,203.68	2,179,203.68	2,179,203.68
Total	2,179,203.68	2,179,203.68	2,179,203.68	2,179,203.68

(2) Payable item

Item	Period-end balance	Balance at year-begin
Account payable:		

Item	Period-end balance	Balance at year-begin
Shenzhen SDG Real Estate Co., Ltd.	6,054,855.46	6,054,855.46
Shenzhen Machinery Equipment Imp & Exp. Company	45,300.00	45,300.00
Shenzhen SDG Tellus Property Management Co., Ltd.		279,793.26
Total	6,100,155.46	6,379,948.72
Other account payable:		
Shenzhen SDG Real Estate Co., Ltd.	335,701.34	335,701.34
Hong Kong Yujia Investment Co, Ltd.	2,026,287.81	2,009,360.35
Shenzhen SDG Swan Industrial Company Ltd.	20,703.25	20,703.25
Shenzhen Machinery Equipment Imp & Exp. Company	1,554,196.80	1,554,196.80
Shenzhen SDG Co., Ltd.	22,962,986.08	51,122,660.84
Shenzhen Longgang Tellus Real Estate Co., Ltd.	1,095,742.50	1,095,742.50
Shenzhen Tellus Yangchun Real Estate Co., Ltd.	476,217.49	476,217.49
Shenzhen Xinglong Machinery Mould Co., Ltd.	78,515.56	78,515.56
Shenzhen New Yongtong Technology Co., Ltd.		320,000.00
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.	24,340.00	24,340.00
Anhui Jinzun Jewerly Co., Ltd.	2,530,000.00	1,330,000.00
Starlight Jewerly Co., Ltd.	882,000.00	
Total	31,986,690.83	58,367,438.13

X. Commitment or contingency

1. Important commitments

(1) Capital commitments

Item	Period-end balance	Balance at year-begin
Signed without recognized in financial statement		
—Purchase and construction of long-term assets commitment	62,287,414.67	100,505,887.53
Total	62,287,414.67	100,505,887.53

2. Contingency

(1) Contingent liability and its financial influence formed by un-settle lawsuits or arbitration

① In October 2005, a lawsuit was brought before Shenzhen Luo Hu District People’s Court by the Company, which was the recognizer of Jintian Industrial (Group) Co., Ltd. (“Jintian”) to require Jintian to redress RMB 4,081,830 (principal: RMB 3,000,000, interest: RMB

1,051,380, legal fare: RMB 25,160 and executive fare: RMB 5,290). Shenzhen Intermediate People’s Court had adjudged that the Company won the lawsuit and the forcible execution had been applied by the Company. As for the deducted amount in previous years, the Company has counted as debt losses.

In April 2006, Shenzhen Development Bank brought an accusation against Jintian’s overdue loan two million U.S. dollars and the Company who guaranteed for this loan. The company took on the principal and all interest. After that, the Company appealed to Shenzhen Luohu District People's Court, asking Jintian to repay 2,960,490 U.S. dollars and interest. In 2008, it reached Shen Luo No.937 Civil Reconciliation Agreement (2008) after the mediating action taken by Shenzhen Luohu District People's Court. The agreement is as follows: If Jintian repay 2,960,490 U.S. dollars before October 31, 2008, the company will exempt all the interest. If Jintian can not settle the amount on time, it will pay the penalty in accordance with the People's Bank of China RMB benchmark lending rate over the same period.

Jintian Company in process of debt service for bankruptcy reorganization. On January 29, 2016, Shenzhen Intermediate People's Court ruled that the reorganization plan of Jintian Company was completed and the bankruptcy proceedings were terminated, Jintian Company was re-allocating to the creditors, including the Company, according to the reorganization plan. Up to the approval date of this financial report, the Company has not yet received the allocated property.

② Subsidiary of the Company Shenzhen SD Tellus Real Estate Company (“Tellus Real Estate Company”) entered into the “Contract of Liyehui Food Street Co-operation in Buji Town” with Shenzhen Jinlu Industrial & Trading Company (“Jinlu Company”) on 29 November 1994. In accordance with the Contract, on the foundation of “Cooperative Development Contract of Liyehui Food Street in Buji Town” signed between the Jinlu Company and land providers -- Shenzhen Real Estate Management Branch Bureau of Guangzhou Military Region (“Real Estate Management Branch Bureau”) and People’s Liberation Army Unit 75731 (“ Unit 75731”), construction funds 10 million Yuan invested by Tellus Real Estate, received fixed floor area of 6,000 M^2 property, and Jinlu Company promise to delivered the completed building and ancillary facility at the end of November 1995. Tellus Real Estate Company have invested a total of 9,822,500.00 Yuan in cooperative development up to 31 December 1996, however, Tellus Real Estate Company failed to get the property should enjoy on the agreed date for property hand over. Tellus Real Estate Company institute an action at law to the Court, requesting Jinlu Company pay back the 9.8

million Yuan investment and interests immediately and shoulder all the Court Costs, Real Estate Management Branch Bureau and Unit 75731 were sentence to be the defendant pursuant to the law in trial. On 18 March 2003, in line with the Written Judgment (2000) Shen Zhong Fa Fang Chu Zi No. 101 by Shenzhen Intermediate People's Court, the above mentioned "Cooperative Contract" is valid, identified as nature of cooperative housing, the two parties continue to perform the contract and legitimate mechanism should be follow if any disputes arising from executing the Contract by parties in the Contract.

In March 2005, as a joint plaintiff, Tellus Real Estate Company and Jinlu Company start a suit to Real Estate Management Branch Bureau and Unit 75731(Communication Equipment Repair Institute of Guangzhou Military Region), requesting two defendants performing cooperative contract, and delivered 11,845 M^2(approximately 11,851,357 Yuan in value) property of Liyehui Food Street to two plaintiff, moreover, pay for the rental income 5,034,664.94 Yuan in total due to two plaintiff since 1998. Meanwhile, Tellus Real Estate Company and Jinlu Company entered into an agreement, that is, due to the self-executing or mandatory enforcement by the Court, concerning the Liyehui Food Street property taken back in lawsuit, Tellus Real Estate Company received a fixed property of 6,000 M^2, rests of the property belongs to Jinlu Company and Tellus Real Estate Company owns all property while less than 6,000 M^2; the income deserved in the lawsuit should be allocated according to 5:5 ratio by two parties, and as for this lawsuit, which have its first trial in Shenzhen Intermediate People's Court in August 2010, because details of a case is complex, the case did not judge in court.

In 2011, Tellus Real Estate Company received a civil ruling paper (2005) Shen Zhong Fa Min Chu Zi No. 82 from Shenzhen Intermediate People's Court, that is, "People's Court has no right to judged how to allocate the building and its working interest", because Liyehui Food Street property "is part of the illegal building", reject the Tellus Real Estate Company and Jinlu Company's claim in aspect of the property delivery and rental allocation of Liyehui Food Street. The cooperative development fund invested for Tellus Real Estate Company has been provision for bad debts in total in previous year by the Company.

③ In 2014, our subsidiary Shenzhen Auto Industrial Trading General Company (hereinafter referred to as Auto Industrial Trading Company) was served with a summon from people's court in Futian district, Shenzhen, pursuant to which, Shenzhen branch of China Huarong Asset Management Co., Ltd. ("Huarong Shenzhen") sued Auto Industrial Trading Company for joint settlement responsibility in respect of the debt disputes between Shenzhen Guangming Watch Co., Ltd. ("Guangming Watch") and its creditors.

Pursuant to the civil verdict (SFFJCZD No.801(1997)) issued by people’s court in Futian district, Shenzhen on 24 November 1997, Guangming Watch shall repay RMB700,000 and interests thereof to Shenzhen Futian branch of China CITIC Bank. Guangming Watch failed to discharge debts after such verdict, and Shenzhen Futian branch of China CITIC Bank applied for compulsive execution and recovered an amount of RMB561,398.30. later, due to that there was no property available for execution, people’s court in Futian district of Shenzhen issued civil verdict (SFFZZD No.102(1998)) to suspend execution on 10 December 1998. In July, the original creditor Shenzhen Futian branch of China CITIC Bank transferred the above creditor’s right (namely outstanding principal of RMB350,000 million and relevant interests) to Huarong Shenzhen.

Guangming Watch was an associate company of Auto Industrial Trading Company with a shareholding of 10% in 1990. Guangming Watch has been deregistered with Shenzhen Business and Commerce Bureau on 28 February 2002. Huarong Shenzhen sued Guangming Watch and Auto Industrial Trading Company at people’s court in Futian district of Shenzhen in May 2014, requesting to obtain all the interests of Guangming Watch under the civil verdict (SFFJCZD No.801(1997)), and request an order for Auto Industrial Trading Company to take joint settlement responsibility for the above debts on the grounds that failure of Guangming Watch to settle debts resulted in prejudice in creditors’ right by shareholders. On Jan 20th 2018, Huarong Asset Shenzhen Branch applied to withdraw its complaints to Shenzhen Futian District People’s Court and the court issued（2014） SFFMECZ No.4712 -2 civic ruling paper on Jan. 30th 2018, which granted to revoke the approval and ruled in favor of Automobile Industry and Trading Co., Ltd.

④ The Company’s subsidiary, Shenzhen Automobile Industry and Trade Co., Ltd (hereinafter referred to as "Automobile Industry and Trade Company") got shares in Shenzhen Guangming Watch Co., Ltd. (hereinafter referred to as "Guangming Watch Company", Automobile Industry and Trade Company holds 10% of shares) in 1990, this company loaned RMB 2 million from China Construction Bank on December 12, 1990 with time limit of nine months, Guangming Watch Company repaid RMB 100,000 in October 1992, but the balance was still in arrears. Shenzhen Bao'an District People's Court (1996) BFJZ No. 183 paper of civil judgment determined Guangming Watch Company to repay the loan of RMB 1.9 million and the interests to China Construction Bank, Shenzhen Intermediate People's Court (1996) SZFJYZZ No. 563 paper of civil judgment’ final judgment affirmed the original judgment. After the judgment, Guangming Watch Company didn’t perform the obligations, so China Construction Bank applied for compulsory execution and got repayment of 1.64 million Yuan, but later due to no property for execution, Bao'an District People's Court (1997) SBFZZ No. 220 civil ruling paper had the verdict for termination of execution on May 20, 2003. In June 2004, the original creditor CCB transferred the above-mentioned creditor's rights to Assets Management Company, after several transfers, Ezhou Liantai Investment and Consulting Co., Ltd. put forward the creditor's rights in April 2008.

Guangming Watch Company has been revoked license by Shenzhen Industrial and Commercial Bureau on February 28, 2002. Ezhou Liantai Investment and Consulting Co., Ltd. submitted the case of Guangming Watch Company and Automobile Industry and Trade Company to Shenzhen Futian District People's Court in May 2012, requesting to order Guangming Watch Company to pay off 3.607 million Yuan and the interests from May 11, 2012 to the actual repayment date, and requesting to order Automobile Industry and Trade Company to assume the joint liability for above-mentioned debts by the reason of Automobile Industry and Trade Company being its last shareholder, not setting up a liquidation team for liquidation within the legal time limit, and assuming the joint liability for debts.

In 2013, Shenzhen Futian District People's Court (2012) SFFMECZ No. 4328 paper of civil judgment determined Automobile Industry and Trade Company to assume the joint liability for debts in (1996) SZFJYZZ No. 563 paper of civil judgment to the accused, Guangming Watch Company. Automobile Industry and Trade Company appealed, on December 12, 2013, Shenzhen Intermediate People's Court (2013) SZFSZZ No. 1677 civil judgment’s final judgment affirmed the original judgment. Automobile Industry and Trade Company accrued the payable joint liability funds of 2,130,200 Yuan in 2013.

Hua Rong District People's Court of Ezhou City (2008) HMCZ No. 57 civil judgment determined the accused Ezhou Liantai Investment and Consulting Co., Ltd. to pay the accuser Huizhou Lamei Information Consulting Co., Ltd. assignment of claims and liquidated damages and also bear the legal fare. In the executing process, on April 14, 2015, Hua Rong District People's Court of Ezhou City (2015) EHRZYZ No. 0005 execution ruling added Automobile Industry and Trade Company as the person subject to enforcement and ordered Automobile Industry and Trade Company to pay the object funds of

4,170,859.54 Yuan. Hua Rong District People's Court of Ezhou City held that the object Guangming Watch Company should perform is the loan principal of 1.9 million Yuan and the promissory loan interest of 331,785.60 Yuan from November 21, 1995 to January 22, 1997, with a total of 2,231,785.60 Yuan. Shenzhen Bao’an District People's Court has executed 1,641,888.10 Yuan, deducting the litigation fee of 21,700 Yuan and execution fee of 28,500 Yuan, up to March 25, 2002, there were still object funds of 1,161,725.65 Yuan and debt interest of 1,274,604.31 Yuan during the delay in performance calculated by the principle of repayment of principal with interest and debt interest of 1,734,529.5 Yuan caused by delay in performance from March 25, 2002 to March 30, 2009, principal and interest amounting to 4,170,859.54 Yuan. Automobile Industry and Trade Company proposed an opposition to execution that Automobile Industry and Trade Company should assume the joint liability for the debts of 258,111.90 Yuan and the interest to be assumed by Guangming Watch Company, and (1996) BFJZ No. 183 litigation fee of 21,700 Yuan, and (1997) SBFZZ No. 220 case execution fee of 28,500 Yuan.

Ezhou City Intermediate People's Court held that the surplus creditor's rights was non liquet after Shenzhen Bao'an District People's Court’s execution of (1996) SZFJYZZ No. 563 civil judgment, both parties had large difference in opinion whether the executed 1.64 million Yuan was just principal or principal and interest, which was difficult to be determined, therefore, Ezhou City Intermediate People's Court (2015) EHRZYZ No. 00005 execution ruling was repealed and returned for re-examination.

In Dec. 2017, Shenzhen Test Rite Xin Yongtong Automobile Development Co., Ltd, the subsidiary of Test Rite Group, has filed a lawsuit to Luohu District People’s Court for its lease contract with a natural person Huang Wei because of unreasonable long lease period and low rental price, applying for terminating the lease contract and asking the defendant Huang Wei to return the house back. For the reason that the defendant Huang Wei refused to accept the court mediation, the joint mediation before litigation ended on Jan. 22nd 2018. So far, the court has opened twice court sessions, respectively on Mar. 7th, 2018 and Mar. 29th, 2018. Now the verdict is being awaited.

⑥In Mar. 2018, the natural person Huang Weiqiang has filed a lawsuit with Shenzhen Automobile Industry and Trading General Company and Shenzhen Tefa Group Co., Ltd. to Shenzhen Luohu District People’s Court, asking them to pay a total amount of RMB136, 692.13 for the delinquent settlement allowance of state-owned enterprises restructuring and the overdue interest.

Huang Weiqiang is the shareholder and chairman of Shenzhen Automobile Import and Export Co., Ltd. Shenzhen Automobile Import and Export Co., Ltd. was established in 1987 and it was the wholly owned subsidiary of Shenzhen Automobile Industry and Trading General Company at the establishment period. After the enterprise restructuring in 2002, the restructured Shenzhen Automobile Industry and Trading General Company has still held 35% share rights of Shenzhen Automobile Import and Export Co., Ltd.

In May 2018, Luohu District People's Court issued a civic ruling paper, and the judgment result said this case was the dispute arising from applying for the payment of settlement allowance caused by the identity transformation of employees during the process of enterprise restructuring, which was put forward in line with the Shenzhen government's policies, so the case did not fall within the scope of the court and the court dismissed the action. Huang Weiqiang has instated an appeal to Guangdong Provincial Intermediate People's Court and we haven't received any court summons from Guangdong Province Intermediate People's Court yet.

XI. Events occurring after the balance sheet date

1. Profit distribution

The Company has no plan of cash dividends carried out and capitalizing of common reserves either

XII. Other important events

1. Previous accounting errors collection

The Company had no previous accounting errors collection in Period.

2. Debt restructuring

The Company had no debt restructuring in Period.

3. Assets replacement

The Company had no non-monetary assets change in Period.

4. Segment

Financial information for reportable segment

Jan.- Jun.2018

Item	Auto sales	Auto maintenance and repair	Leasing and services	Jewelry operation	Offset of segment	Total
Main operating revenue	61,613,402.01	37,925,019.21	40,798,989.10	71,783,625.94	-17,930,279.08	194,190,757.18

Item	Auto sales	Auto maintenance and repair	Leasing and services	Jewelry operation	Offset of segment	Total
Main operating cost	60,137,721.39	33,796,019.74	8,471,631.42	68,272,973.37	-17,940,537.44	152,737,808.48
Total assets	18,348,537.16	106,059,130.64	2,312,261,181.48	101,559,791.25	-1,059,643,995.17	1,478,584,645.36
Total liabilities	29,987,929.63	66,907,715.97	718,902,933.48	6,259,924.48	-377,156,522.44	444,901,981.12

Jan.- Jun.2017

Item	Auto sales	Auto maintenance and repair	Leasing and services	Wholesale and retail of jewelry	Offset of segment	Total
Main operating revenue	81,828,629.57	30,933,280.83	59,669,477.32	432,616.24	-14,542,732.29	158,321,271.67
Main operating cost	80,552,582.86	25,502,996.33	23,195,618.35	2,538,282.27	-14,618,538.03	117,170,941.78
Total assets	32,917,126.16	98,657,932.40	1,983,022,242.18	14,455,973.67	-911,054,418.73	1,217,998,855.68
Total liabilities	46,119,475.69	60,693,706.80	556,102,721.70	1,978,405.53	-387,538,846.00	277,355,463.72

5. Other matters

On Jul. 20th 2017, the Company signed a contract with Shenzhen Runhe Joint Investment and Development Co.,Ltd. (hereinafter referred to as Runhe Company) , Shenzhen Xinglong Machinery Molding Co.,Ltd., (hereinafter referred to as Xinglong Company) and Shenzhen Yayu Investment and Development Co.,Ltd. Runhe Company made a commitment to attend the open bidding and offer a bidding of RMB200,000,000 on the condition that the Company sells 30% share rights of Xinglong Company by means of listing or agreement, or buy the above share rights at the price of RMB200,000,000 and be willing to pay RMB40,000,000 as the security deposit. Meanwhile, Runhe Company made a commitment that if the Company transfers the share rights of Xinglong Company held by Harbin No. One Machinery Group Co., Ltd, for the Company to increase the share rights of Xinglong Company, Runhe Company will take the price of per share of the transferred 30% share rights as the procurement price for the increased share rights. All the parties of the agreement agreed that the Company only accepted the stock transfer invitation of Runhe Company, it still hasn’t made a decision on whether to transfer the share rights of Xinglong Company, and therefore, the signature of this agreement does not necessarily lead to the result of the Company selling the share rights of Xinglong Company. By Dec.31st 2017, the Company has received RMB 40,000,000 of security deposit as stated above.

In Sep. 2017, after completing the share rights transfer of Xinglong Company held by Harbin No. One Machinery Group Co., Ltd., the Company has held 43% share rights of Xinglong Company. On Dec. 12th 2017, the board of the directors of the Company has deliberated and passed a Proposal on Selling the 43% Share Rights of Shenzhen Xinglong Machinery Molding Co., Ltd, the Company intended to sell the 43% share rights of Shenzhen Xinglong Machinery Molding Co., Ltd, which is the stock-sharing subsidiary of the Company, through public listing, and the Company will no longer hold the share rights of Xinglong Company after transaction.

By the issuance date of this report, the listing results of this share rights transfer is as below: the Company has transferred the 43% share rights of Xinglong Company by listing in Shenzhen United Property and Share Rights Exchange on Mar. 26th 2018. By the expired date of listing, according to the transaction results from Shenzhen United Property and Share Rights Exchange, Shenzhen Runhe United Investment and Development Company (hereinafter referred as Runhe) was the final transferee of this asset transfer, with transfer the price of RMB 286,670,000. Runhe has paid RMB30, 000,000 to Shenzhen United Property and Share Rights Exchange as the guarantee deposit. On Jun.15th 2018, the Company has signed an agreement with Runhe on the Transfer of Enterprise State-owned Property, transferring 43% of share rights of Xinglong Company at the price of RMB 286,670,000. In line with the agreement, on Jun. 25th 2018, the Company has received the initial payment of RMB86, 001,000 for the transfer of 30% of share rights.

XIII. Principle notes of financial statements of parent company

1. Account receivable

(1) Accounts receivable by category

Category	Period-end balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately					
Receivables with bad debt provision accrual by credit portfolio					
Accounts with single significant amount and bad debts provision accrued individually	484,803.08	100.00	484,803.08	100.00	
Total	484,803.08	100.00	484,803.08	100.00	

(Cont.)

Category	Balance at year-begin

	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately					
Receivables with bad debt provision accrual by credit portfolio					
Accounts with single significant amount and bad debts provision accrued individually	484,803.08	100.00	484,803.08	100.00	
Total	484,803.08	100.00	484,803.08	100.00	

2. Other accounts receivable

(1) Classification

Category	Period-end balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Other account receivable with single significant amount and withdrawal bad debt provision separately	12,250,767.63	10.23	12,250,767.63	100.00	
Other receivables with bad debt provision accrual by credit portfolio	105,663,886.02	88.24	1,158,255.52	1.10	104,505,630.50
Other accounts with single significant amount and bad debts provision accrued individually	1,833,967.78	1.53	1,833,967.78	100.00	
Total	119,748,621.43	100.00	15,242,990.93	12.73	104,505,630.50

(Cont.)

Category	Balance at year-begin				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Other account receivable with single significant amount and withdrawal bad debt provision separately	12,247,785.36	10.79	12,247,785.36	100.00	
Other receivables with bad debt	99,412,903.49	87.59	1,091,737.09	1.10	98,321,166.40

Category	Balance at year-begin				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
provision accrual by credit portfolio					
Other accounts with single significant amount and bad debts provision accrued individually	1,833,967.78	1.62	1,833,967.78	100.00	
Total	113,494,656.63	100.00	15,173,490.23	13.37	98,321,166.40

① Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

Other receivable (By unit)	Period-end balance			
	Other receivable	Bad debt reserve	Accrual ratio (%)	Accrual reasons
Shenzhen Zhonghao (Group) Co., Ltd.	5,000,000.00	5,000,000.00	100.00	Win a lawsuit, no executable assets from adversary
Gold Beili Electrical Appliances Company	2,706,983.51	2,706,983.51	100.00	Not expected to collected due to long account age
Shenzhen Petrochemical Group	1,907,138.45	1,907,138.45	100.00	Less likely to collection
Huatong Package Co., Ltd.	1,212,373.79	1,212,373.79	100.00	Not expected to collected due to long account age
Shenzhen Xiandao New Materials Company	660,790.09	660,790.09	100.00	Not expected to collected due to long account age
Other_VAT(trade department)	763,481.79	763,481.79	100.00	Not expected to collected due to long account age
Total	12,250,767.63	12,250,767.63		

② In combination, other accounts receivable whose bad debts provision was accrued by age analysis

A/C age	Period-end balance		
	Other receivable	Bad debt reserve	Accrual ratio
Within 1 year	103,228,316.63		
1-2 years	76,041.64	3,802.08	5.00

A/C age	Period-end balance		
	Other receivable	Bad debt reserve	Accrual ratio
2-3 years	84,368.14	16,873.63	20.00
Over 3 years	2,275,159.61	1,137,579.81	50.00
Total	105,663,886.02	1,158,255.52	1.10

(2) Bad debt provision accrual collected or switch back

Bad debt provision amounted as 69,500.70 Yuan in the period

(3) Classification of other receivables by nature

Nature	Closing book balance	Book balance at year-begin
Intercourse funds receivable between inner units	97,263,924.18	96,526,430.14
Intercourse accounts of related units receivable	2,996,660.41	2,958,952.09
Other	19,488,036.84	14,009,274.40
Total	119,748,621.43	113,494,656.63

(4) Top 5 other receivables at ending balance by arrears party

Name of the company	Nature	Period-end balance	A/C age	Ratio in total ending balance of other receivables (%)	Bad debt reserve year-end balance
SEHK	Suspense debits	5,733,400.00	Within 1 year	4.79	
Shenzhen Zhonghao (Group) Co., Ltd.	Intercourse funds	5,000,000.00	Over 3 years	4.18	5,000,000.00
Gold Beili Electrical Appliances Company	Intercourse funds	2,706,983.51	Over 3 years	2.26	2,706,983.51
Shenzhen Petrochemical Group	Intercourse funds	1,907,138.45	Over 3 years	1.59	1,907,138.45
Huatong Package Co., Ltd.	Intercourse funds	1,212,373.79	Over 3 years	1.01	1,212,373.79

Name of the company	Nature	Period-end balance	A/C age	Ratio in total ending balance of other receivables (%)	Bad debt reserve year-end balance
Total		16,559,895.75		13.83	10,826,495.75

(5) Account receivable with government grand involved

No account receivable with government grand involved of the Company at year-end.

(6) Other account receivable derecognition due to financial assets transfer

No other account receivable derecognition due to financial assets transfer of the Company in Period.

(7) Assets and liabilities resulted by other account receivable transfer and continues involvement

No assets or liabilities resulted by other account receivable transfer and continues involvement of the Company in Period.

3. Long-term equity investment

(1) Category of Long-term equity investment

Item	Period-end balance			Balance at year-begin		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	684,743,472.73	1,956,000.00	682,787,472.73	555,771,572.73	1,956,000.00	553,815,572.73
Investment for associates and joint venture	205,456,846.72	9,787,162.32	195,669,684.40	245,802,348.25	9,787,162.32	236,015,185.93
Total	890,200,319.45	11,743,162.32	878,457,157.13	801,573,920.98	11,743,162.32	789,830,758.66

(2) Investment for subsidiary

The invested entity	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance	Depreciation reserves accrual in the period	Period-end balance of depreciation reserves
Shenzhen SDG	31,152,888.8			31,152,888.8		

The invested entity	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance	Depreciation reserves accrual in the period	Period-end balance of depreciation reserves
Tellus Real Estate Co., Ltd.	7			7		
Shenzhen Tellus Real Estate Exchange Co. Ltd.	2,000,000.00			2,000,000.00		
Shenzhen SDG Tellus Property Management Co., Ltd.	57,672,885.22			57,672,885.22		
Shenzhen Zhongtian Industrial Co., Ltd.	270,708,622.90	98,971,900.00		369,680,522.90		
Shenzhen Automobile Industry Trading General Company	126,251,071.57			126,251,071.57		
Shenzhen SDG Huari Automobile Enterprise Co.Limited	19,224,692.65			19,224,692.65		
Shenzhen Huari TOYOTA Automobile Sales Service Co., Ltd.	1,807,411.52			1,807,411.52		
Shenzhen New Yongtong Automobile Inspection Equipment Co. Ltd	10,000,000.00			10,000,000.00		

The invested entity	Balance at year-begin	Increased in the period	Decreased in the period	Period-end balance	Depreciation reserves accrual in the period	Period-end balance of depreciation reserves
Shenzhen Hanli Hi-Tech Ceramics Co., Ltd.*	1,956,000.00			1,956,000.00		1,956,000.00
Anhui Tellus Starlight Jewelry Investment Co., Ltd.	4,998,000.00			4,998,000.00		
Sichuan Tellus Jewelry Technology Co., Ltd.	30,000,000.00	30,000,000.00		60,000,000.00		
Total	555,771,572.73	128,971,900.00		684,743,472.73		1,956,000.00

Note: more details of * Shenzhen Hanli Hi-Tech Ceramics Co., Ltd. can be seen in Note VIII-1 “Equity of subsidiaries”.

(3) Investment for associates and joint venture

The invested entity	Balance at year-begin	+,-				
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change
I. Joint venture						
Shenzhen Tellus Gman Investment Co., Ltd	56,244,276.84			3,492,178.30		
Shenzhen Tellus Hang Investment Co., Ltd.	10,863,393.76			102,122.54		
Subtotal	67,107,670.60			3,594,300.84		
II. Associated enterprise						
Shenzhen Xinglong Machinery Mould Co., Ltd.	84,792,998.83					

The invested entity	Balance at year-begin	+,-				
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change
Shenzhen Tellus Auto Service Chain Co., Ltd.						
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	84,114,516.50			8,560,197.63		
Hunan Changyang Industrial Co., Ltd.*	1,810,540.70					
Shenzhen Jiecheng Electronic Co., Ltd*	3,225,000.00					
Shenzhen Xiandao New Materials Company*	4,751,621.62					
Subtotal	178,694,677.65			8,560,197.63		
Total	245,802,348.25			12,154,498.47		

(Cont.)

The invested entity	+,-			Period-end balance	Period-end balance of depreciation reserves
	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture					
Shenzhen Tellus Gman Investment Co., Ltd				59,736,455.14	
Shenzhen Tellus Hang Investment Co., Ltd.				10,965,516.30	
Subtotal				70,701,971.44	
II. Associated enterprise					
Shenzhen Xinglong Machinery Mould Co.,				84,792,998.83	

The invested entity	+,-			Period-end balance	Period-end balance of depreciation reserves
	Cash dividend or profit announced to issued	Impairment accrual	Other		
Ltd.					
Shenzhen Tellus Auto Service Chain Co., Ltd.					
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	52,500,000.00			40,174,714.13	
Hunan Changyang Industrial Co., Ltd.*				1,810,540.70	1,810,540.70
Shenzhen Jiecheng Electronic Co., Ltd*				3,225,000.00	3,225,000.00
Shenzhen Xiandao New Materials Company*				4,751,621.62	4,751,621.62
Subtotal	52,500,000.00			134,754,875.28	9,787,162.32
Total	52,500,000.00			205,456,846.72	9,787,162.32

4. Operating income and operating cost

Item	Jan.- Jun.2018		Jan.- Jun.2017	
	Income	Cost	Income	Cost
Main business	20,083,496.42	1,842,326.22	21,455,828.43	1,800,520.02
Total	20,083,496.42	1,842,326.22	21,455,828.43	1,800,520.02

5. Investment income

Item	Jan.- Jun.2018	Jan.- Jun.2017
Long-term equity investment measured by equity	12,154,498.47	5,721,803.49
Investment income from disposal of long-term equity investment		7,100,000.00
Investment income of financial products during the holding period	2,802,071.22	1,618,165.59
Total	14,956,569.69	14,439,969.08

XIV. Supplementary Information

1. Details of non-recurring gains and losses in Year

Item	Amount	Note
Gains/losses from disposal of non-current asset	1,308,598.25	Income from equity transfer
Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident		
Government subsidies included in current gains and loss (excluding those closely in accordance with corporation business and enjoyed according to fixed amount under national united standard)		
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	37,708.32	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment		
Gains and losses from exchange of non-monetary assets		
Gains and losses from assets under trusted investment or management	3,762,123.18	Income from financial products
Various provision for impairment of assets withdrew due to act of God, such as natural disaster		
Gains and losses from debt restructuring		
Enterprise reorganization expense, such as expenses from staffing and integrated cost etc.		
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value		
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control		
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company		
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities		

Item	Amount	Note
and financial assets available for sale		
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	434,566.24	Bad debt provision switch-back
Gains and losses obtained from external trusted loans		
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern		
Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting		
Trust fee obtained from trust operation		
Other non-operating income and expenditure except for the aforementioned ones	-65,293.92	
Other gains and losses items complying with definition for non-current gains and losses		
Subtotal	5,477,702.07	
Affect on income tax	382,490.63	
Affect on minority equity(after tax)	273,587.26	
Total	4,821,624.18	

Note: as for the numbers of non-recurring gains/losses, "+" stands for income or earnings,"-"stands for losses or expenses

The Company recognizes non-recurring profit or loss items according to Information Disclosure Explanatory Document Announcement No.1 for Public Listed Issuer-Non-recurring Profit or Loss (ZJHGG[2008]43).

2. REO and earnings per share

Profits during report period	Weighted average ROE (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profits belong to common stock stockholders of the Company	2.7562	0.0906	0.0906
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	2.2625	0.0743	0.0743