

深圳市特力(集团)股份有限公司

**SHENZHEN TELLUS HOLDING CO., LTD.**

**Semi-Annual Report 2019**

**August 2019**

## **Section I. Important Notice, Contents and Paraphrase**

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.**

**Fu Chunlong, Principal of the Company, Lou Hong, person in charge of accounting works and Liu Yuhong, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of Semi-Annual Report 2019 is authentic, accurate and complete.**

**All directors are attended the Board Meeting for report deliberation.**

***Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) are the media for information disclosure appointed by the Company, all information under the name of the Company disclosed on the above said media shall prevail. Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors, and investors are advised to exercise caution of investment risks.***

**The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.**

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## Paraphrase

Items	Refers to	Contents
CSRC	Refers to	China Securities Regulatory Commission
SZ Exchange	Refers to	Shenzhen Stock Exchange
Shenzhen Branch of SD&C	Refers to	Shenzhen Branch of China Securities Depository & Clearing Corporation Limited
Company, the Company, our Company, Tellus Group	Refers to	Shenzhen Tellus Holding Co., Ltd.
Reporting period, this reporting period, The Year	Refers to	January to June of 2019
Auto Industry and Trade Co.,	Refers to	Shenzhen Auto Industry and Trade Corporation
Zhongtian Company	Refers to	Shenzhen Zhongtian Industrial Co., Ltd.
Huari Company	Refers to	Shenzhen Huari Toyota Auto Sales Co., Ltd.; Shenzhen SDG Huari Auto Enterprise Co., Ltd.
Huari Toyota	Refers to	Shenzhen Huari Toyota Motor Sales Co., Ltd.
Zung Fu Tellus	Refers to	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.
Dongfeng Company	Refers to	Shenzhen Dongfeng Automobile Co., Ltd.
Tellus Starlight	Refers to	Anhui Tellus Starlight Jewelry Investment Co., Ltd.
Tellus Starlight Jinzun	Refers to	Anhui Tellus Starlight Jinzun Jewelry Co., Ltd.
Sichuan Channel Platform Company, Sichuan Jewelry Company	Refers to	Sichuan Tellus Jewelry Tech. Co., Ltd.
Xinglong Company	Refers to	Shenzhen Xinglong Machinery Mould Co., Ltd.
SDG	Refers to	Shenzhen Special Development Group Co., Ltd.

## Section II. Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Tellus-A, Tellus-B	Stock code	000025, 200025
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳市特力(集团)股份有限公司		
Short form of the Company (in Chinese)	特力 A		
Foreign name of the Company (if applicable)	Shenzhen Tellus Holding Co., Ltd		
Legal representative	Fu Chunlong		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Qi Peng	Sun Bolun
Contact add.	15/F, CNNC Building, Shennan Middle Road, Futian District, Shenzhen	15/F, CNNC Building, Shennan Middle Road, Futian District, Shenzhen
Tel.	(0755) 83989378	(0755) 83989339
Fax.	(0755) 83989386	(0755) 83989386
E-mail	ir@tellus.cn	sunbl@tellus.cn

### III. Others

#### 1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

☐ Applicable    ☒ Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2018.

#### 2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

☐ Applicable    ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2018

#### IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

☐ Yes ☒ No

	Current period	Same period of last year	Changes over last year
Operating income (RMB)	278,268,739.33	197,955,081.73	40.57%
Net profit attributable to shareholders of the listed Company (RMB)	44,779,948.60	26,920,279.86	66.34%
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	40,593,359.72	22,098,655.68	83.69%
Net cash flow arising from operating activities (RMB)	27,434,059.30	-28,070,468.11	
Basic earnings per share (RMB/Share)	0.1039	0.0906	14.68%
Diluted earnings per share (RMB/Share)	0.1039	0.0906	14.68%
Weighted average ROE	4.17%	2.76%	1.41%
	Period-end	Period-end of last year	Changes over period-end of last year
Total assets (RMB)	1,711,571,788.47	1,658,295,531.00	3.21%
Net assets attributable to shareholder of listed Company (RMB)	1,094,989,485.95	1,050,209,537.35	4.26%

#### V. Difference of the accounting data under accounting rules in and out of China

##### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

##### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

**VI. Items and amounts of extraordinary profit (gains)/loss**

√Applicable □ Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	103,159.68	Income from disposal fixed assets
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	6,611.29	VAT input tax deduction
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	37,708.32	Capital occupation fee of joint-stock enterprise
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 and financial assets available for sale	5,935,926.39	Income from financing products
Restoring of receivable impairment provision that tested individually	307,993.15	Restoring of bad debt provision
Other non-operating income and expenditure except for the aforementioned items	-713,774.56	The liquidated damages paid for early termination of lease from Tellus Starlight Jinzun Company
Less: Impact on income tax	1,436,258.10	
Impact on minority shareholders' equity (post-tax)	54,777.29	
Total	4,186,588.88	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

□ Applicable √ Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

## Section III. Summary of Company Business

### I. Main businesses of the Company in the reporting period

Does the Company need to comply with the disclosure requirements of the special industry

No

The main business of the Company during the reporting period was auto sales, auto testing, maintenance and accessories sales; resource assets management; jewelry service industry.

1. Auto sales, auto testing, maintenance and accessories sales: In the first half of 2019, the auto sales industry continued to be affected by the high inventory, the profit promotion and the intensifying competition, the profitability of the industry declined on a year-on-year basis, and the automotive aftermarket faced greater downward pressure. During the reporting period, under the unfavorable situation of the market environment, by implementing performance evaluation mechanism based on goal attainment and incremental reward and carrying out a variety of innovative marketing methods, the company achieved auto sales income of 79.25 million Yuan, an increase of 28.62% compared with the same period of last year, and realized sales revenue of 24.16 million Yuan from automobile inspection and maintenance and accessories sales, an increase of 10.03% over the same period of last year.

2. Resource assets management: In 2019, affected by unfavorable factors such as slowing economic growth at home and abroad and complicated economic situation, a large number of enterprises have contracted in size, and the demand for property leasing was reduced. At the same time, with the newly developed properties in Shuibei District being put into use, the property leasing market in the district has a situation of oversupply, and the feeble market demand for the property leasing has caused us to face an increase in the vacancy rate of resource assets and the downside of leasing prices. During the reporting period, in response to the decline in market demand, the company improved customer satisfaction by strengthening communication and exchanges with tenants and feedback on tenants' opinions, reduced vacancy rate and improved overall property, especially the occupancy rate of the new project Shuibei Jewelry Building, by increasing marketing efforts and advertising; and through re-planning and modifying some old properties to enhance their image and value, the company made full use of the advantages of the industry cluster, and explored the new layout of the company's business. During the reporting period, property leasing and services achieved 7,368 million Yuan with 89.70% up on a y-o-y basis.

3. Jewelry service industry: In the first half of 2019, China's GDP growth rate slowed for two consecutive quarters, and the downward pressure on the economy was huge. As an industry with large consumption elasticity, the jewellery industry was greatly affected by the economic downturn. Jewelry merchants are more cautious in setting up shop or expanding stores due to the decrease in purchasing quantity and slow capital flow, and the industry continued to make deep adjustments. In the middle and lower reaches of jewelry, Sichuan, as an active area of national jewelry, has taken the lead in adjusting. During the reporting period, in the face of the continuous downward trend of the industry, on the one hand, in order to reduce the operational risk, our company temporarily suspended the operation of the retail platform project Tellus Xingguang Jinzun Company; on the other hand, our



company continuously improved the risk control system of the Sichuan channel platform company, strengthened data analysis capabilities, and used data to control risks and stabilize business revenues; at the same time, the company explored in depth the extension of jewelry third-party integrated services, explored innovative business models in practice, and expanded industry influence. During the reporting period, wholesale and retail of the jewelry business have revenue of 97.1 million Yuan with 35.27% up on a y-o-y basis.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	Book value of long-term equity investment up to 30 June 2019 amounting to 153,819,700 Yuan, decreased 70,825,000 Yuan over that of period beginning with 31.53% down, mainly due to the profit bonus from shareholding enterprise Dongfeng Company.
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	Book value of the construction in progress till end of 30 June 2019 amounting to 22,707,200 Yuan, an increase of 9,863,600 Yuan from a year earlier with 76.8% up. Mainly due to the pre-phase investment for Phase II of Jewelry Building
Account receivable	Book value of account receivable till end of 30 June 2019 amounting to 113,548,300 Yuan, an increase of 27,440,000 Yuan over that of period-begin with 31.87% up, mainly because the wholesale credit for jewelry from Sichuan Jewelry Company increased in the period
Advance payment	Book value of advance payment till end of 30 June 2019 amounting to 12,493,200 Yuan, an increase of 3,380,000 Yuan over that of period-begin with 37.10% up, mainly due to the car payment paid in advance to FAW-Toyota from Huari Toyota increased.
Dividends receivable	Book value of dividends receivable till end of 30 June 2019 amounting to 81,600,500 Yuan, an increase of 81,367,900 Yuan over that of period-begin, mainly due to the profit bonus from shareholding enterprise Dongfeng Company and Zung Fu Tellus.
Other current assets	Book value of other current assets till end of 30 June 2019 amounting to 42,208,700 Yuan, a decrease of 290,223,700 Yuan from a year earlier with 87.3% down, mainly because the financial products are re-classified and redemption on maturity.

### 2. Main overseas assets

☐ Applicable ☒ Not applicable

### III. Core Competitiveness Analysis

Does the Company need to comply with the disclosure requirements of the special industry

No

#### **1. Mastering the real estate resources of the core gathering place of the jewelry industry, and stable in business income**

The output value of Shenzhen jewelry accounts for more than 70% of the national jewelry industry, and Shuibei-Buxin area is the core gathering area of jewelry industry in Shenzhen, its output value accounts for more than 70% of the jewelry industry in Shenzhen. We have formed the largest cluster of gold jewelry enterprises in the country, covering the entire industry chain including raw material procurement, production and processing, and wholesale sales, and the economic and strategic position and the core aggregation effects of this area in jewelry industry have remained stable for many years.

According to the “13<sup>th</sup> Five-Year” plan for urban renewal in Luohu District, Shenzhen, Shuibei-Buxin area will be built into the jewelry fashion industrial zone of Luohu District, Shuibei area is the international jewelry art center and Buxin area is the jewelry intelligent high-end manufacturing center so as to form the Shuibei-Buxin international jewelry eco-creative area. The company is the largest owner of the Tellus Jimeng Gold Jewelry Industrial Park in Shuibei area, Tellus Shuibei Jewelry Building phase I has been put into use, and phase II construction project has been launched. At the same time, as the largest owner of land parcels 04 & 05 in the urban renewal unit planning project of Buxin industrial zone, the company will plan and construct an innovative industrial project in line with the city, district and the Company’s overall strategic layout in Buxin area through the renovation method. The company will maintain the status of the largest owner of Shuibei and Buxin areas, and master the physical platform resource advantages of the core area of the jewelry industry. Meanwhile, the Company grasps a large number of property resources in various districts in Shenzhen which can bring stable business income and cash flow to the company and provide a solid foundation for the company’s transformation and development through the resource assets business such as property leasing.

#### **2. Plough into the jewelry industry through resource advantages, and gradually expand the industry influence.**

In recent years, with the slowdown in the growth of jewelry industry, the uncertainties in the development of the industry have increased, a large number of jewelry companies have shrunk their businesses, and the industry continues to show the characteristics of bottom shocks. At the same time, under the continuous influence of financial policies such as de-leveraging and financial risks prevention, the financial services with internet color are greatly restricted, as a result, the entire jewelry industry continues to face financing difficulties, and some radical industry leading enterprises are even caught in debt crisis, the actual controllers have changed and the industry development has been affected. Under this circumstance, as a state-owned enterprise and a listed company, the company has good credit qualification and credit endorsement ability, and has low-cost and multi-channel capital sources, therefore, its special identity advantage in jewelry industry also becomes more prominent, which provide advantages for the company to plough into the supply chain services of jewelry industry that the privately operated jewelry companies can’t obtain.

The company takes the third-party integrated operation service provider of the jewelry industry as the strategic blueprint, does not participate in the specific product management of jewelry, does not compete for the stock market business, but plans to serve the vast number of jewelry enterprises through innovative business models to energize the development of industry. After years of efforts to transform into the jewelry industry, the company has formed a closer strategic partnership with a number of leading jewelry industry companies across the country, the jointly invested and established jewelry innovation platform project has been put into operation and achieved good results. The development strategy and corporate vision of the company are also highly recognized and supported by the industry, its influence in the jewelry industry is also continuously being expanded.

The company will continue to give play to its own comprehensive resource advantages, unite the upstream and downstream of the jewelry industry chain, integrate the industry demand, improve the industry's traditional model, provide more comprehensive innovative services, solve the industry pain points, and promote the healthy development of the industry and achieve all-win while realizing its social responsibility and returning to the company's shareholders.

## Section IV. Discussion and Analysis of the Operation

### I. Introduction

In the first half of 2019, the world economy was in a downturn, the OECD released the economic outlook for the first half of 2019, it is expected that tariffs and uncertainties in trade will affect China's economic growth. In the first quarter, China's GDP actually increased by 6.4%, which was lower than the same period of last year, the GDP growth rate is 6.2% in the second quarter, the Chinese economy is still at the bottom stage. Affected by the sluggish domestic economic environment, the automobile terminal retail market in 2018 showed its first decline in 28 years, in the first half of 2019, the production and sales volume decreased compared with the same period of last year, the auto aftermarket faced a large downward pressure. The development trends of jewelry industry showed great uncertainty, jewelers are holding a wait-and-see attitude towards industry development in 2019, the industry is still in a downturn, SMEs are closed or changed the profession, the jewelry industry is undergoing in-depth adjustment, the quantity demanded by commercial stores, office space, etc. is also correspondingly reduced, the regional channel platform for the jewelry operated by our company and the resource-based asset leasing are under great pressure.

In the face of the complicated economic situation in the first half of the year, Tellus Group has sailed in the head tide, guided by the strugglers, fully motivated the employees and activated the kinetic energy of the enterprise; intensively carried out all the key tasks, tapped the potential of old properties, and continued to lay out new projects in the jewelry market, meanwhile, strictly maintained the bottom line of risk control to ensure that the economic indicators of our company in the first half of the year exceeded the same period last year.

In the reporting period, the Company achieved operating income of 278.2687 million Yuan, an increase of 80.3136 million Yuan or 40.57% compared with 197.9551 million Yuan in the same period of last year; growth of the income mainly due to the operation revenue from Phase I of Jewelry Building and income of jewelry wholesale from Sichuan Jewelry Company. The total profit was 51.0208 million Yuan, an increase of 22.5665 million Yuan compared with 28.4543 million Yuan in same period of last year, net profit attributable to the parent Company was 44.7799 million Yuan, an increase of 17.8596 million Yuan or 66.37% compared with 26.9203 million Yuan in the same period of last year.

### II. Main business analysis

See the "I-Introduction" in "Discussion and Analysis of the Operation"

Change of main financial data on a y-o-y basis

In RMB

	Current period	Same period of last year	y-o-y changes (+,-)	Reasons
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Operation revenue	278,268,739.33	197,955,081.73	40.57%	The operation revenue from Phase I of Jewelry Building and income of jewelry wholesale from Sichuan Jewelry Company
Operation costs	210,494,012.42	153,739,952.11	36.92%	Operation costs increased for the increase of income
Sales expense	9,358,514.29	8,337,907.27	12.24%	Operation expenses invested for the phase I of Jewelry Building increased
Management expense	16,878,629.26	19,137,092.41	-11.80%	Remuneration declined for the decrease of employees, and routine expenses controls
Financial expense	3,757,775.76	2,771,872.61	35.57%	The interest expenses goes up due to the growth of bank loans on a y-o-y basis, and the financial expenses increase for the termination of capitalization from loan interest due to the completion of phase I of Jewelry Building that transfer to fixed assets
Income tax expense	6,038,256.76	1,887,473.77	219.91%	Operation profit from subordinate companies increased
Net cash flow arising from operation activities	27,434,059.30	-28,070,468.11		Operation revenue from phase I of Jewelry Building increased and returned money for sales increased from a year earlier by Sichuan Jewelry Company
Net cash flow arising from investment activities	54,510,161.97	128,447,077.73	-57.56%	Purchasing more financial products in the period and the cash out-flow increased due to the pre-phase investment for phase II of Jewelry Building
Net cash flow arising from financing activities	-25,551,300.64	15,386,557.76		Cash out-flow increased for paying back the project loan by Zhongtian Company

Net increase of cash and cash equivalent	56,392,930.47	115,763,237.91	-51.29%	
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Major changes on profit composition or profit resources in reporting period

☐ Applicable ☒ Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Constitution of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase or decrease of operating revenue over same period of last year	Increase or decrease of operating cost over same period of last year	Increase or decrease of gross profit ratio over same period of last year
According to industries						
Auto sales	79,247,600.74	77,917,559.91	1.68%	28.62%	29.57%	-0.72%
Auto inspection and maintenance and accessories sales	24,156,408.72	19,523,657.18	19.18%	10.03%	9.52%	0.37%
Property rental and service	73,678,150.26	20,704,859.80	71.90%	89.70%	218.49%	-11.36%
Wholesale and retail of jewelry	97,100,722.64	91,148,345.86	6.13%	35.27%	33.51%	1.24%
According to products						
Auto sales	79,247,600.74	77,917,559.91	1.68%	28.62%	29.57%	-0.72%
Auto inspection and maintenance and accessories sales	24,156,408.72	19,523,657.18	19.18%	10.03%	9.52%	0.37%
Property rental and service	73,678,150.26	20,704,859.80	71.90%	89.70%	218.49%	-11.36%
Wholesale and retail of jewelry	97,100,722.64	91,148,345.86	6.13%	35.27%	33.51%	1.24%
According to region						
Shenzhen	177,082,159.72	118,146,076.89	33.28%	44.67%	39.88%	2.28%
Anhui	4,521,763.87	4,235,654.11	6.33%	-23.21%	-31.84%	11.86%
Sichuan	92,578,958.77	86,912,691.75	6.12%	40.49%	40.05%	0.30%

### III. Analysis of non-main business

☒ Applicable ☐ Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	16,711,450.93	32.75%	Investment income of shareholding enterprise are accrual in the period and achieved the financing income in the year	No
Non-operation revenue	119,625.44	0.23%		No
Non-operation expenditure	833,400.00	1.63%	The liquidated damages paid for early termination of lease from Tellus Starlight Jinzun Company	No

#### IV. Assets and liability

##### 1. Major changes of assets composition

In RMB

	Period-end		Period-end of last year		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	225,905,191.16	13.20%	277,556,456.47	18.77%	-5.57%	Purchasing financial products and Zhongtian Company pay back the project loan
Account receivable	113,548,299.77	6.63%	81,270,957.00	5.50%	1.13%	Receivable from the wholesale of jewelry from Sichuan Jewelry Company increased
Inventory	16,798,362.97	0.98%	5,858,705.33	0.40%	0.58%	
Investment real estate	494,163,460.21	28.87%	70,972,017.37	4.80%	24.07%	Transfer-in from phase I of Jewelry Building for project completion
Long-term equity investment	153,819,742.68	8.99%	244,379,388.10	16.53%	-7.54%	the balance of long-term equity investment for Xinglong Company are classified to assets held-for-sale.
Fix assets	109,620,846.65	6.40%	116,927,224.82	7.91%	-1.51%	
Construction in process	22,707,214.36	1.33%	388,384,816.21	26.27%	-24.94%	Transfer-out for the completion of phase I of Jewelry Building for project
Short-term loans	143,000,000.00	8.35%	143,000,000.00	9.67%	-1.32%	

Long-term loans			34,934,887.55	2.36%	-2.36%	Zhongtian Company pay back the project loan
Dividend receivable	81,600,548.07	4.77%	52,732,683.74	3.57%	1.20%	It is mainly caused by profit distribution of shareholding enterprise Dongfeng Company and Zung Fu Tellus
Assets held for sale	85,017,251.77	4.97%			4.97%	the balance of long-term equity investment for Xinglong Company are classified to assets held-for-sale.
Other current assets	42,208,745.54	2.47%	122,022,053.76	8.25%	-5.78%	Reclassification of financial products
Other account payable	271,599,091.34	15.87%	182,185,901.15	12.32%	3.55%	The equity transfer amount from Xinglong Company stay in the account

## 2. Assets and liability measured by fair value

√ Applicable □ Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount in the end of period
Financial assets							
1. Tradable financial assets (excluding derivative financial assets)							
2. Derivative financial assets							
3. Other creditor's rights investment							
4. Other equity instruments Investment	10,176,617.20						10,176,617.20
Subtotal of financial assets							



Investment Real Estate							
Productive biological assets							
Other							
Above total	10,176,617.20						10,176,617.20
Financial liabilities							

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

☐ Yes ☒ No

### 3. Right of the assets restrained till end of the Period

Item	Book value at period-end	Restriction reasons
Monetary fund	26,664,140.00	(1)
Long-term equity investment	27,063,722.06	(2)
Assets held for sale	85,017,251.77	(3)
Total	138,745,113.83	

(1) End of 30 June 2019, the Company's right to use of currency funds under restrictions is 26,664,140.00 Yuan, which is the supervision fund paid by the Company to Luohu District Urban Renewal Bureau of Shenzhen for the land plot 03 project of the upgrading project of Tellus-Jimeng Gold Jewelry Industrial Park. The currency funds with restricted use rights at the end of last year were 26,664,140.00 Yuan.

(2) The Company signed a Pledge Contract with Zung Fu Automobile Management (Shenzhen) Co., Ltd. (hereinafter referred to as "Zung Fu Shenzhen") which agreed that from the establishment of the Company's joint venture Shenzhen Zung Fu Tellus Auto Service Co., Ltd. (hereinafter referred to as "Zung Fu Tellus") to the expiration date of the joint venture contract between the Company and Zung Fu Shenzhen, Zung Fu Shenzhen provided loans to Zung Fu Tellus by entrusted loan, and Zung Fu Tellus asked for loans to banks or other financial enterprises and Zung Fu Shenzhen provided guarantee for it, if the total amount of above loans was no more than RMB 100 million, Zung Fu Shenzhen would undertake 35% of the liabilities caused by above loans according to the equity ratio, and agree the Company to pledge its 35% equity stake of Zung Fu Tellus to Zung Fu Shenzhen as the corresponding counter guarantee of above loans.

(3) Shenzhen Xinglong Machinery Mould Co., Ltd. (hereinafter referred to as "Xinglong Company") is a shareholding subsidiary of the Company, the Company holds a 43% equity interest in Xinglong Company. In order to build the Xinglong Gold Jewelry Building Project, Xinglong Company signed a fixed asset loan contract with China Construction Bank Co., Ltd. Shenzhen Branch (hereinafter referred to as "China Construction Bank") with a loan amount of 280 million Yuan, and Xinglong Company used the land certificate of Xinglong Gold Jewelry Building (Land Parcel No.H309-0024(1)) as the collateral. Now Xinglong Company intends to apply to China Construction Bank for the cancellation of the land certificate mortgage for the real estate license of Xinglong Gold Jewelry Building. During the period of handling the real estate license, each shareholder of Xinglong Company pledges the equity of

Xinglong Company to China Construction Bank at the same time so as to provide temporary pledge guarantees for the loans of Xinglong Company.

## V. Investment

### 1. Overall situation

☐Applicable ☒ Not applicable

### 2. The major equity investment obtained in the reporting period

☐Applicable ☒ Not applicable

### 3. The major non-equity investment doing in the reporting period

☐Applicable ☒ Not applicable

### 4. Financial assets investment

#### (1) Securities investment

☐ Applicable ☒ Not applicable

The Company had no securities investment in the reporting period.

#### (2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period

## VI. Sales of major assets and equity

### 1. Sales of major assets

☐ Applicable ☒ Not applicable

The Company had no sales of major assets in the reporting period.

### 2. Sales of major equity

☒Applicable ☐ Not applicable

Counter party	Equity on sale	Date on sale	Trading price (in 10 thousand Yuan)	Net profit contributed by the equity to listed	The influence of equity sales to the Compan	Ratio of the net profit contributed by equity sales in	Pricing principle	Whether to be a related transaction (Y/N)	Relationship with the counter party	Equity have ownership transfer completed	Whether implemented as scheduled, explain reasons	Disclosure date	Disclosure index
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				Company (from period-b egin to date on sale) (in 10 thousand Yuan)	y	total net profit				(Y/N)	and counter measure if not		
Shenzhen Runhe United Investment Development Co., Ltd.	43% equity of Shenzhen Xinglong Machinery Mould Co., Ltd.	2018-06-15	28,667	0	The project has impact on total profit approximately amounted as 201.88 million Yuan	0	According to the Assets Appraisal Report [Guo Zhong Lian Appraisal Zi (2017) No. 3-0083 issued by Guo ZHong Lian Assets Appraisal Land and Real Estate Appraisal Co., Ltd., who has the qualification for performing related business of securities	N	N/A	N	Completed as scheduled	2019-08-16	Notice No: 2019-028 on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)

							s and futures, the assessm ent based on asset-ba sed approac h and income approac h.						
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## VII. Analysis of main Holding Company and stock-jointly companies

√Applicable □ Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shenzhen Auto Industry and Trade Corporation	Subsidiary	Sales of auto and accessories	RMB 58.96 million	373,682,554.16	335,498,706.95	9,834,562.71	7,553,714.56	6,210,947.73
Shenzhen SD Huari Automobile Enterprise Co. Limited	Subsidiary	Auto maintenance and production and sales of accessories	US\$ 5 million	72,126,697.62	27,285,718.92	18,957,565.71	-60,107.09	-58,474.42
Shenzhen Zhongtian Industrial Co., Ltd.	Subsidiary	Property rental	RMB 366.2219 million	584,492,954.75	384,377,129.77	35,422,741.97	18,439,885.43	16,981,103.48
Shenzhen Huari Toyota Automobile Sales Co. Ltd	Subsidiary	Automobile Sales	RMB 2 million	65,181,941.83	2,229,865.18	106,372,651.09	70,439.41	133,522.54
Shenzhen	Subsidiary	Manufacture	RMB 19.61	11,676,169.5	6,381,025.45	2,701,908.75	878,287.14	662,252.14

Xinyongtong Auto Vehicle Inspection Equipment Co., Ltd.		of inspection equipment for motor vehicle	million	0				
Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd	Subsidiary	Inspection and repair of motor vehicle	RMB 32.9 million	79,414,951.77	59,760,917.04	6,778,863.89	4,308,155.62	3,371,504.44
Anhui Tellus Starlight Jewelry Investment Co., Ltd.	Subsidiary	Jewelry sales	RMB 9.8 million	7,434,783.29	2,623,944.15	4,521,763.87	-1,235,192.61	-2,068,492.61
Sichuan Tellus Jewelry Tech. Co., Ltd.	Subsidiary	Jewelry sales	RMB 150 million	161,218,305.40	159,311,630.21	92,578,958.77	5,136,267.08	3,852,200.31
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Joint stock Company	Car sales and maintenance	RMB 30 million	296,665,961.00	77,324,919.29	568,266,810.59	16,114,756.42	12,457,996.18
Shenzhen Dongfeng Automobile Co., Ltd.	Joint stock Company	Manufacture and maintenance of automobile	RMB 100 million	722,888,245.07	159,371,976.57	219,400,462.98	9,228,674.91	10,121,106.72
Shenzhen Tellus Gman Investment Co., Ltd.	Joint stock Company	Investment industrial, property management and rental	RMB 123.70496 million	398,256,796.48	131,382,412.10	41,866,318.34	8,986,012.20	7,304,384.91

Particular about subsidiaries obtained or disposed in report period

☐Applicable ☒Not applicable

Notes of holding and shareholding companies

Nil

## VIII. Structured vehicle controlled by the Company

☐Applicable ☒Not applicable

## IX. Prediction of business performance from January – September 2019

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

☐Applicable ☒Not applicable

## X. Risks and countermeasures

In the process of strategic transformation and project operation, we will objectively and clearly recognize the possible risks and take active and effective measures to prevent them:

### 1. Risks caused by fluctuations in the macroeconomic situation

In 2019, affected by the international environmental factors such as Sino-US trade disputes, instability of exchange rate, and the domestic monetary policy transforming from relatively loose to stable, China's economy entered a speed-shift period, and GDP growth entered a new normal phase of stable growth, the domestic economy is still facing the risks of slowdown in growth and increasing industrial restructuring pressure, which has an uncertain impact on the overall economic environment and the company's operating results.

In response to this risk, the company will actively adopt various preventive measures. First, continue to strengthen management, increase inner power, improve efficiency through scientific management, tap potential and increase revenue, and comprehensively improve the profitability of the original business; second, firmly promote the pace of strategic transformation of the company, promote the landing of the transformation project through innovative business models, open up the incremental market, expand the scale of business, find new profit growth points, and provide a good foundation for the company's long-term stable development.

### 2. Risks brought by transforming to new fields

In recent years, the company has fully promoted the strategic goal of transforming into a third-party integrated operation service provider in the jewelry industry, and many transformation projects have been implemented and achieved good results. However, in the process of deeply cutting into the jewelry industry, the company has become more and more aware of the difficulties and risks that will be faced in the transition to a new business area. Whether we can realize the innovative integration of the traditional characteristics of jewelry industry and the new technology and new model, how to meet the ever-changing individualized and diversified needs of emerging consumer groups, and how to make a path of innovative development in the industry environment with more fierce competition in market segment, these are all new challenges that the company needs to solve urgently and put forward higher requirements for the company's resource integration capabilities, project management capabilities and professional talent reserves in the transformation of business layout.

In response to this risk, on the one hand, the company will continue to strengthen the transformation conviction, in accordance with the established overall development strategy and business strategy, fully demonstrate, prudently

make decisions, carry out fine management, make market-oriented operation, ensure that transformation projects achieve good investment returns, and actively respond to market competition; on the other hand, the company will steadily promote reform and innovation, and with the opportunity to complete the “Double Hundred Actions”, explore and improve the company's long-term incentive mechanism, mobilize the enthusiasm of all employees, improve the management level and operational efficiency of the enterprise, and effectively enhance the core competitiveness of the enterprise.

## Section V. Important Events

### I. AGM and extraordinary general meeting

#### 1. AGM held in the period

Meeting	Type	Participation ratio for investors	Holding date	Disclosure date	Index
First Extraordinary Shareholders Meeting of 2019	Extraordinary Shareholders Meeting	70.99%	2019-01-14	2019-01-15	Notice No.: 2019-001 on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Annual General Meetin2018	AGM	69.99%	2019-04-23	2019-04-24	Notice No.: 2019-018 on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)

#### 2. Request for extraordinary general meeting by preferred stockholders with rights to vote

☐ Applicable ☒ Not applicable

### II. Profit distribution plan and capitalizing of common reserves in the period

☐ Applicable ☒ Not applicable

There are no cash dividend, bonus and capitalizing of common reserves carried out in the semi-annual

### III. Commitments that actual controller, shareholder, related parties, buyer and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

☐ Applicable ☒ Not applicable

There are no commitments that the actual controller, shareholder, related parties, buyer and committed party as the Company etc.



have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

#### **IV. Appointment and non-reappointment (dismissal) of CPA**

Whether the semi-annual financial report had been audited

☐ Yes ☒ No

The semi-annual report was not audited

#### **V. Explanation on “Qualified Opinion” from CPA by the Board and Supervisory Committee**

☐ Applicable ☒ Not applicable

#### **VI. Explanation from the Board for “Qualified Opinion” of last year’s**

☐ Applicable ☒ Not applicable

#### **VII. Bankruptcy reorganization**

☐ Applicable ☒ Not applicable

No bankruptcy reorganization in Period.

#### **VIII. Lawsuits**

Material lawsuits and arbitration

☐ Applicable ☒ Not applicable

No material lawsuits and arbitration in the reporting

Other lawsuits

☒ Applicable ☐ Not applicable

See the financial statements notes “X-Commitments and Contingencies”

#### **IX. Penalty and rectification**

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

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

☒ Applicable ☐ Not applicable

During the reporting period, the Company and the controlling shareholders and the actual controllers have had good reputation, and there is no large amount due un-liquidated debt sentenced by the court.

## XI. Implementation of the Company's stock incentive plan, employee stock ownership plan or other employee incentives

☐Applicable ☒Not applicable

During the reporting period, the Company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

## XII. Major related transaction

### 1. Related transaction with routine operation concerned

☒Applicable ☐Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions (%)	Trading limit approved (in 10 thousand Yuan)	Whether approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Director /Supervisor/ SE serves director of the Company	Routine related transactions	Providing property leasing	Reference to market price	265	265	3.60%	530	N	By contract or agreement	265	2019-04-02	Notice No.: 2019-011 on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Shenzhen SD Tellus Property Management	Subsidiary of the controlling shareholder	Routine related transactions	Providing property leasing	Reference to market price	1.33	1.33	0.0048%	10	N	By contract or agreement	1.33	2019-04-02	Notice No.: 2019-011 on Securities

ment Co., Ltd.	der									nt			ies Times, Hong Kong Comm ercial Daily and Juchao Websit e (www. cninfo. com.c n)
Shenzhe n SDG Petty Loan Co., Ltd.	Subsidia ry of the controlli ng sharehol der	Routine related transacti ons	Providin g property leasing and manage ment service	Referen ce to market price	79.98	79.98	0.29%	140	N	By contract or agreeme nt	79.98	2019-04 -02	Notice No.: 2019-0 11 on Securit ies Times, Hong Kong Comm ercial Daily and Juchao Websit e (www. cninfo. com.c n)
Shenzhe n SD Tellus Property Manage ment Co., Ltd.	Subsidia ry of the controlli ng sharehol der	Routine related transacti ons	Accepti ng property manage ment service	Referen ce to market price	581.64	581.64	26.55%	1,370	N	By contract or agreeme nt	581.64	2019-04 -02	Notice No.: 2019-0 11 on Securit ies Times, Hong Kong

													Commercial Daily and Juchao Website (www. cninfo. com.cn)
Total				--	--	927.95	--	2,050	--	--	--	--	--
Detail of sales return with major amount involved	N/A												
Report the actual implementation of the normal related transactions which were projected about their total amount by types during the reporting period (if applicable)	Performing normally												
Reasons for major differences between trading price and market reference price (if applicable)	Not applicable												

## 2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period

## 3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

No main related transactions of mutual investment outside for the Company in reporting period

## 4. Contact of related credit and debt

☒ Applicable ☐ Not applicable

Whether has non-operational contact of credit and debts or not

☒ Yes ☐ No

Debts payable to related party:

Related party	Relationship	Causes	Balance at period-begin (10 thousand)	Current newly added (10 thousand)	Current recovery (10 thousand)	Interest rate	Current interest (10 thousand)	Balance at period-end (10 thousand)

			Yuan)	Yuan)	Yuan)		Yuan)	Yuan)
Shenzhen Special Development Group Co., Ltd.	Controlling shareholder	Loans interests of Huari Company	1,719	14			14	1,733
Shenzhen Special Development Group Co., Ltd.	Controlling shareholder	Loan principal of Huari Company	589		289			300
Impact on operation results and financial status		Total profit decreased 140,000 Yuan due to the interest expenses increased in the Year						

## 5. Other related transactions

☐Applicable ☒Not applicable

No other related transaction in Period

## XIII. Non-business capital occupying by controlling shareholders and its related parties

☐Applicable ☒Not applicable

No non-business capital occupied by controlling shareholders and its related parties in Period

## XIV. Significant contract and implementations

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

☐Applicable ☒Not applicable

No trusteeship for the Company in reporting period

#### (2) Contract

☐Applicable ☒Not applicable

No contract for the Company in reporting period

#### (3) Leasing

☐Applicable ☒Not applicable

No leasing for the Company in reporting period

## 2. Major guarantees

√Applicable □ Not applicable

### (1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	2014-09-30	3,500	2007-04-17	3,500	Pledge	To the expire date of joint venture contract	N	Y
Shenzhen Xinglong Machinery Mould Co., Ltd.	2018-12-28	28,000	2019-01-15	28,000	Pledged	Xinglong Company should re-sign the mortgage contract with the China Construction Bank and complete the procedures of mortgaging all the properties (hereafter referred to as "new collateral") on the land certificate to China Construction Bank within 60 working days after the release of the	N	Y

						land use right certificate (Shenfangdizi No. 2000599154) of land parcel number H309-0024(1). After the China Construction Bank obtained the mortgage of the new collateral, the Stock Equity Pledge Contract (Gujie 2016 Fang 45605 Futian-1) was lifted, and China Construction Bank released the stock equity under the contract and write off the relevant pledge registration.		
Total approving external guarantee in report period (A1)				0	Total actual occurred external guarantee in report period (A2)		31,500	
Total approved external guarantee at the end of report period (A3)				31,500	Total actual balance of external guarantee at the end of report period (A4)		31,500	
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related

	date							party (Y/N)
Guarantee of the subsidiaries and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Total amount of guarantee of the Company (total of three above mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		0		Total amount of actual occurred guarantee in report period (A2+B2+C2)		31,500		
Total amount of approved guarantee at the end of report period (A3+B3+C3)		31,500		Total balance of actual guarantee at the end of report period (A4+B4+C4)		31,500		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)				28.77%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties (D)				0				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)				28,000				
Proportion of total amount of guarantee in net assets of the Company exceed 50% (F)				0				
Total amount of the aforesaid three guarantees (D+E+F)				28,000				
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)				N/A				
Explanations on external guarantee against regulated procedures (if applicable)				N/A				

Explanation on guarantee with composite way

## (2) Guarantee outside against the regulation

☐Applicable ☒Not applicable

No guarantee outside against the regulation in Period.

## 3. Other material contracts

☐ Applicable ☒ Not applicable

No other material contracts for the Company in reporting period



## XV. Social responsibility

### 1. Major environmental protection

Listed Company and its subsidiary belong to the key pollution enterprise listed by Department of Environmental Protection

No

Nil

### 2. Targeted poverty alleviation social responsibility

#### (1) Targeted measures in poverty alleviation

During the period, the Company participates in the targeted measures in poverty alleviation for Libai Village, Shangguang Town, Dongyuan County, Heyuan City, Guangdong Province.

#### (2) Annual poverty alleviation in the Year

The Company is concerned about the mountainous areas, takes the initiative to assume social responsibilities for poverty alleviation. According to the arrangement, the Company is responsible for the hard bottoming and widening of village roads and the hard bottoming of roads for transporting of Libai village. The project has begun on 29 December 2017, the project has been completed. After the project is completed, it will greatly facilitate the production and transportation of Libai villagers, and the “difficulties in roads” that have plagued the villagers for many years will be thoroughly resolved.

#### (3) Results of targeted poverty alleviation

Target	Measurement unit	Numbers/ implementation
i. Overall	——	——
ii. Invested by specific project	——	——
1. Industrial development poverty	——	——
2. Transfer employment	——	——
3. Relocation the poor	——	——
4. Education poverty	——	——
5. Health poverty alleviation	——	——
6. Ecological protection and poverty alleviation	——	——
7. Fallback protection	——	——
8. Social poverty alleviation	——	——
9. Other	——	——
iii. Awards (content and grade)	——	——

**(4) Follow-up of targeted poverty alleviation**

The road expansion and repair in Li Bai village

**XVI. Explanation on other significant events**

☐ Applicable ☒ Not applicable

The Company had no explanation on other significant events in the reporting period.

**XVII. Significant event of subsidiary of the Company**

☐ Applicable ☒ Not applicable

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

	Before change		Increase/decrease in this time (+, -)					After change	
	Amount	Ratio	New issue	Bonus share	Capitalization of public reserve	Other	Subtotal	Amount	Ratio
I. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
1. State holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned corporation shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: domestic legal person's shares	0	0.00%	0	0	0	0	0	0	0.00%
Domestic natural person's shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Foreigner's shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: foreign corporation shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person's shares	0	0.00%	0	0	0	0	0	0	0.00%
II. Un-restricted shares	297,281,600	100.00%	0	0	133,776,720	0	133,776,720	431,058,320	100.00%
1. RMB ordinary shares	270,881,600	91.12%	0	0	121,896,720	0	121,896,720	392,778,320	91.12%
2. Domestically listed foreign shares	26,400,000	8.88%	0	0	11,880,000	0	11,880,000	38,280,000	8.88%
3. Foreign shares listed oversea	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	297,281,600	100.00%	0	0	133,776,720	0	133,776,720	431,058,320	100.00%

Reasons for share changed

√Applicable □Not applicable

Profit distribution plan for year of 2018 are: carry out 4.5 additional shares for each 10 shares held by shareholders are being converted by the capital reserve, based on total share capital 297,281,600 shares on 31<sup>st</sup> December 2018. totally 133,776,720 shares

are converted and the share capital of the Company increased to 431,058,320 after this conversion. The profit distribution plan was implemented on 17 May 2019.

Approval of share changed

☒Applicable ☐Not applicable

On 1 April 2019, the Profit Distribution Plan for year of 2018 was deliberated and approved by 2<sup>nd</sup> session of 9<sup>th</sup> BOD and 4<sup>th</sup> session of 9<sup>th</sup> Supervisory Committee, that is carry out 4.5 additional shares for each 10 shares held by shareholders are being converted by the capital reserve, based on total share capital 297,281,600 shares on 31<sup>st</sup> December 2018. totally 133,776,720 shares are converted and the share capital of the Company increased to 431,058,320 after this conversion. The above mentioned Plan has deliberated and approved by Shareholders General Meeting of 2018 and implemented on 17 May 2019.

Ownership transfer of share changes

☒Applicable ☐Not applicable

Total 133,776,720 shares are converted from public reserves, including 121,896,720 A-share which has reckoned into the security account of A-share of shareholders directly on 15 May 2019; and 11,880,000 B-share which has reckoned into the security account of B-share of shareholders directly on 17 May 2019.

Progress of shares buy-back

☐Applicable ☒Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

☐Applicable ☒Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

☒Applicable ☐Not applicable

The basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company are declined due to the increase of total shares capital.

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

☐Applicable ☒Not applicable

## 2. Changes of restricted shares

☐Applicable ☒Not applicable

## II. Securities issuance and listing

☐Applicable ☒Not applicable

### III. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	54,000			Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)		0		
Particulars about shares held above 5% by common shareholders or top ten common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Special Development Group Co., Ltd.	State-owned corporation	49.09%	211,591,621	+65,666,365	0	211,591,621		0
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)	Domestic non state-owned corporate	19.89%	85,717,844	+20,716,244	0	85,717,844		0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.41%	1,746,091	+548,787	0	1,746,091		0
Agricultural Bank of China Ltd. – CSI 500 ETF	Other	0.34%	1,463,324	+684,483	0	1,463,324		0
Li Guangxin	Domestic nature person	0.22%	964,513	+203,352	0	964,513		0
Huang Xinchang	Domestic nature person	0.11%	463,565	+463,565	0	463,565		0
Ding Bingfang	Foreign nature person	0.11%	462,550	+196,950	0	462,550		0
He Xing	Domestic nature person	0.10%	444,135	+144,035	0	444,135		0

China CITIC Bank Corporation Limited -Jianxin Securities 500 Index Enhanced Investment Fund	Other	0.10%	430,419	+294,519	0	430,419		0
Zeng Huiming	Foreign nature person	0.10%	419,920	+224,920	0	419,920		0
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3)		Not applicable						
Explanation on associated relationship among the top ten shareholders or consistent action		Among the top ten shareholders, there exists no associated relationship between the state-owned legal person’s shareholders SDG, Ltd and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders’ name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
Shenzhen Special Development Group Co., Ltd.	211,591,621	RMB ordinary shares	211,591,621					
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)	85,717,844	RMB ordinary shares	85,717,844					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,746,091	Domestically listed foreign shares	1,746,091					
Agricultural Bank of China Ltd. – CSI 500 ETF	1,463,324	RMB ordinary shares	1,463,324					
Li Guangxin	964,513	Domestically listed foreign shares	964,513					
Huang Xinchang	463,565	RMB ordinary shares	463,565					
Ding Bingfang	462,550	RMB ordinary shares	462,550					

He Xing	444,135	Domestically listed foreign shares	444,135
China CITIC Bank Corporation Limited -Jianxin Securities 500 Index Enhanced Investment Fund	430,419	RMB ordinary shares	430,419
Zeng Huiming	419,920	Domestically listed foreign shares	419,920
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten shareholders, there exists no associated relationship between the state-owned legal person's shareholders SDG and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.		
Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held (if applicable) (see note 4)	Shareholder Huang Xinchang holds 463,565 shares of the Company through security account for credit transactions, and holds 0 share of the Company via common security account, 463,565 shares are held in total by Huang.		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

☐ Yes ☒ No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

#### IV. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

Changes of actual controller in reporting period had no change in reporting period.

## Section VII. Preferred Stock

☐ Applicable    ☒ Not applicable

The Company had no preferred stock in the reporting.



## **Section VIII. Directors, Supervisors and Senior Executives**

### **I. Changes of shares held by directors, supervisors and senior executives**

☐Applicable    ☒Not applicable

Found more in annual report 2018 for the changes of shares held by directors, supervisors and senior executives

### **II. Resignation and dismissal of directors, supervisors and senior executives**

☐Applicable    ☒Not applicable

No changes of directors, supervisors and senior executives, found more details in Annual Report 2018.

## **Section IX. Corporate Bond**

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No

## Section X. Financial Report

### I. Audit reports

Whether the semi-annual report was audited or not

☐ Yes ☒ No

The financial report of this semi-annual report was unaudited

### II. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated balance sheet

Prepared by Shenzhen Tellus Holding Co., Ltd.

2019-06-30

In RMB

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	225,905,191.16	169,512,260.69
Settlement provisions		
Capital lent		
Trading financial assets	229,405,600.93	
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable		
Account receivable	113,548,299.77	86,104,660.51
Receivable financing		
Accounts paid in advance	12,493,208.24	9,112,473.27
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	94,480,706.00	14,483,208.41
Including: Interest receivable	1,031,521.11	723,407.50
Dividend receivable	81,600,548.07	232,683.74

Buying back the sale of financial assets		
Inventories	16,798,362.97	12,342,854.40
Contractual assets		
Assets held for sale	85,017,251.77	85,017,251.77
Non-current asset due within one year		
Other current assets	42,208,745.54	332,432,494.44
Total current assets	819,857,366.38	709,005,203.49
Non-current assets:		
Loans and payments on behalf		
Creditors' investment		
Available-for-sale financial assets		10,176,617.20
Other Creditors' investment		
Held-to-maturity investment		
Long-term account receivable	0.00	
Long-term equity investment	153,819,742.68	224,644,766.21
Investment in other equity instrument	10,176,617.20	
Other non-current financial assets		
Investment real estate	494,163,460.21	503,922,413.70
Fixed assets	109,620,846.65	112,674,017.53
Construction in progress	22,707,214.36	12,843,571.97
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	50,432,780.11	51,012,282.25
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	7,605,860.90	6,304,607.22
Deferred income tax asset	24,335,615.61	24,355,086.71
Other non-current asset	18,852,284.37	3,356,964.72
Total non-current asset	891,714,422.09	949,290,327.51
Total assets	1,711,571,788.47	1,658,295,531.00
Current liabilities:		

Short-term loans	143,000,000.00	143,000,000.00
Loan from central bank		
Capital borrowed		
Trading financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable		
Account payable	65,355,485.14	73,365,876.09
Accounts received in advance	18,558,535.20	15,897,763.97
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	27,705,350.51	25,802,670.36
Taxes payable	14,942,982.03	9,377,393.57
Other account payable	271,599,091.34	250,489,094.47
Including: Interest payable	172,792.00	290,215.78
Dividend payable		
Commission charge and commission payable		
Reinsurance payable		
Contractual liability		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	541,161,444.22	517,932,798.46
Non-current liabilities:		
Insurance contract reserve		
Long-term loans		34,934,887.55
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		

Lease liability		
Long-term account payable	3,920,160.36	3,920,160.36
Long-term wages payable		
Accrual liability	2,225,468.76	2,225,468.76
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	6,145,629.12	41,080,516.67
Total liabilities	547,307,073.34	559,013,315.13
Owner's equity:		
Share capital	431,058,320.00	297,281,600.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital public reserve	431,449,554.51	565,226,274.51
Less: Inventory shares		
Other comprehensive income	26,422.00	26,422.00
Reasonable reserve		
Surplus public reserve	3,139,918.14	3,139,918.14
Provision of general risk		
Retained profit	229,315,271.30	184,535,322.70
Total owner's equity attributable to parent company	1,094,989,485.95	1,050,209,537.35
Minority interests	69,275,229.18	49,072,678.52
Total owner's equity	1,164,264,715.13	1,099,282,215.87
Total liabilities and owner's equity	1,711,571,788.47	1,658,295,531.00

Legal representative: Fu Chunlong

Accounting Principal: Lou Hong

Accounting Firm's Principal: Liu Yuhong

## 2. Balance Sheet of Parent Company

In RMB

Item	2019-6-30	2018-12-31
Current assets:		

Monetary funds	112,937,304.70	88,836,626.14
Trading financial assets	130,000,000.00	
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable		
Account receivable	2,835,572.40	38,274.00
Receivable financing		
Accounts paid in advance	1,075,400.00	604,800.00
Other account receivable	142,618,299.45	115,782,944.37
Including: Interest receivable	1,031,521.11	723,407.50
Dividend receivable	17,500,000.00	232,683.74
Inventories		
Contractual assets		
Assets held for sale	85,017,251.77	85,017,251.77
Non-current assets maturing within one year		
Other current assets	40,672,891.36	195,506,958.35
Total current assets	515,156,719.68	485,786,854.63
Non-current assets:		
Creditors' investment		
Available-for-sale financial assets		10,176,617.20
Other Creditors' investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	839,159,963.05	836,283,491.38
Investment in other equity instrument	10,176,617.20	
Other non-current financial assets		
Investment real estate	41,069,068.40	44,820,151.69
Fixed assets	14,343,268.33	14,824,845.14
Construction in progress	22,707,214.36	12,843,571.97
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	244,903.90	249,731.94

Research and development costs		
Goodwill		
Long-term deferred expenses	2,817,811.81	2,958,817.65
Deferred income tax assets	13,810,898.54	13,830,369.64
Other non-current assets		
Total non-current assets	944,329,745.59	935,987,596.61
Total assets	1,459,486,465.27	1,421,774,451.24
Current liabilities		
Short-term borrowings	143,000,000.00	143,000,000.00
Trading financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Account payable	14,000.00	19,800.00
Accounts received in advance	1,362.52	4,742.51
Contractual liability		
Wage payable	5,678,506.73	4,858,788.51
Taxes payable	1,900,930.87	331,909.65
Other accounts payable	411,592,996.32	392,558,990.89
Including: Interest payable	172,792.00	232,810.41
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	562,187,796.44	540,774,231.56
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long term employee compensation		



payable		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	562,187,796.44	540,774,231.56
Owners' equity:		
Share capital	431,058,320.00	297,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	428,256,131.23	562,032,851.23
Less: Inventory shares		
Other comprehensive income		
Special reserve		
Surplus reserve	3,139,918.14	3,139,918.14
Retained profit	34,844,299.46	18,545,850.31
Total owner's equity	897,298,668.83	881,000,219.68
Total liabilities and owner's equity	1,459,486,465.27	1,421,774,451.24

### 3. Consolidated Profit Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Total operating income	278,268,739.33	197,955,081.73
Including: Operating income	278,268,739.33	197,955,081.73
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	243,457,096.79	186,909,446.32
Including: Operating cost	210,494,012.42	153,739,952.11
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	2,968,165.06	2,922,621.92
Sales expense	9,358,514.29	8,337,907.27
Administrative expense	16,878,629.26	19,137,092.41
R&D expense		
Financial expense	3,757,775.76	2,771,872.61
Including: Interest expenses	4,765,937.06	3,682,093.53
Interest income	1,152,054.69	1,053,302.07
Add: other income	6,611.29	
Investment income (Loss is listed with "-")	16,711,450.93	17,866,022.25
Including: Investment income on associated enterprise and joint venture	10,775,524.54	12,795,300.82
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with "-")		
Exchange income (Loss is listed with "-")		
Net exposure hedging income (Loss is listed with "-")		
Income from change of fair value (Loss is listed with "-")		
Loss of credit impairment (Loss is listed with "-")	101,666.14	
Losses of devaluation of asset (Loss is listed with "-")		-392,040.25
Income from assets disposal (Loss is listed with "-")	103,159.68	
III. Operating profit (Loss is listed with "-")	51,734,530.58	28,519,617.41
Add: Non-operating income	119,625.44	34,394.39
Less: Non-operating expense	833,400.00	99,688.31
IV. Total profit (Loss is listed with "-")	51,020,756.02	28,454,323.49
Less: Income tax expense	6,038,256.76	1,887,473.77

V. Net profit (Net loss is listed with “-”)	44,982,499.26	26,566,849.72
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	44,982,499.26	26,566,849.72
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	44,779,948.60	26,920,279.86
2.Minority shareholders’ gains and losses	202,550.66	-353,430.14
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 of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other Creditors’ investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive		

income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other Creditors' investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	44,982,499.26	26,566,849.72
Total comprehensive income attributable to owners of parent Company	44,779,948.60	26,920,279.86
Total comprehensive income attributable to minority shareholders	202,550.66	-353,430.14
VIII. Earnings per share:		
(i) Basic earnings per share	0.1039	0.0906
(ii) Diluted earnings per share	0.1039	0.0906

As for the enterprise combination under the same control, the net profit achieved by the combined party before consolidation was 0 Yuan in the period while 0 Yuan achieved last period

Legal representative: Fu Chunlong

Accounting Principal: Lou Hong

Accounting Firm's Principal: Liu Yuhong

#### 4. Profit Statement of Parent Company

Item	In RMB	
	Semi-annual of 2019	Semi-annual of 2018
I. Operating income	19,112,054.55	20,083,496.42
Less: Operating cost	1,774,557.00	1,842,326.22
Taxes and surcharge	786,231.07	818,654.42
Sales expenses		
Administration expenses	8,507,495.18	7,986,244.31

R&D expenses		
Financial expenses	2,775,796.55	2,215,649.63
Including: interest expenses	3,610,643.70	3,031,952.64
Interest income	851,734.70	840,898.34
Add: other income		
Investment income (Loss is listed with “-”)	11,794,465.45	14,956,569.69
Including: Investment income on affiliated Company and joint venture	8,376,471.67	12,154,498.47
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)	-18,945.66	
Losses of devaluation of asset (Loss is listed with “-”)		-69,500.70
Income on disposal of assets (Loss is listed with “-”)		
II. Operating profit (Loss is listed with “-”)	17,043,494.54	22,107,690.83
Add: Non-operating income	19,425.71	3,130.97
Less: Non-operating expense		
III. Total Profit (Loss is listed with “-”)	17,062,920.25	22,110,821.80
Less: Income tax	764,471.10	19,471.10
IV. Net profit (Net loss is listed with “-”)	16,298,449.15	22,091,350.70
(i)continuous operating net profit (net loss listed with “-”)		
(ii) termination of net profit (net loss 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 of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other Creditors' investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other Creditors' investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
VI. Total comprehensive income	16,298,449.15	22,091,350.70
VII. Earnings per share:		
(i) Basic earnings per share	0.0378	0.0743
(ii) Diluted earnings per share	0.0378	0.0743

## 5. Consolidated Cash Flow Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	275,395,004.65	190,354,252.94
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		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received		
Other cash received concerning operating activities	30,288,007.02	14,796,131.60
Subtotal of cash inflow arising from operating activities	305,683,011.67	205,150,384.54
Cash paid for purchasing commodities and receiving labor service	212,542,573.51	156,589,699.73
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance		

contract compensation		
Net increase of financial assets held for transaction purposes		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	26,091,445.73	25,206,855.48
Taxes paid	9,452,428.27	10,795,455.49
Other cash paid concerning operating activities	30,162,504.86	40,628,841.95
Subtotal of cash outflow arising from operating activities	278,248,952.37	233,220,852.65
Net cash flows arising from operating activities	27,434,059.30	-28,070,468.11
II. Cash flows arising from investing activities:		
Cash received from recovering investment	965,735,585.20	454,400,000.00
Cash received from investment income	5,967,222.92	4,153,597.07
Net cash received from disposal of fixed, intangible and other long-term assets	78,500.00	
Net cash received from disposal of subsidiaries and other units		1,504,125.26
Other cash received concerning investing activities	20,870,000.00	46,001,000.00
Subtotal of cash inflow from investing activities	992,651,308.12	506,058,722.33
Cash paid for purchasing fixed, intangible and other long-term assets	34,041,146.15	14,848,244.60
Cash paid for investment	904,100,000.00	357,030,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		5,733,400.00
Subtotal of cash outflow from investing activities	938,141,146.15	377,611,644.60



Net cash flows arising from investing activities	54,510,161.97	128,447,077.73
III. Cash flows arising from financing activities		
Cash received from absorbing investment	20,000,000.00	9,000,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	20,000,000.00	9,000,000.00
Cash received from loans	158,020,000.00	25,082,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	178,020,000.00	34,082,000.00
Cash paid for settling debts	198,814,887.55	8,665,112.45
Cash paid for dividend and profit distributing or interest paying	4,756,413.09	10,030,329.79
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	203,571,300.64	18,695,442.24
Net cash flows arising from financing activities	-25,551,300.64	15,386,557.76
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	9.84	70.53
V. Net increase of cash and cash equivalents	56,392,930.47	115,763,237.91
Add: Balance of cash and cash equivalents at the period -begin	142,848,120.69	161,793,218.56
VI. Balance of cash and cash equivalents at the period -end	199,241,051.16	277,556,456.47

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
------	---------------------	---------------------

I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	14,820,726.01	26,539,659.00
Write-back of tax received		
Other cash received concerning operating activities	6,580,839.48	10,135,679.87
Subtotal of cash inflow arising from operating activities	21,401,565.49	36,675,338.87
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	7,850,812.96	8,333,154.63
Taxes paid	1,157,332.91	1,125,249.42
Other cash paid concerning operating activities	14,812,259.31	31,499,877.17
Subtotal of cash outflow arising from operating activities	23,820,405.18	40,958,281.22
Net cash flows arising from operating activities	-2,418,839.69	-4,282,942.35
II. Cash flows arising from investing activities:		
Cash received from recovering investment	500,000,000.00	344,000,000.00
Cash received from investment income	3,996,094.69	3,180,515.85
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	20,870,000.00	46,001,000.00
Subtotal of cash inflow from investing activities	524,866,094.69	393,181,515.85
Cash paid for purchasing fixed, intangible and other long-term assets	7,675,914.33	2,710,314.68
Cash paid for investment	487,000,000.00	339,971,900.00
Net cash received from subsidiaries and other units obtained		

Other cash paid concerning investing activities		5,733,400.00
Subtotal of cash outflow from investing activities	494,675,914.33	348,415,614.68
Net cash flows arising from investing activities	30,190,180.36	44,765,901.17
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	143,000,000.00	23,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	143,000,000.00	23,000,000.00
Cash paid for settling debts	143,000,000.00	
Cash paid for dividend and profit distributing or interest paying	3,670,662.11	9,086,253.58
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	146,670,662.11	9,086,253.58
Net cash flows arising from financing activities	-3,670,662.11	13,913,746.42
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	24,100,678.56	54,396,705.24
Add: Balance of cash and cash equivalents at the period -begin	62,172,486.14	97,991,738.05
VI. Balance of cash and cash equivalents at the period -end	86,273,164.70	152,388,443.29

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

Current period

In RMB

Item	Semi-annual of 2019													Minori	Total
	Owners' equity attributable to the parent Company														
	Share	Other	Capital	Less:	Other	Reaso	Surplu	Provisi	Retain	other	Subtot				

	capita l	equity instrument			reserve	Invent ory shares	compr ehensi ve incom e	nable reserve	s reserve	on of genera l risk	ed profit		al	ty interes ts	owners , equity
		Prefe red stock	Perpe tual capit al secur ities	Other											
I. Balance at the end of the last year	297,281,600.00				565,226,274.51		26,422.00		3,139,918.14		184,535,322.70		1,050,209,537.35	49,072,678.52	1,099,282,215.87
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		26,422.00		3,139,918.14		184,535,322.70		1,050,209,537.35	49,072,678.52	1,099,282,215.87
III. Increase/Decrease in this year (Decrease is listed with "-")	133,776,720.00				-133,776,720.00						44,779,948.60		44,779,948.60	20,202,550.66	64,982,499.26
(i) Total comprehensive income											44,779,948.60		44,779,948.60	202,550.66	44,982,499.26
(ii) Owners' devoted and decreased capital														20,000,000.00	20,000,000.00
1.Common shares invested by shareholders														20,000,000.00	20,000,000.00
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	133,776,720.00				-133,776,720.00										
1. Capital reserves conversed to capital (share capital)	133,776,720.00				-133,776,720.00										
2. Surplus reserves conversed to capital (share capital)															
3. Remedying loss with surplus reserve															
4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. 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	431,058,320.00				431,449,554.51		26,422.00		3,139,918.14		229,315,271.30		1,094,989,485.95	69,275,229.18	1,164,264,715.13

Last period

In RMB

Item	Semi-annual of 2018														
	Owners' equity attributable to the parent Company												Minority interest s	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surpluses reserve	Provision of general risk	Retained profit	other			Subtotal
		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		963,259,056.63	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		963,259,056.63	34,764,517.26	998,023,573.89
III. Increase/Decrease in this year (Decrease is listed with “-”)											26,920,279.86		26,920,279.86	8,738,810.49	35,659,090.35
(i) Total comprehensive income											26,920,279.86		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														9,000,000.00	9,000,000.00

shares invested by shareholders														00.00	00.00
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. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained															

earnings from other comprehensive income															
6. 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		990,179,336.49	43,503,327.75	1,033,682,664.24	

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

Current period

In RMB

Item	Semi-annual of 2019											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Other	Total owners' equity
		Preferr ed stock	Perpet ual capital securiti es	Other								
I. Balance at the end of the last year	297,281,600.00				562,032,851.23				3,139,918.14	18,545,850.31		881,000,219.68
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				3,139,918.14	18,545,850.31		881,000,219.68
III. Increase/ Decrease in this year (Decrease is listed with "-")	133,776,720.00				-133,776,720.00					16,298,449.15		16,298,449.15



(i) Total comprehensive income										16,298,449.15		16,298,449.15
(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	133,776,720.00				-133,776,720.00							
1. Capital reserves converted to capital (share capital)	133,776,720.00				-133,776,720.00							
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive												

income												
6. 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	431,058,320.00				428,256,131.23				3,139,918.14	34,844,299.46		897,298,668.83

Last period

In RMB

Item	Semi-annual of 2018											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Other	Total owners' equity
		Preferr ed stock	Perpet ual capital securit ies	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. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive income												

6. 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

## **Shenzhen Tellus Holding Co., Ltd.**

### **Notes to Financial Statements (Jan.-Jun. 2019)**

**(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 2<sup>nd</sup> 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 297,281,600

Legal representative: Fu Chunlong

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 equipment.

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 jewelry, 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 of shares	Amount (Share)	Ratio (%)
I. Non-tradable shares		
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 31<sup>st</sup>, Dec., 1993, and the Company's total share capital changed to 200,256,000 shares.

On 22<sup>nd</sup> 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 of shares	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 28<sup>th</sup> 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 31<sup>st</sup>, 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 of shares	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 31<sup>st</sup> 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 4<sup>th</sup> 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 of shares	Amount (Share)	Ratio (%)
----------------	----------------	-----------

Type of shares	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 19<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> 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 in 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 of shares	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 of shares	Amount (Share)	Ratio (%)
State-owned corporate shares	145,925,256	49.09
Domestic public shares	124,956,344	42.03
RMB special stock (B-Share)	26,400,000	8.88
Total	297,281,600	100.00

#### (7) Conversion of capital reserve to equity in 2018

On 23<sup>rd</sup> April 2019, the conversion of capital reserve to equity plan proposed by the Board was agreed by the shareholders general meeting: 4.5 additional shares for each 10 shares held by all shareholders are being converted by the capital reserve, based on total 297,281,600 shares on 31<sup>st</sup> December 2018, and share capital of the Company comes to 431,058,320 in total.

The company's equity structure was as follows after completion of the plan:

Type of shares	Amount (Share)	Ratio (%)
State-owned corporate shares	211,591,621	49.09
Domestic public shares	181,186,699	42.03
RMB special stock (B-Share)	38,280,000	8.88
Total	431,058,320	100.00

As of 30 June 2019, the Company have 431,058,300 shares offered in total, found more in 29 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 2019, found more in “Equity in other entity” in the Note VIII.

#### 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 29 August 2019.

## 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 15<sup>th</sup>, 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 30<sup>th</sup>, June 2019 and the business performance and cash flow in January to June of 2019. 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(31) “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 deductible 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 deductible 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.

### (1) Classification, recognition and measurement of financial assets



According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are directly included in current profit or loss. For other types of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Company uses the consideration amount that is expected to be received as the initial recognition amount.

#### ① Financial assets measured at amortized cost

The Company's business model for managing financial assets measured at amortized cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements, i.e. the cash flows generated on a specific date are only the payment for the principal and the interest based on the outstanding principal amount. The Company adopts effective interest method for this type of financial assets which are subsequently measured at amortized cost, the gains or losses arising from amortization or impairment are included in current profit or loss.

#### ② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company's business model for managing such financial assets is to target at both the collection of contractual cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements. The Company adopts the fair value measurement for such financial assets and whose changes are included in the current profit and loss, but the impairment losses or gains, exchange gains and losses and interest income calculated by using the effective interest method are included in current profit or loss.

In addition, the Company designates part of non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income. The Company's related dividend income of such financial assets is included in the current profit and loss, and the changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not included in current profit or loss.

#### ③ Financial assets carried at fair value through profit or loss for the current period

The Company classifies the financial assets except the above financial assets measured at amortized cost and the above financial assets measured at fair value and whose changes are included in other

comprehensive income into the financial assets measured at fair value and whose changes are included in current profit or loss. In addition, at the time of initial recognition, the Company designates part of financial assets as financial assets measured at fair value and whose changes are included in current profit or loss in order to eliminate or significantly reduce accounting mismatch. For such financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profit and loss.

## (2) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured by fair value with changes counted into current gains/losses and other financial liabilities. 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

Financial liabilities measured at fair value and whose changes are included in current profits or losses include the trading financial liabilities (including derivatives belong to financial liabilities) and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss.

Trading financial liabilities (including derivatives belong to financial liabilities) are subsequently measured at fair value, in addition to those related to hedge accounting, the changes in fair value are included in current profit or loss.

A financial liability designated to be measured at fair value and whose changes are included in current profit or loss, and of which the changes in fair value arising from changes in the Company's own credit risk are included in other comprehensive income, when the liability is derecognized, its accumulated amount of changes in fair value included in other comprehensive income and the changes arising from its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the effects of changes in the own credit risk of these financial liabilities are handled as described above, but the handling causes or expands the accounting mismatch in the profit or loss, the Company will include all gains or losses of the financial liabilities (including the amount affected by changes in the credit risk of the enterprise itself) in the current profit and loss.

### ② Other financial liabilities

Other financial liabilities, except for the financial liabilities whose transfer of financial assets doesn't fit the derecognition condition or continue to be involved in the transferred financial assets, and the financial guarantee contract, are classified as financial liabilities measured at amortized cost, which takes follow-up measurement by amortized cost, the gains or losses arising from derecognition or amortization are included in current profit or loss.

## (3) Recognition basis and measurement method for transfer of financial assets

As for the financial assets up to the following conditions, the recognition termination is available: ① Termination of the contract right to take the cash flow of the financial assets; ② transferred to the transferring-in part nearly all risk and compensation; ③ all risk and compensation neither transferred nor retained, and with the give-up of the control over the financial assets.

As for financial assets of almost all risk and compensation neither transferred nor retained, and without the give-up of the control over the financial assets, it was recognized according to the extension of the continual entry into the transferred financial assets and relevant liabilities are correspondingly recognized. The continual entry into the transferred financial assets is risk level which the enterprise faces up to due to the assets changes.

As for the whole transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets, together with the difference between the consideration value and the accumulative total of the fair value change of the other consolidated income, is reckoned into the current gain/loss.

As for the partial transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets is diluted on the relative fair value between the terminated part and the un-terminated part; and reckoned into the current loss/gain is the difference between the sum of the consideration value and the accumulative sum of the valuation change ought to be diluted into the recognition termination part but into the other consolidated income, and the above diluted book value, is reckoned into the current loss/gain.

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

#### (4) Termination recognition of financial liabilities

Only is released the whole (or part) of the current duties, the termination of the liabilities (or part of it) is available. The Group (the debtor) signed the agreement with the lender: the original liabilities are replaced by the bearing of the new liabilities; and the contract terms are fundamentally different of the new liabilities and the original ones; the termination of the recognition of the original ones is available; and the recognition of new ones is available.

If the Company makes substantial changes to the contractual terms of the original financial liabilities (or a part thereof), derecognize the original financial liabilities, and recognize a new financial liability in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognized, the Company includes the difference between

the book value and the consideration paid (including the transferred non-cash assets or liabilities assumed) in current profit or loss.

(5) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

(6) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can get by selling an asset or has to pay for transferring a liability in an orderly transaction that occurs on the measurement date. For a financial instrument having an active market, the Company uses the quoted prices in the active market to determine its fair value. Quotations in an active market refer to prices that are readily available from exchanges, brokers, industry associations, pricing services, etc., and represent the prices of market transactions that actually occur in an arm's length transaction. If there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties familiar with the situation and through voluntary trade, and reference to current fair values of other financial instruments that are substantially identical, discounted cash flow methods, and option pricing models. At the time of valuation, the company adopts valuation techniques that are applicable in the current circumstances and that are sufficiently supported by data and other information, selects the input value with characteristics consistent with the characteristics of assets or liabilities to be considered in the transactions of the relevant assets or liabilities of the market participants, and uses the relevant observable input values as much as possible. Use unallowable input values if the relevant observable input values are not available or are not practicable.

(7) Equity instrument

The equity instrument is the contract to prove the holding of the surplus stock of the assets with the deduction of all liabilities in the Group. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as movement of equity, transaction fees relating to equity transactions are deducted from equity. No fair value change of equity instrument would be recognized by the Company.

The Company's equity instruments that distribute dividends during the existence period (including "interests" generated by instruments classified as equity instruments) are treated as profit distribution.

## **10. Impairment of financial assets**

The financial assets that the Company needs to recognize impairment loss are financial assets measured at amortized cost, debt instruments investment that are measured at fair value and whose changes are included in other comprehensive income, and lease receivables, mainly including bills receivable, account receivables, other receivables, debt investment, other debt investments, long-term receivables, etc. In addition, for contract assets and some financial guarantee contracts, the impairment provision is also made and credit impairment losses are recognized in accordance with the accounting policies described in this

section.

#### (1) Confirmation method of impairment provision

On the basis of expected credit losses, the Company makes provision for impairment and confirms credit impairment losses for each of the above items in accordance with its applicable expected credit loss measurement method.

Credit loss refers to the difference between all contractual cash flows that the Company discounts at the original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

The general method for measuring the estimated credit loss is that the Company assesses whether the credit risk of the financial assets (including other applicable items such as contract assets, the same below) has been significantly increased since the initial recognition on each balance sheet date, if the credit risk has increased significantly after the initial recognition, the Company shall measure the loss preparation according to the amount of expected credit loss in the whole duration; if the credit risk has not increased significantly since the initial recognition, the Company shall measure the loss preparation according to the amount equivalent to the expected credit loss in the next 12 months. The Company considers all reasonable and evidenced information, including forward-looking information, when evaluating expected credit losses.

For the financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the loss provisions according to the expected credit losses in the next 12 months.

#### (2) Judging criteria for whether credit risk has increased significantly since initial recognition

If the probability of default of a financial asset within the estimated duration recognized on the balance sheet is significantly higher than the probability of default within the estimated duration decided at the initial recognition, it indicates that the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

#### (3) A combined approach to assessing expected credit risk on a portfolio basis

The Company evaluates credit risk individually for financial assets with significantly different credit risks. That is: Account receivable from related party; receivables that are in dispute with counter party or involve litigation and arbitration; the receivable has a clear indication that the debtor is likely to be unable to meet the repayment obligations etc.

In addition to financial assets that assess credit risk individually, the Company classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

#### (4) Accounting treatment of financial assets impairment

At the end of the period, the Company calculates the estimated credit losses of various financial assets. If the estimated credit loss is greater than the carrying amount of its current impairment provision, the difference is recognized as the impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.

(5) Methods for determining the credit losses of various financial assets

①Notes receivable

The Company measures the losses for the notes receivable in accordance with the expected credit loss amount for the entire duration of the period. Notes receivable are classified into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
Bank acceptance	The acceptor is the banks with less credit risk
Trade acceptance	According to the acceptor's credit risk division

② Accounts receivable and contract assets

For receivables and contract assets that do not contain significant financing components, the Company measures the loss provision based on the amount of expected credit losses equivalent to the entire duration of the period.

For receivables, contract assets and lease receivables that contain significant financing components, the Company chooses to always measure the loss provisions based on the amount of expected credit losses during the duration. In addition to accounts receivable and contract assets whose credit risk is assessed individually, they are classified into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
Account age	Taking the account age as the characteristic of credit risk

③Other account receivable

The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk of other receivables has increased significantly since the initial recognition. In addition to the single assessment of credit risk of other receivable, we classified into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
Account age	Taking the account age as the characteristic of credit risk

④Long-term account receivable(including the receivables with major financing components contained and except for the lease receivable)

The Company measures the impairment loss of long-term account receivable based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk of

other receivables has increased significantly since the initial recognition. In addition to the single assessment of credit risk of long-term account receivable, we classified into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
Account age	Taking the account age as the characteristic of credit risk

## 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 recognized 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 recognized 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 recognized 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 recognized 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 amortization 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 recognized.

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 amortization) or impairment that would have been recognized had it not been classified as held for sale, and (2) its recoverable amount.

### **13. Long term equity investment**

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.

### ① Long 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. In addition, for the vacant buildings held by the Company for the purpose of operating lease, if the board of directors (or similar institution) has a written resolution which clearly states to use them for operating leases and the intention to hold shall no longer change in the short term, they will be reported as investment real estate.

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**

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:

Category	Depreciation method	Depreciation term (year)	Residual rate (%)	Annual depreciation rate (%)
House and buildings	Straight-line method	35-40	3	2.43-2.77
Machinery equipment	Straight-line method	12	3	8.08
Transportation equipment	Straight-line method	7	3	13.86
Electronic equipment	Straight-line method	5-7	3	13.86-19.4
Office and other equipment	Straight-line method	7	3	13.86
Decoration charge for self-owned houses	Straight-line method	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 long-term 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 derecognized 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 long-term 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:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the 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 long-term 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. Impairment of long term assets**

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 and other long-term employee benefits, 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. Share-based payment**

### **(1) Accounting treatment**

A share-based payment is a transaction that grants an equity instrument or assumes a liability determined on the basis of an equity instrument in order to obtain employees or services from other parties. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

#### **① Equity-settled share-based payment**

The equity-settled share-based payment in exchange for the services provided by the employees is measured at the fair value on the date of granting equity instrument to employees. When the amount of the fair value can only be vested with rights after completing the services in the waiting period or reaching the

stipulated performance, based on the optimal estimate of the number of vesting equity instruments in the waiting period, it is calculated by the straight-line method and included in the relevant costs or expenses/ it is included in the relevant costs or expenses on the grant date when the vesting right is granted immediately after the grant, and the capital reserve is increased accordingly.

On each balance sheet date during the waiting period, the Company makes the best estimate based on the follow-up information such as the latest changes in the number of employees with vesting rights, and corrects the number of equity instruments that are expected to be vested. The impact of the above estimates is included in the current related costs or expenses, and the capital reserve is adjusted accordingly.

For an equity-settled share-based payment in exchange for other parties' services, if the fair value of other parties' services can be reliably measured, it is measured at the fair value of other parties' services on the grant date; if the fair value of other parties' services cannot be reliably measured but the fair value of equity instrument can be measured reliably, it is measured at the fair value of the equity instrument on the grant date, and is included in the relevant cost or expense, and increases the shareholders' equity accordingly.

When the fair value of the granted equity instrument cannot be measured reliably, it is measured at the intrinsic value of the equity instrument on the grant date of services, each subsequent balance sheet date and the settlement date, and the changes in intrinsic value are included in current profit and loss.

## ② Cash-settled share-based payment

The cash-settled share-based payment is measured at the fair value of the liabilities determined based on shares or other equity instruments assumed by the Company. If the vesting right is granted immediately after the grant, it is included in the relevant costs or expenses on the grant date, and the liabilities are increased accordingly;

If the vesting right is available only after completing the services in the waiting period or reaching the stipulated performance, on each balance sheet date of the waiting period, based on the optimal estimate of the vesting right, include the services obtained in the current period in costs and expenses according to the amount of the fair value of the liabilities assumed by the Company, and the liabilities are increased accordingly.

The fair value of the liability is re-measured at each balance sheet date and settlement date before the settlement of related liabilities, and its changes are included in current profit and loss.

## (2) Relevant accounting treatment of modifying and terminating the share-based payment plan

When the Company modifies the share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in obtained services is recognized accordingly based on the increase in the fair value of equity instruments. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments on the modification date before and after the modification. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not conducive to the employees, the services obtained will continue to be accounted

for, as if the change has never occurred, unless the Company cancels some or all of the granted equity instruments

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included in the current profit and loss, and the capital reserve will be recognized. If the employee or other party can choose to meet the non-vesting conditions but fails to meet during the waiting period, the Company will treat it as a cancellation of the granted equity instrument.

(3) Accounting treatment involving share-based payment transactions between the Company and the shareholders or actual controllers of the Company

In respect of the share-based payment transaction between the Company and the shareholders or actual controllers of the Company, if one of the settlement enterprise and the service receiving enterprise is within the consolidation scope of the Company, and the other is outside the consolidation scope of the Company, the following rules are used for accounting treatment in the consolidated financial statements of the Company:

① If the settlement enterprise settles by its own equity instrument, the share-based payment transaction shall be treated as the equity-settled share-based payment; otherwise, it shall be treated as a cash-settled share-based payment.

If the settlement enterprise is an investor of the service receiving enterprise, it shall be recognized as the long-term equity investment of the service receiving enterprise according to the fair value of the equity instrument at the grant date or the fair value of the liability to be assumed, and the capital reserve (other capital reserve) or liabilities shall be recognized at the same time.

② If the service receiving enterprise has no settlement obligation or grants its own equity instruments to its employees, the share-based payment transaction shall be treated as equity-settled share-based payment; if the service receiving enterprise has settlement obligation and the equity instrument it grants to the employees is not its own equity instrument, the share-based payment transaction shall be treated as a cash-settled share-based payment.

For an share-based payment transaction between the enterprises within the consolidation scope of the Company, if the service receiving enterprise and the settlement enterprise are not the same enterprise, the share-based payment transaction shall be respectively recognized and measured in the individual financial statements of the service receiving enterprise and the settlement enterprise, which is handled according to above principles.

## **24. Other financial instruments such as preferred stocks and perpetual bonds**

(1) Distinction between perpetual bonds and preferred stocks

Financial instruments such as perpetual bonds and preferred stocks issued by the Company are used as equity instruments when meet the following conditions at the same time:

①The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potentially

adverse conditions;

② If the financial instrument has to use or can use the enterprise's own equity instruments for settlement, and if the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver its own equity instruments with variable amount for settlement; if the financial instrument is a derivative instrument, then the Company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

Except for financial instruments that can be classified as equity instruments under the above conditions, other financial instruments issued by the Company should be classified as financial liabilities.

If the financial instruments issued by the Company are compound financial instruments, they are recognized as a liability based on the fair value of the liability component, and are recognized as "other equity instruments" based on the amount actually received after deducting the fair value of the liability component. The transaction costs incurred in issuing a compound financial instrument are apportioned between the liability component and the equity component in proportion to their respective total issue price.

## (2) Accounting treatment methods of perpetual bonds and preferred stocks

Financial instruments such as perpetual bonds and preferred stocks classified as financial liabilities, their related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are included in the current profit and loss, except for borrowing costs eligible for capitalization (see Note IV, 17 "Borrowing Costs").

When financial instruments such as perpetual bonds and preferred stocks classified as equity instruments are issued (including refinancing), repurchased, sold or cancelled, the Company shall treat as a change in equity, and related transaction costs are also deducted from equity. The Company treats the allocation to the holders of equity instruments as a profit distribution.

The Company does not recognize changes in the fair value of equity instruments.

## 25. 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 recognized 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 completion progress of a labor transaction is determined by the measurement of the work done/ the proportion of the provided labor service in the total labor service to be provided/ the proportion of the labor cost incurred in 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 amount of labor costs which has occurred and is expected to be 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, labor cost incurred are reckoned into current gain/loss.

When the contract or agreement signed by the Company with other enterprises includes the sale of goods and the provision of labor services, if the sale of goods and the provision of labor services can be distinguished and separately measured, the sales of goods and the provision of labor services are handled separately; If the sale of goods and the provision of labor services cannot be distinguished, or if they can be distinguished but cannot be separately measured, the contract is all treated as a sales item.

## (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

## 26. Government subsidy

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government, not including the capital and owners' equity shares invested by government as a investor. 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 they belongs to other conditions, reckoned into current gains/losses directly.

## **27. 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.

## 28. 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.

## **29. 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”.

## **30. Changes of major accounting policies and accounting estimation**

(1) Changes of accounting policy

① Changes in accounting policies for execution of the new financial instrument standards

On March 31, 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017) (CK [2017] No. 7) and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (Revised in 2017) (CK [2017] No. 8), Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017) (CK [2017] No. 9) respectively, and issued Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (Revised in 2017) (CK [2017] No. 14) on May 2, 2017 (the above-mentioned standards are collectively referred to as the “New Financial Instruments Standards”), domestic listed companies are required to implement the new financial instrument standards since 1 Jan. 2019.

Approved by the resolution of 2<sup>nd</sup> session of 9<sup>th</sup> BOD dated 1 April 2019, the Company will implement the

above mentioned new financial instrument standards since 1 Jan. 2019.

All recognized financial assets under the new financial instrument standard are subsequently measured at amortized cost or fair value. On the implementation date of the new financial instrument standard, the business model of managing financial assets is evaluated based on the facts and circumstances of the Company on the day, and the contractual cash flow characteristics of the financial assets are evaluated based on the facts and circumstances at the initial recognition of the financial assets. Financial assets are classified into three categories: those measured at amortized cost, those measured at fair value and the changes are included in other comprehensive income, and those measured at fair value and the changes are included in current profit or loss. Among them, for the equity instrument investment measured at fair value and whose changes are included in other comprehensive income, when the financial asset is derecognized, the accumulated gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings, but not included in the current profit and loss.

Under the new financial instrument standard, the Company makes the impairment provision and confirms the credit impairment losses for financial assets measured at amortized cost, debt instrument investments measured at fair value and whose changes are included in other comprehensive income, lease receivables, contract assets and the financial guarantee contracts based on expected credit losses.

The Company traces the application of the new financial instrument standards, but the Company chooses not to restate the classification and measurement (including impairment) involving the inconsistency between the previous comparative financial statement data and the new financial instrument standards. Therefore, for the cumulative impact of the implementation of the standard for the first time, the Company adjusted the retained earnings or other comprehensive income at the beginning of 2019 and the amount of other related items in the financial statements, and the financial statements for 2018 didn't restate it.

The main changes and impacts of the implementation of the new financial instruments standards on the Company are as follows:

Some non-trading equity investments held by the Company on or after January 1, 2019 are designated as financial assets measured at fair value and whose changes are included in other comprehensive income, and are presented as other equity instrument investments.

A- Category and measuring contrast of the financial instrument after/before the date when initially implementation

a- impact on consolidate financial statement

2018-12-31(before change)			2019-1-1(after change)		
Item	Measurement category	Book value	Item	Measurement category	Book value
Available-for-sale financial assets	Measured by cost (equity instrument)	10,176,617.20	Other equity instrument investment	Measured by fair value and with its variation reckoned into other	10,176,617.20

2018-12-31(before change)			2019-1-1(after change)		
Item	Measurement category	Book value	Item	Measurement category	Book value
				comprehensive income	
Other current assets	Measured by fair value and with its variation reckoned into current gain/loss	330,400,000.00	Trading financial assets	Measured by fair value and with its variation reckoned into current gain/loss	330,400,000.00

b-impact on financial statement of the Company

2018-12-31(before change)			2019-1-1(after change)		
Item	Measurement category	Book value	Item	Measurement category	Book value
Available-for-sale financial assets	Measured by cost (equity instrument)	10,176,617.20	Other equity instrument investment	Measured by fair value and with its variation reckoned into other comprehensive income	10,176,617.20
Other current assets	Measured by fair value and with its variation reckoned into current gain/loss	195,000,000.00	Trading financial assets	Measured by fair value and with its variation reckoned into current gain/loss	195,000,000.00

B- On first implementation day, adjustment statement of the category and measurement for former financial instrument and those adjusted with new financial instrument standards

a- impact on consolidate statement

Item	2018-12-31(before change)	Re-classified	Re-measured	2019-1-1(after change)
Measured by fair value and with its variation reckoned into other comprehensive income:				

Item	2018-12-31(befor e change)	Re-classified	Re-measured	2019-1-1(after change)
<b>Available-for-sale financial assets (former standard)</b>	10,176,617.20			
Less: transfer to other equity instrument investment		10,176,617.20		
Balance under new financial instrument standard				
<b>Other equity instrument investment</b>	—			
Add: transfer in from available-for-sale financial assets (former standard)		10,176,617.20		10,176,617.20
Balance under new financial instrument standard				10,176,617.20
<b>Measured by fair value and with its variation reckoned into current gain/loss:</b>				
<b>Other current assets</b>	332,432,494.44			
Less: transfer to trading financial assets		330,400,000.00		
Balance under new financial instrument standard				2,032,494.44
<b>Trading financial assets</b>	—			
Add: transfer-in from other current assets		330,400,000.00		
Balance under new financial instrument standard				330,400,000.00

b-impact on financial statement of the Company

Item	2018-12-31(before change)	Re-classified	Re-measured	2019-1-1(after change)
<b>Measured by fair value and with its variation reckoned into other comprehensive income:</b>				
<b>Available-for-sale financial assets (former standard)</b>	10,176,617.20			
Less: transfer to other equity instrument investment		10,176,617.20		
Balance under new financial instrument standard				
<b>Other equity instrument investment</b>	—			
Add: transfer in from available-for-sale financial assets (former standard)		10,176,617.20		10,176,617.20
Balance under new financial instrument standard				10,176,617.20
<b>Measured by fair value and with its variation reckoned into current gain/loss:</b>				
<b>Other current assets</b>	195,506,958.35			
Less: transfer to trading financial assets		195,000,000.00		
Balance under new financial instrument standard				506,958.35
<b>Trading financial assets</b>	—			
Add: transfer-in from other current assets		195,000,000.00		
Balance under new financial instrument				195,000,000.00



Item	2018-12-31(before e change)	Re-classified	Re-measured	2019-1-1(after change)
standard				

C- On first implementation day, adjustment on the impairment provision for financial assets

a- impact on consolidate statement

Measurement category	2018-12-31(before change)	Re-classified	Re-measured	2019-1-1(after change)
<b>Amortized cost:</b>				
Impairment of held-to-maturity investment	20,000.00	20,000.00		
<b>Measured by fair value and with its variation reckoned into other comprehensive income(equity instrument) :</b>				
Impairment provision for other creditors' investment	—	20,000.00		20,000.00

(2) Changes of accounting estimate

Contents, causes and applicable time points of accounting estimation change	Approval procedure	Items impact	Amount impact
The Company considers the architectural design and construction standards of newly completed buildings and the accelerating update speed of computer equipment, in order to make the company's accounting estimates better conform to the actual use of assets, more accurately reflect the period during which assets provide economic benefits to enterprises and the actual assets consumption of every term, and more objectively and truthfully reflect the company's financial status and operating results, the resolution of the second meeting of the 9 <sup>th</sup> Board of Directors of the Company on April 1, 2019 passed that the Company would change the service life of buildings from 35 years to 35-40 years and change the depreciable life of computer equipment in electronic	Internal procedures	Fixed assets, Investment real estate, main business cost, administrative expenses	337,023.38

Contents, causes and applicable time points of accounting estimation change	Approval procedure	Items impact	Amount impact
equipment from 7 years to 5 years on the date of the resolution.			

(3) Adjust relevant items of financial statements at beginning of the year of first execution, when first implemented the new financial instrument standards, new income standards and new leasing standards

√Applicable □ Not applicable

Consolidate balance sheet

In RMB

Item	2018-12-31	2019-01-01	Adjustment
Current assets:			
Monetary fund	169,512,260.69	169,512,260.69	
Settlement provisions			
Capital lent			
Trading financial assets		330,400,000.00	330,400,000.00
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Notes receivable			
Accounts receivable	86,104,660.51	86,104,660.51	
Receivables financing			
Accounts paid in advance	9,112,473.27	9,112,473.27	
Insurance receivable			
Reinsurance receivables			
Contract reserve of reinsurance receivable			
Other account receivable	14,483,208.41	14,483,208.41	
Including: interest receivable	723,407.50	723,407.50	
Dividend receivable	232,683.74	232,683.74	
Buying back the sale of			

financial assets			
Inventories	12,342,854.40	12,342,854.40	
Contract assets			
Assets held for sale	85,017,251.77	85,017,251.77	
Non-current asset due within one year			
Other current assets	332,432,494.44	2,032,494.44	-330,400,000.00
Total current assets	709,005,203.49	709,005,203.49	
Non-current assets:			
Loans and payments on behalf			
Creditors' investment			
Available-for-sale financial assets	10,176,617.20		-10,176,617.20
Other creditors' investment			
Held-to-maturity investment			
Long-term account receivable		0.00	
Long term equity investment	224,644,766.21	224,644,766.21	
Other equity instrument investment		10,176,617.20	10,176,617.20
Other non-current financial assets			
Investment real estate	503,922,413.70	503,922,413.70	
Fixed assets	112,674,017.53	112,674,017.53	
Construction-in-progress	12,843,571.97	12,843,571.97	
Productive biological asset			
Oil and gas asset			
Right-of-use asset			
Intangible assets	51,012,282.25	51,012,282.25	
Expense on Research and Development			
Goodwill			
Long-term prepaid	6,304,607.22	6,304,607.22	

expenses			
Deferred income tax asset	24,355,086.71	24,355,086.71	
Other non-current asset	3,356,964.72	3,356,964.72	
Total non-current asset	949,290,327.51	949,290,327.51	
Total assets	1,658,295,531.00	1,658,295,531.00	
Current liabilities:			
Short-term loans	143,000,000.00	143,000,000.00	
Loan from central bank			
Capital borrowed			
Trading financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable			
Accounts payable	73,365,876.09	73,365,876.09	
Accounts received in advance	15,897,763.97	15,897,763.97	
Selling financial asset of repurchase			
Absorbing deposit and interbank deposit			
Security trading of agency			
Security sales of agency			
Wage payable	25,802,670.36	25,802,670.36	
Taxes payable	9,377,393.57	9,377,393.57	
Other accounts payable	250,489,094.47	250,489,094.47	
Including: interest payable	290,215.78	290,215.78	
Dividend payable			
Commission charge and commission payable			
Reinsurance payable			

Contract liability			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	517,932,798.46	517,932,798.46	
Non-current liabilities:			
Insurance contract reserve			
Long-term loans	34,934,887.55	34,934,887.55	
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable	3,920,160.36	3,920,160.36	
Long-term wages payable			
Accrual liability	2,225,468.76	2,225,468.76	
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	41,080,516.67	41,080,516.67	
Total liabilities	559,013,315.13	559,013,315.13	
Owners' equity:			
Share capital	297,281,600.00	297,281,600.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	565,226,274.51	565,226,274.51	
Less: Inventory shares			
Other comprehensive income	26,422.00	26,422.00	

Reasonable reserve			
Surplus reserve	3,139,918.14	3,139,918.14	
Provision of general risk			
Retained profit	184,535,322.70	184,535,322.70	
Total owner's equity attributable to parent company	1,050,209,537.35	1,050,209,537.35	
Minority interests	49,072,678.52	49,072,678.52	
Total owner's equity	1,099,282,215.87	1,099,282,215.87	
Total liabilities and owner's equity	1,658,295,531.00	1,658,295,531.00	

#### Explanation

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 - Hedge Accounting and Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation on 31 March 2017 and shall be effective for enterprise listed in China separately since 1 Jan. 2019

According to the new financial standards, the "Available-for-sale financial assets" is re-classified to "Financial assets measured by fair value and with its variation reckoned into other comprehensive income", and adjusted the amount of "Available-for-sale financial assets" at beginning of 2019 in balance sheet in line with the presentation requirement.

According to the new financial standards, the financial product without principal-guaranteed was re-classified to "Trading financial assets" from "Other current assets", and adjusted the amount of "Other current assets" at beginning of 2019 in balance sheet in line with the presentation requirement.

#### Balance sheet of parent company

In RMB

Item	2018-12-31	2019-01-01	Adjustment
Current assets:			
Monetary fund	88,836,626.14	88,836,626.14	
Trading financial assets		195,000,000.00	195,000,000.00
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes receivable			
Accounts receivable	38,274.00	38,274.00	
Receivables financing			
Accounts paid in	604,800.00	604,800.00	

advance			
Other account receivable	115,782,944.37	115,782,944.37	
Including: interest receivable	723,407.50	723,407.50	
Dividend receivable	232,683.74	232,683.74	
Inventories			
Contract assets			
Assets held for sale	85,017,251.77	85,017,251.77	
Non-current asset due within one year			
Other current assets	195,506,958.35	506,958.35	-195,000,000.00
Total current assets	485,786,854.63	485,786,854.63	
Non-current assets:			
Creditors' investment			
Available-for-sale financial assets	10,176,617.20		-10,176,617.20
Other creditors' investment			
Held-to-maturity investment			
Long-term account receivable			
Long term equity investment	836,283,491.38	836,283,491.38	
Other equity instrument investment		10,176,617.20	10,176,617.20
Other non-current financial assets			
Investment real estate	44,820,151.69	44,820,151.69	
Fixed assets	14,824,845.14	14,824,845.14	
Construction-in-progress	12,843,571.97	12,843,571.97	
Productive biological asset			
Oil and gas asset			
Right-of-use asset			
Intangible assets	249,731.94	249,731.94	

Expense on Research and Development			
Goodwill			
Long-term prepaid expenses	2,958,817.65	2,958,817.65	
Deferred income tax asset	13,830,369.64	13,830,369.64	
Other non-current asset			
Total non-current asset	935,987,596.61	935,987,596.61	
Total assets	1,421,774,451.24	1,421,774,451.24	
Current liabilities:			
Short-term loans	143,000,000.00	143,000,000.00	
Trading financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable			
Accounts payable	19,800.00	19,800.00	
Accounts received in advance	4,742.51	4,742.51	
Contract liability			
Wage payable	4,858,788.51	4,858,788.51	
Taxes payable	331,909.65	331,909.65	
Other accounts payable	392,558,990.89	392,558,990.89	
Including: interest payable	232,810.41	232,810.41	
Dividend payable			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	540,774,231.56	540,774,231.56	
Non-current liabilities:			
Long-term loans			



Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable			
Long-term wages payable			
Accrual liability			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities	540,774,231.56	540,774,231.56	
Owners' equity:			
Share capital	297,281,600.00	297,281,600.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	562,032,851.23	562,032,851.23	
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus reserve	3,139,918.14	3,139,918.14	
Retained profit	18,545,850.31	18,545,850.31	
Total owner's equity	881,000,219.68	881,000,219.68	
Total liabilities and owner's equity	1,421,774,451.24	1,421,774,451.24	

#### Explanation

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 - Hedge Accounting

and Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation on 31 March 2017 and shall be effective for enterprise listed in China separately since 1 Jan. 2019

According to the new financial standards, the “Available-for-sale financial assets ” is re-classified to “Financial assets measured by fair value and with its variation reckoned into other comprehensive income”, and adjusted the amount of “Available-for-sale financial assets ” at beginning of 2019 in balance sheet in line with the presentation requirement.

According to the new financial standards, the financial product without principal-guaranteed was re-classified to “Trading financial assets” from “Other current assets”, and adjusted the amount of “Other current assets ” at beginning of 2019 in balance sheet in line with the presentation requirement.

(4) Retrospective adjustment of early comparative data for the first implementation of new financial standards and new lease standards

☐Applicable ☒Not applicable

### **31. Significant accounting judgment and estimation**

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) Impairment of financial assets**

The Company uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and evidenced information, including forward-looking information, needs to be considered. When making such judgments and estimates, the Company infers the expected changes in the debtor's credit risk based on historical data and combined with economic policies, macroeconomic indicators,

industry risks, external market environment, technological environment, changes in customer circumstances, and so on.

### (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) Fair value of financial instruments

For a financial instrument that does not have an active trading market, the Company determines its fair value through various valuation methods. These valuation methods include discounted cash flow model analysis and so on. At the time of valuation, the Company needs to estimate future cash flow, credit risk, market volatility and correlation, and choose an appropriate discount rate. These related assumptions are uncertain and their changes will have an impact on the fair value of the financial instrument. If an equity instrument investment or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

### (5) Impairment of long term assets provision

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.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an

estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(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 liability

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.

Among them, the Company estimates liabilities of the sale, maintenance and modification of after-sales quality maintenance commitments to customers for the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not be able to reflect the future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

## **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 13% and 6%. Value-added tax is computed on the difference after deduction of the deductible input tax for the period.
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

## 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 1<sup>st</sup> January 2019 while period-end refers to 30<sup>th</sup> June 2019; End of last year refers to 31<sup>st</sup> December 2018 and Current Period refers to Jan.-Jun. 2019, Same period of last year refers to Jan.-Jun. 2018

### 1. Monetary fund

Item	Balance at period-end	Balance at year-begin
Stock cash	89,247.55	84,099.49
Bank deposits	225,815,943.61	169,428,161.20
Total	225,905,191.16	169,512,260.69

Up to 30<sup>th</sup> June 2019, the Company's right to use of currency funds under restrictions is RMB 26,664,140.00, which is the supervision fund paid by the Company to Luohu District Urban Renewal Bureau of Shenzhen for the land plot 03 project of the upgrading project of Tellus-Jimeng Gold Jewelry Industrial Park. The currency funds with restricted use rights at the end of last year were RMB 26,664,140.00.

### 2. Trading financial assets

Item	Balance at period-end	Balance at year-begin
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Including: Derivative financial liability	139,405,600.93	330,400,000.00
Financial assets designated to be measured by fair value and with variation reckoned into current gains/losses		

Item	Balance at period-end	Balance at year-begin
Including: Other	90,000,000.00	
Total	229,405,600.93	330,400,000.00
Including: Parts that re-classified to other non-current financial assets		

### 3. Accounts receivable

#### (1) By account age

Account age	Balance at period-end
Within one year	114,598,195.81
Including: within 6 months	114,598,195.81
7-12 months	
Subtotal of within one year	114,598,195.81
1-2 years	
2-3 years	
3-4 years	
4-5 years	
Over 5 years	49,125,862.29
Subtotal	163,724,058.10
Less: bad debt provision	50,175,758.33
Total	113,548,299.77

#### (2) According to accrual method for bad debts

Category	Balance at period-end				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately	127,492,018.45	77.87	23,552,310.56	18.47	103,939,707.89
Receivables with bad debt provision accrual by credit portfolio	9,608,591.88	5.87	--	--	9,608,591.88

Category	Balance at period-end				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Accounts with single minor amount but with bad debts provision accrued individually	26,623,447.77	16.26	26,623,447.77	100.00	
Total	163,724,058.10	100.00	50,175,758.33	—	113,548,299.77

(Continued)

Category	Balance at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately	109,050,086.55	80.13	23,367,891.24	21.43	85,682,195.31
Receivables with bad debt provision accrual by credit portfolio	422,465.20	0.31	--	--	422,465.20
Accounts with single minor amount but with bad debts provision accrued individually	26,623,447.77	19.56	26,623,447.77	100.00	--
Total	136,095,999.52	100.00	49,991,339.01	36.73	86,104,660.51

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

Accounts receivable(units)	Balance at period-end			
	Book balance	Bad debt provision	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

Accounts receivable(units)	Balance at period-end			
	Book balance	Bad debt provision	Accrual ratio	Accrual reasons
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
Xiao Yueliang and other persons	104,989,603.93	1,049,896.04	1.00	Sales of jewelry on credit and in the credit terms
Total	127,492,018.45	23,552,310.56	—	—

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

Item	Balance at period-end		
	Book balance	Bad debt provision	Accrual ratio (%)
Within one year	9,608,591.88	--	--
Total	9,608,591.88	--	--

(3) Bad debt provision

Category	Balance at year-beginning	Current changes			Balance at period-end
		Accrual	Collected or switch back	Write off or charge off	
Account receivable with single significant amount and withdrawal bad debt provision separately	23,367,891.24	184,419.32			23,552,310.56
Accounts with single minor	26,623,447.77				26,623,447.77



Category	Balance at year-beginning	Current changes			Balance at period-end
		Accrual	Collected or switch back	Write off or charge off	
amount but with bad debts provision accrued individually					
Total	49,991,339.01	184,419.32			50,175,758.33

(4) Account receivable actually written-off in the period

No account receivable actually written-off in the period

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

Name of the company	Relationship with the Company	Amount	Account age	Proportion in total account receivables (%)
Shenzhen Jinlu Industry and Trade Co., Ltd.	Non-related party	9,846,607.00	Over 3 years	6.01
Guangdong Zhanjiang Sanxing Auto Service Co., Ltd.	Non-related party	4,060,329.44	Over 3 years	2.48
Xu Zhenhua	Non-related party	3,307,876.43	Within one year	2.02
Mao Haitao	Non-related party	3,257,484.74	Within one year	1.99
Chen Guocan	Non-related party	3,255,999.74	Within one year	1.99
Total	—	23,728,297.35	—	14.49

(6) Account receivable derecognition due to financial assets transfer

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

(7) 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.

#### 4. Accounts paid in advance

## (1) By account age

Account age	Balance at period-end		Balance at year-begin	
	Amount	Ratio (%)	Amount	Ratio (%)
Within one year	12,472,954.30	99.84	9,092,219.33	99.78
1-2 years	--	--	--	--
2-3 years	--	--	--	--
Over 3 years	20,253.94	0.16	20,253.94	0.22
Total	12,493,208.24	100.00	9,112,473.27	100.00

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

The top 5 advance payment at ending balance by prepayment object amounted to 11,650,411.19

Yuan, takes 93.25% in total advance payment at end of the period

## 5. Other account receivable

Item	Balance at period-end	Balance at year-begin
Interest receivable	1,031,521.11	723,407.50
Dividend receivable	81,600,548.07	232,683.74
Other account receivable	11,848,636.82	13,527,117.17
Total	94,480,706.00	14,483,208.41

## (1) Interest receivable

## ①By category

Item	Balance at period-end	Balance at year-begin
Time deposit	1,031,521.11	723,407.50
Total	1,031,521.11	723,407.50

## (2) Dividend receivable

## ①Dividend receivable

Item (or invested unit)	Balance at period-end	Balance at year-begin
Shenzhen SDG Tellus Property Management Co., Ltd.		232,683.74
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	17,500,000.00	

Item (or invested unit)	Balance at period-end	Balance at year-begin
Shenzhen Dongfeng Automobile Co., Ltd	64,100,548.07	
Total	81,600,548.07	232,683.74

**(3) Other account receivable****①By account age**

Account age	Balance at period-end
Within one year	5,427,474.66
Including: within 6 months	5,427,474.66
7-12 months	
Subtotal of within one year	5,427,474.66
1-2 years	2,911,720.87
2-3 years	222,017.41
3-4 years	317,737.67
4-5 years	77,841.64
Over 5 years	56,502,983.51
Subtotal	65,459,775.76
Less: bad debt provision	53,611,138.94
Total	11,848,636.82

**②By nature**

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from related party	3,361,660.81	5,005,511.88
Other intercourse funds	62,098,114.95	62,418,829.69
Subtotal	65,459,775.76	67,424,341.57
Less: bad debt provision	53,611,138.94	53,897,224.40
Total	11,848,636.82	13,527,117.17

**③Accrual of bad debt provision**

Bad debt provision	Phase I	Phase II	Phase III	Total
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	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jan. 1, 2019	4,001,456.73	49,895,767.67		53,897,224.40
Book balance of other account receivable of Jan. 1, 2019 in the period				
——Turn to phase II				
——Turn to phase III				
——Return to Phase II				
——Return to Phase I				
Current accrual	21,907.69			
Current switch back	307,993.15			
Rewrite in the period				
Write-off in the period				
Other changes				
Balance on Jun. 30, 2019	3,715,371.27	49,895,767.67		53,611,138.94

④Bad debt provision

Category	Balance at year-beginning	Current changes			Balance at period-end
		Accrual	Collected or switch back	Write off or charge off	
Other account receivable with single significant amount and withdrawal bad debt provision separately	39,207,653.44				39,207,653.44
Other receivables with bad debt provision accrual by credit	4,001,456.73	21,907.69	307,993.15		3,715,371.27

portfolio					
Other Accounts with single minor amount but with bad debts provision accrued individually	10,688,114.23				10,688,114.23
Total	53,897,224.40	21,907.69	307,993.15		53,611,138.94

Including: important amount of bad debt provision that switch back or collected in the period

Name of the company	Amount switch back or collected	Collection by
Chow Tai Fook Jewelry (Shenzhen) Co., Ltd	307,993.15	Collection of monetary fund
Total	307,993.15	—

⑤ Other account receivable actually written-off in the period

No other account receivable actually written-off in the period

⑥ Top 5 other account receivables at ending balance by arrears party

Name of the company	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Bad debt provision Balance at period-end
Zhongqi South China Auto Sales Company	Intercompany funds	9,832,956.37	Over 3 years	15.02	9,832,956.37
South Industry & TRADE Shenzhen Industrial Company	Intercompany funds	7,359,060.75	Over 3 years	11.24	7,359,060.75
Shenzhen Zhonghao (Group) Co., Ltd	Intercompany funds	5,000,000.00	Over 3 years	7.64	5,000,000.00
Shenzhen Dongchang Yongtong Automobile Inspection Co., Ltd.	Intercompany funds	3,538,614.54	Within one year	5.41	

Name of the company	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Bad debt provision Balance at period-end
Chow Tai Fook Jewelry (Shenzhen) Co., Ltd	Intercompany funds	2,759,100.00	1-2 years	4.21	137,955.00
Total	—	28,489,731.66	—	43.52	22,329,972.12

⑧Other account receivable derecognition due to financial assets transfer in the Period

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

⑨Assets and liabilities resulted by other account receivable transfer and continues involvement in the Period

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

## 6. Inventories

### (1) Category

Item	Balance at period-end		
	Book balance	Depreciation reserve	Book value
Raw materials	15,041,573.00	14,771,812.17	269,760.83
Stock products	30,631,625.42	14,103,023.28	16,528,602.14
Total	45,673,198.42	28,874,835.45	16,798,362.97

### (Continued)

Item	Balance at year-begin		
	Book balance	Depreciation reserve	Book value
Raw materials	15,047,710.72	14,771,812.17	275,898.55
Stock products	26,169,979.13	14,103,023.28	12,066,955.85
Total	41,217,689.85	28,874,835.45	12,342,854.40

### (2) Depreciation reserve

Item	Balance at year-beginning	Current increased		Current decreased		Balance at period-end
		Accrual	Other	Switch back or write-off	Other	
Raw materials	14,771,812.17					14,771,812.17
Stock products	14,103,023.28					14,103,023.28
Total	28,874,835.45					28,874,835.45

## 7. Assets held for sale

### (1) non-current assets held for sale and disposal group

Item	Ending book value	Fair value	Estimated selling cost	Selling cause, method	Estimated time of sale	Subordinate branch
<b>Non-current assets held for sale</b>	—	—	—	—	—	—
Including: Long term equity investment	85,017,251.77			Transfer	2019.8.14	Leasing and service
Total	85,017,251.77					

On December 12, 2017, the 13<sup>th</sup> temporary meeting of the 8<sup>th</sup> Board of Directors and the 3<sup>rd</sup> Extraordinary General Meeting of 2017 reviewed and approved the Proposal on Disposal of 43% Equity of Shenzhen Xinglong Machinery Mould Co., Ltd., and agreed the company to sell all 43% equity of Xinglong Company by public listing. On June 15, 2018, the company signed the "Agreement on Transfer of State-owned Property Rights of Enterprise" with the listing transferee Shenzhen Runhe United Investment Development Co., Ltd. (hereinafter referred to as "Runhe"), and transferred 43% equity of Xinglong Company at 286.67 million Yuan. As of December 31, 2018, the company has received the total payment of 146,201,700 Yuan for the first and second phases of equity transfer under the aforementioned equity transfer contract and received the interest of 1,309,400 Yuan. On June 14, 2019, the company received equity transfer payment of 20 million Yuan and interest of 870,000 Yuan from Runhe. As of June 30, 2019, the company received the total equity transfer payment of 166,201,700 Yuan and interest of 2,179,400 Yuan.

According to the "Accounting Standards for Business Enterprises No. 42 - Non-current assets held for sale, disposal groups and termination of operations", the company divides the balance of RMB 85,017,200 of long-term equity investment of Xinglong Company as of June 30, 2018 as the assets held for sale, and no equity method is accounted for after June 30, 2018. As of the date of approval of this report, the company has received the total equity transfer payment of 286,670,000 Yuan and the interest of 9,028,100 Yuan in

accordance with the "Agreement on Transfer of State-owned Property Rights of Enterprise" and the supplementary agreement.

(2) Impairment of assets held for sale

The assets held for sale has no sign of impairment.

**8. Other current assets**

Item	Balance at period-end	Balance at year-begin
Input tax ready for deducted	2,208,745.54	2,032,494.44
Financial products	40,000,000.00	
Total	42,208,745.54	2,032,494.44

**9. Other creditors' investment**

(1) Accrual of impairment provision

Impairment provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jan. 1, 2019			20,000.00	20,000.00
Book balance of other creditors' investment of Jan. 1, 2019 in the period:				
——Turn to phase II				
——Turn to phase III				
——Return to Phase II				
——Return to Phase I				
Current accrual				
Current switch back				
Rewrite in the period				
Write-off in the period				
Other changes				



Impairment provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jun. 30, 2019			20,000.00	20,000.00

## 10. Long-term account receivable

### (1) Long-term account receivable

Item	Balance at period-end			Balance at year-begin			Discount rate interval
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	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	--	—

### (2) Accrual of impairment provision

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jan. 1, 2019			2,179,203.68	2,179,203.68
Book balance of long-term account receivable of Jan. 1, 2019 in the period:				

	Phase I	Phase II	Phase III	
Bad debt provision	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	Total
——Turn to phase II				
——Turn to phase III				
——Return to Phase II				
——Return to Phase I				
Current accrual				
Current switch back				
Rewrite in the period				
Write-off in the period				
Other changes				
Balance on Jun. 30, 2019			2,179,203.68	2,179,203.68

\* Note: The Company is an associated enterprise of the Company, and the Company substantially constitutes a net investment in the investee to its non-operating receivables. As of the end of the reporting period, the total liabilities of the company have exceeded the total assets, and the owner's equity was negative. The book value of the Company's long-term equity investment in the company has been reduced to zero. The company has ceased operations during the reporting period. In view of the actual situation of the company, the Company has drawn off the bad debt provisions for the long-term receivables in full.

### (3) Long-term account receivable derecognition due to financial assets transfer

The Company has no long-term account receivable derecognition due to financial assets transfer.

### (4) Assets and liabilities resulted by long-term account receivable transfer and continues involvement

The Company has no assets and liabilities resulted by long-term account receivable transfer and continues involvement.

## 11. Long term equity investment

The invested entity	Balance at	Changes in the period (+,-)
---------------------	------------	-----------------------------

	year-beginning	Additi onal invest ment	Capita l reducti on	Investment gains recognized under equity	Other comprehensi ve income adjustment	Other equity change
I. Joint venture						
Shenzhen Tellus Gman Investment Co., Ltd	62,039,013.62			3,652,191.24		
Shenzhen Tellus Hang Investment Co., Ltd.	11,253,581.63			363,981.77		
Subtotal	73,292,595.25			4,016,173.01		
II. Associated enterprise						
Shenzhen Tellus Auto Service Chain Co., Ltd.	--					
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	40,203,423.40			4,360,298.66		
Shenzhen Auto Industry Imp& Exp Co., Ltd.	7,482,170.28			-409,250.15		
Shenzhen Dongfeng Automobile Co., Ltd	103,666,577.28			2,808,303.02		
Shenzhen Xinyongtong Oil Pump Environment Protection Co., Ltd.	127,836.59					
Shenzhen Xinyongtong Consultant Co., Ltd.	41,556.83					
Shenzhen Xinyongtong 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					
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					

The invested entity	Balance at year-beginning	Changes in the period (+,-)				
		Additi onal invest ment	Capita l reducti on	Investment gains recognized under equity	Other comprehensi ve income adjustment	Other equity change
Subtotal	165,996,577.00			6,759,351.53		
III. Other equity investment						
Shenzhen Hanligao Technology Ceramics Co., Ltd*②	1,956,000.00					
Shenzhen South Auto Maintenance Center*②	6,700,000.00					
Subtotal	8,656,000.00					
Total	247,945,172.25			10,775,524.54		

(Continued)

The invested entity	Changes in the period (+,-)			Balance at period-end	Ending balance of impairment provision
	Cash dividend or profit announced to issued	Accrual Impairmen t provision	Other		
I. Joint venture					
Shenzhen Tellus Gman Investment Co., Ltd				65,691,204.86	--
Shenzhen Tellus Hang Investment Co., Ltd.				11,617,563.40	--
Subtotal				77,308,768.26	--
II. Associated enterprise					
Shenzhen Tellus Auto Service Chain Co., Ltd.					--
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	17,500,000.00			27,063,722.06	--
Shenzhen Auto Industry Imp& Exp Co., Ltd.				7,072,920.13	--
Shenzhen Dongfeng Automobile Co., Ltd	64,100,548.07			42,374,332.23	--
Shenzhen Xinyongtong Oil Pump Environment Protection Co., Ltd.				127,836.59	127,836.59
Shenzhen Xinyongtong Consultant Co., Ltd.				41,556.83	41,556.83
Shenzhen Xinyongtong Auto Service Co., Ltd.					--

The invested entity	Changes in the period (+,-)			Balance at period-end	Ending balance of impairment provision
	Cash dividend or profit announced to issued	Accrual Impairment provision	Other		
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
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				91,155,380.46	14,644,406.04
III. Other equity investment					
Shenzhen Hanligao Technology 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				177,120,148.72	23,300,406.04

## 12. Other equity instrument investment

### Other equity instrument investment

Item	Balance at period-end	Balance at year-begin
Equity instrument available for sale originally measured by cost	10,176,617.20	10,176,617.20

Item	Balance at period-end	Balance at year-begin
Total	10,176,617.20	10,176,617.20

### 13. Investment real estate

#### (1) Measured at cost

Item	House and building	Total
I. Original book value		
1. Balance at year-beginning	602,025,611.05	602,025,611.05
2. Current increased	--	--
(1) Outsourcing	--	--
3. Current decreased	9,546,631.74	9,546,631.74
(1) Other transfer-out	9,546,631.74	9,546,631.74
4. Balance at period-end	592,478,979.31	592,478,979.31
II. Accumulated depreciation and accumulated amortization		
1. Balance at year-beginning	98,103,197.35	98,103,197.35
2. Current increased	7,526,757.87	7,526,757.87
(1) Accrual or amortization	7,526,757.87	7,526,757.87
3. Current decreased	7,314,436.12	7,314,436.12
(1) Other transfer-out	7,314,436.12	7,314,436.12
4. Balance at period-end	98,315,519.10	98,315,519.10
III. Impairment provision	--	--
IV. Book value		
1. Ending book value	494,163,460.21	494,163,460.21
2. Book value at year-beginning	503,922,413.70	503,922,413.70

#### (2) Investment real estate with ownership restricted

Up to 30 June 2019, the Company had no investment real estate with ownership restricted.

#### (3) Amount and cause for the investment real estate without ownership certificate

Item	Book value	Cause of without the ownership certificate
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Tellus Shuibei Jewelry Building	428,727,924.01	Uncompleted settlement, failure to handle the ownership certificate
Buxin workshop corridor #5, #6, #7	15,985.26	Failure to handle the ownership certificate for historical reasons
12 buildings in Sungang	18,719.33	Failure to handle the ownership certificate for historical reasons
12 building shops in Sungang	58,608.27	Failure to handle the ownership certificate for historical reasons
Total	428,821,236.87	

**14. Fixed assets**

①Fixed assetsItem	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office and other equipment	Decoration charge for self-owned houses	Total
I. Original book value							
1. Balance at year-beginning	266,262,162.27	11,674,073.65	5,086,600.26	9,657,434.32	2,852,584.72	2,697,711.99	298,230,567.21
2. Increase in the current period	--	194,910.65	671,448.67	445,618.32	68,575.56	--	1,380,553.20
(1) Purchase	--	194,910.65	671,448.67	445,618.32	68,575.56	--	1,380,553.20
3. Decrease in the current period	--	--	580,507.20	--	--	--	580,507.20
(1) Disposal or scrapping	--	--	580,507.20	--	--	--	580,507.20
4. Year-end balance	266,262,162.27	11,868,984.30	5,177,541.73	10,103,052.64	2,921,160.28	2,697,711.99	299,030,613.21
II. Accumulated depreciation							
1. Balance at year-beginning	156,944,286.41	8,711,585.77	3,707,548.67	7,355,334.20	2,176,012.31	2,416,329.26	181,311,096.62
2. Increase in the current period	3,557,840.34	163,437.76	180,580.37	297,689.44	80,199.89	--	4,279,747.80
(1) Accrual	3,557,840.34	163,437.76	180,580.37	297,689.44	80,199.89	--	4,279,747.80
3. Decrease in the current period	--	--	426,530.92	--	--	--	426,530.92
(1) Disposal or scrapping	--	--	426,530.92	--	--	--	426,530.92



①Fixed assetsItem	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office and other equipment	Decoration charge for self-owned houses	Total
4. Year-end balance	160,502,126.75	8,875,023.53	3,461,598.12	7,653,023.64	2,256,212.20	2,416,329.26	185,164,313.50
III. Impairment provision							
1. Balance at year-beginning	3,555,385.70	319,675.11	6,165.00	17,984.71	64,859.81	281,382.73	4,245,453.06
2. Increase in the current period	--	--	--	--	--	--	--
(1) Accrual	--	--	--	--	--	--	--
3. Decrease in the current period	--	--	--	--	--	--	--
(1) Disposal or scrapping	--	--	--	--	--	--	--
4. Year-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. Book value at year-end	102,204,649.82	2,674,285.66	1,709,778.61	2,432,044.29	600,088.27	--	109,620,846.65
2. Book value at year-beginning	105,762,490.16	2,642,812.77	1,372,886.59	2,284,115.41	611,712.60	--	112,674,017.53

## ②Temporary idle fixed asset

The Company had no temporary idle fixed asset end as 30 June 2019.

## ③Fixed assets without ownership certificate

Item	Book value	Cause of without the ownership certificate
Shuibei Zhongtian comprehensive building	1,025,152.02	Failure to handle the ownership certificate for historical reasons
Hostel of Renmin North Road	5,902.41	Failure to handle the ownership certificate for historical reasons
Songquan Apartment (mixed)	20,524.10	Failure to handle the ownership certificate for historical reasons
Tellus Building underground parking	9,761,569.10	Parking lot is un-able to carried out the certificate
Tellus Building transformation layer	1,706,392.88	Un-able to carried out the certificate
Trade department warehouse	82,128.85	Failure to handle the ownership certificate for historical reasons
Warehouse	905,383.21	Failure to handle the ownership certificate for historical reasons
1#,2# and 3-5/F 3# plant of Taoyuan Road	3,906,488.56	Failure to handle the ownership certificate for historical reasons
Yongtong Building	35,322,911.41	Failure to handle the ownership certificate for historical reasons
16# Taohua Garden	1,558,503.72	Failure to handle the ownership certificate for historical reasons
Automotive building	16,961,952.19	Failure to handle the ownership certificate for historical reasons
First floor of Bao'an commercial-residence build	987,597.33	Failure to handle the ownership certificate for historical reasons
Nuclear Office build	4,990,692.75	Failure to handle the ownership certificate for historical reasons
Total	77,235,198.53	

**15. Construction-in-progress**

Item	Balance at period-end	Balance at year-begin
Construction-in-progress	22,707,214.36	12,843,571.97
Total	22,707,214.36	12,843,571.97

**(1) Construction-in-progress**

Item	Balance at period-end			Balance at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Shuibei Jewelry Industrial Park	22,707,214.36		22,707,214.36	12,843,571.97		12,843,571.97
Total	22,707,214.36		22,707,214.36	12,843,571.97		12,843,571.97

**16. Intangible assets****(1) Intangible assets**

Item	Land use right	Trademark right	Software	Total
I. Original book value				
1. Balance at year-beginning	56,252,774.80	128,500.00	1,093,185.00	57,474,459.80
2. Increase in the current period	--	--	90,960.00	90,960.00
(1) Purchase	--	--	90,960.00	90,960.00
3. Decrease in the current period	--	--	--	--
(1) Disposal	--	--	--	--
4. Year-end balance	56,252,774.80	128,500.00	1,184,145.00	57,565,419.80
II. accumulated amortization				
1. Balance at year-beginning	5,490,224.49	82,674.35	889,278.71	6,462,177.55

Item	Land use right	Trademark right	Software	Total
2. Increase in the current period	609,507.42	3,081.65	57,873.07	670,462.14
(1) Accrual	609,507.42	3,081.65	57,873.07	670,462.14
3. Decrease in the current period	--	--	--	--
(1) Disposal	--	--	--	--
4. Year-end balance	6,099,731.91	85,756.00	947,151.78	7,132,639.69
III. Impairment provision	--	--	--	--
IV. Book value				
1. Book value at year-end	50,153,042.89	42,744.00	236,993.22	50,432,780.11
2. Book value at year-beginning	50,762,550.31	45,825.65	203,906.29	51,012,282.25

Note: The amount amortized in this period accounting as RMB 670,462.14.

### 17. Long-term prepaid expenses

Item	Balance at year-beginning	Current increased	Amortization during this period	Other decrease	Balance at period-end
Decoration charge	6,304,607.22	1,828,553.10	527,299.42		7,605,860.90
Total	6,304,607.22	1,828,553.10	527,299.42		7,605,860.90

### 18. Deferred income tax asset

#### (1) Deferred income tax asset recognized

Item	Balance at period-end		Balance at year-begin	
	Deductible temporary difference	Deferred income tax asset	Deductible temporary difference	Deferred income tax asset
Assets impairment provision	78,513,371.59	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	3,984,951.52	996,237.88	4,062,835.92	1,015,708.98
Total	97,342,462.42	24,335,615.61	97,420,346.79	24,355,086.71

## (2) Deferred income tax asset without recognized

Item	Balance at period-end	Balance at year-begin
Deductible temporary difference	92,019,663.92	92,121,330.08
Offset-able losses	32,098,735.18	44,070,344.23
Total	124,118,399.10	136,191,674.31

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

Year	Balance at period-end	Balance at end of last year	Note
2019		14,499,089.58	
2020	505,851.30	505,851.30	
2021	2,121,146.48	2,121,146.48	
2022	7,146,101.41	7,146,101.41	
2023	19,798,155.46	19,798,155.46	
2024	2,527,480.53		
Total	32,098,735.18	44,070,344.23	

**19. Other non-current asset**

Item	Balance at period-end	Balance at year-begin
Equipment account paid in advance	743,261.62	573,661.62
Project account paid in advance	18,109,022.75	2,683,303.10
Other		100,000.00
Total	18,852,284.37	3,356,964.72

**20. Short-term loans**

## (1) Category

Item	Balance at period-end	Balance at year-begin
Debt of honor	143,000,000.00	143,000,000.00
Total	143,000,000.00	143,000,000.00

**21. Accounts payable**

## (1) Accounts payable

Item	Balance at period-end	Balance at year-begin
------	-----------------------	-----------------------

Item	Balance at period-end	Balance at year-begin
Accounts payable	65,355,485.14	73,365,876.09
Total	65,355,485.14	73,365,876.09

## (2) Major account payable with over one year age

Item	Balance at period-end	Unsettled reasons
Shenzhen SDG Real Estate Co., Ltd	6,054,855.46	Unrepayment from related enterprise
Total	6,054,855.46	—

**22. Accounts received in advance**

## (1) Accounts received in advance

Item	Balance at period-end	Balance at year-begin
Within one year	17,495,261.19	10,724,147.61
1-2 years		1,842,649.14
2-3 years	8,723.00	2,276,416.21
Over 3 years	1,054,551.01	1,054,551.01
Total	18,558,535.20	15,897,763.97

Note: Account received in advance 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.

**23. Wage payable**

## (1) Wage payable

Item	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end
I. Short-term compensation	24,800,605.87	28,613,885.95	26,821,086.96	26,593,404.86
II. Post-office benefit- defined contribution plans	1,002,064.49	2,505,366.30	2,395,485.14	1,111,945.65
III. Dismissal benefit	--	164,910.00	164,910.00	--
IV. Other welfare due within one year	--	--	--	--
Total	25,802,670.36	31,284,162.25	29,381,482.10	27,705,350.51

## (2) Short-term compensation

Item	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end
1. Wages , bonuses, allowances and subsidies	22,536,844.79	25,285,370.87	23,484,599.42	24,337,616.24
2. Welfare for workers and staff	--	341,147.61	341,147.61	--
3. Social insurance	6,433.95	1,004,899.52	1,005,634.37	5,699.10
Including: Medical insurance	5,247.87	907,577.23	908,312.08	4,513.02
Work injury insurance	513.72	21,893.57	21,893.57	513.72
Maternity insurance	672.36	75,428.72	75,428.72	672.36
4. Housing accumulation fund	2,031,964.30	1,450,636.34	1,442,457.30	2,040,143.34
5. Labor union expenditure and personnel education expense	225,362.83	531,831.61	547,248.26	209,946.18
Total	24,800,605.87	28,613,885.95	26,821,086.96	26,593,404.86

## (3) Defined contribution plans

Item	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end
1. Basic endowment insurance	130,114.53	2,380,182.77	2,369,627.43	140,669.87
2. Unemployment insurance	1,263.01	25,933.53	25,857.71	1,338.83
3. Enterprise annuity	870,686.95	99,250.00	--	969,936.95
Total	1,002,064.49	2,505,366.30	2,395,485.14	1,111,945.65

## 24. Taxes payable

Item	Balance at period-end	Balance at year-begin
VAT	1,634,634.93	1,372,624.04
Corporation income tax	5,411,047.29	1,914,409.61
Individual income tax	313,438.96	261,135.13
City maintaining & construction tax	145,853.67	151,417.42
Property right tax	1,686,793.48	266.04
Land VAT	5,362,682.64	5,362,682.64
Land use tax	223,813.86	26,459.98

Item	Balance at period-end	Balance at year-begin
Education surcharge	145,432.31	149,406.46
Stamp duty	19,284.89	93,010.71
Other		45,981.54
Total	14,942,982.03	9,377,393.57

**25. Other accounts payable**

Item	Balance at period-end	Balance at year-begin
Interest payable	172,792.00	290,215.78
Other accounts payable	271,426,299.34	250,198,878.69
Total	271,599,091.34	250,489,094.47

**(1) Interest payable**

Item	Balance at period-end	Balance at year-begin
Interest of long-term loans with interest-installment and principal paid on due		57,405.37
Interest payable of short-term loans	172,792.00	232,810.41
Total	172,792.00	290,215.78

No overdue interest unpaid.

**(2) Other accounts payable****①By nature**

Item	Balance at period-end	Balance at year-begin
Relevant contacts	24,783,476.50	37,392,791.77
Deposit and margin	28,350,746.47	22,124,264.01
Other	218,292,076.37	190,681,822.91
Total	271,426,299.34	250,198,878.69

**26. Long-term loans**

Item	Balance at period-end	Balance at year-begin
Mortgage loan		34,934,887.55
Total		34,934,887.55



On June 24, 2014, Zhongtian Company and China Construction Bank Co., Ltd. Shenzhen Branch signed the “Fixed Asset Loan Contract” for the construction of the first phase of the Jewelry Building, the contract stipulated a loan amount of 300 million Yuan and the loan period was from June 24, 2014 to June 23, 2024. As of March 31, 2019, the loan still had outstanding of 4 million Yuan, which was fully paid off in April 2019.

## 27. Long-term account payable

Item	Balance at period-end	Balance at year-begin
Long-term account payable	3,920,160.36	3,920,160.36
Special payable		
Total	3,920,160.36	3,920,160.36

### (1) Long-term account payable

Item	Balance at period-end	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

## 28. Accrual liability

Item	Balance at year-begin	Balance at period-end	Causes
Pending litigation	2,225,468.76	2,225,468.76	
Total	2,225,468.76	2,225,468.76	

Explanation on contingency③: In May 2014, Huarong Shenzhen Company sued Guangming Watch Industry Company and Automobile Industry and Trade Company in Shenzhen Futian District People's Court, requesting the decree that Huarong Shenzhen Company obtain the ownership equity of Guangming Watch Industry Company under Civil Judgment (1997) SFFJCZ No. 801, and requesting the decree that Automobile Industry and Trade Company assumes joint liability for the above debts on the grounds that Guangming Watch Industry Company's not liquidating caused the shareholders to damage the creditor's interest of the company.

Up to 29 May 2014, the debt principle of 350,000.00 Yuan and interest 65,200.08 Yuan are need to paid by the Company. The court acceptance fee 12,010.00 Yuan and debt interest 946,697.54 Yuan during the delayed performance period, together with principle and interests amounted to 1,361,897.62 Yuan. At the bank borrowing rate for the same period and counted to 29 May 2019, the principle and interest that the Company may need to paid 1,854,557.30 Yuan in total. If Huarong Company propose the default interest of 20% and without the objection from the court, the highest possible loss is amounted to 2,225,468.76 Yuan in total (including principle and interest) by the Company.

**29. Share capital**

Item	Balance at year-beginning	Changes in the period (+,-)(+ . -)					Balance at period-end
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Subtotal	
Total share capital	297,281,600			133,776,720		133,776,720	431,058,320

**30. Capital reserve**

Item	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end
Capital premium	559,544,773.35		133,776,720.00	425,768,053.35
Other capital reserve	5,681,501.16			5,681,501.16
Total	565,226,274.51		133,776,720.00	431,449,554.51

After the resolution of Shareholders general meeting on 23 April 2019, based on the total share capital of 297,281,600 dated 31<sup>st</sup> December 2018, the Company increase 4.5 shares for every 10 shares to all shareholders with capital reserves, 133,776,720 shares in total are being converted, balance of capital reserves amounted to 431,449,554.51 Yuan after converted.

**31. Other comprehensive income**

Item	Balance at year-begin	Balance at year-beginning	Current period					Ending balance
			Account before income tax in the period	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period (or retained earnings)	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
I. Other comprehensive income items which will not be reclassified subsequently to profit of loss								
Including: Changes of the defined benefit plans that re-measured								
Other comprehensive income under equity method that cannot be transfer to gain/loss								?
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	26,422.00							26,422.00

Item	Balance at year-begin	Balance at year-beginning	Current period					Ending balance
			Account before income tax in the period	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period (or retained earnings)	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Including: Other comprehensive income under equity method that can transfer to gain/loss	26,422.00							26,422.00
Gain/loss of fair value changes for available-for-sale financial assets(Former financial instrument standard)								
Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset(Former financial instrument standard)								

Item	Balance at year-begin	Balance at year-beginning	Current period					Ending balance
			Account before income tax in the period	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period (or retained earnings)	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Change of fair value of other creditors' investment								
Amount of financial assets re-classify to other comprehensive income								
Credit impairment provision for other creditors' investment								
Cash flow hedging reserve								
Translation differences arising on translation of foreign currency financial statements								

Item	Balance at year-begin	Balance at year-beginning	Current period					Ending balance
			Account before income tax in the period	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period (or retained earnings)	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Total other comprehensive income	26,422.00							26,422.00

**32. Surplus reserve**

Item	Balance at year-begin	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end
Statutory surplus reserve	3,139,918.14	3,139,918.14	--	--	3,139,918.14
Total	3,139,918.14	3,139,918.14	--	--	3,139,918.14

**33. Retained profit**

Item	Current period	Last period
Retained profits at the end of last year before adjustment	184,535,322.70	97,798,595.80
Adjust the total Retained profits at the beginning of the year (Increase +, Decrease -)	--	--
Retained profits at the beginning of the year after adjustment	184,535,322.70	97,798,595.80
Add: The net profits belong to shareholders of patent company of this period	44,779,948.60	26,920,279.86
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	229,315,271.30	124,718,875.66

**34. Operating income and cost**

Item	Current period		Same period last year	
	Income	Cost	Income	Cost
Main business	274,182,882.36	209,294,422.75	194,190,757.18	152,737,808.48
Other business	4,085,856.97	1,199,589.67	3,764,324.55	1,002,143.63
Total	278,268,739.33	210,494,012.42	197,955,081.73	153,739,952.11

**35. Tax and surcharges**

Item	Current period	Same period last year
Consumption tax	228,067.46	238,345.22
City maintaining & construction tax	395,934.29	364,256.92

Item	Current period	Same period last year
Education surcharge	282,810.15	258,836.71
Land use tax	218,743.88	209,447.09
Property right tax	1,686,527.43	1,729,876.12
Stamp duty	152,809.21	102,522.31
Other taxes	3,272.64	19,337.55
Total	2,968,165.06	2,922,621.92

Note: tax paying standards found more in Note V. Taxes

### 36. Sales expenses

Item	Current period	Same period last year
Staff remuneration	6,075,124.02	5,088,693.99
Advertising and exhibition expenses	238,736.65	337,873.81
Depreciation and amortization	710,671.25	578,266.24
Office expenses	283,392.38	302,546.51
Utilities	141,178.84	395,335.70
Transportation and business trip cost	147,134.39	177,820.47
Other	1,762,276.76	1,457,370.55
Total	9,358,514.29	8,337,907.27

### 37. Administration expense

Item	Current period	Same period last year
Staff remuneration	13,660,961.91	14,695,652.80
Office expenses	631,367.84	754,044.43
Transportation and business trip cost	159,511.67	322,091.67
Business entertainment expenses	257,293.90	441,210.59
Depreciation and amortization	1,027,310.00	868,746.73
Consulting and service expenses	528,616.99	1,382,567.03
Other	613,566.95	672,779.16
Total	16,878,629.26	19,137,092.41



**38. Financial expenses**

Item	Current period	Same period last year
Interest expenses	4,765,937.06	4,367,283.44
Less: Interest income	1,152,054.69	1,053,302.07
Less: interest capitalized amount		685,189.91
Exchange gains and losses	10,717.33	14,108.62
Other	133,176.06	128,972.53
Total	3,757,775.76	2,771,872.61

**39. Other income**

Item	Current period	Same period last year	Amount reckoned into current non-recurring gains/losses
VAT input tax deduction	6,611.29		6,611.29
Total	6,611.29		6,611.29

**40. Investment income**

Item	Current period	Same period last year
Income of long-term equity investment calculated based on equity	10,775,524.54	12,795,300.82
Income of disposal of long-term equity investment		1,308,598.25
Investment income of financial products during the holding period	5,935,926.39	3,762,123.18
Total	16,711,450.93	17,866,022.25

**41. Credit impairment loss**

Item	Current period	Same period last year
Bad debt loss of account receivable	-184,419.32	—
Bad debt loss of other account receivable	286,085.46	—
Total	101,666.14	

**42. Assets impairment loss**

Item	Current period	Same period last year
Bad debt loss	—	-383,789.39
Loss from falling price of inventory		-8,250.86
Total		-392,040.25

**43. Income from assets disposal**

Item	Current period	Same period last year	Amount reckoned into current non-recurring gains/losses
Income from disposal of non-current assets	103,159.68		103,159.68
Total	103,159.68		103,159.68

**44. Non-operating income**

Item	Current period	Same period last year	Amount reckoned into current non-recurring gains/losses
Gains from non-current assets damaged/scrap	52,583.13		52,583.13
Including: Fixed assets	52,583.13		52,583.13
Intangible assets			
Gains for account unable to paid		3,131.97	
Other	55,157.55	31,262.42	55,157.55
Total	119,625.44	34,394.39	119,625.44

**45. Non-operating expenditure**

Item	Current period	Same period last year	Amount reckoned into current non-recurring gains/losses
Loss of non-current assets scrap and damage		99,240.38	
Including: Fixed assets		99,240.38	

Item	Current period	Same period last year	Amount reckoned into current non-recurring gains/losses
Intangible assets			
Other	833,400.00	447.93	833,400.00
Total	833,400.00	99,688.31	833,400.00

#### 46. Income tax expense

##### (1) Income tax expense

Item	Current period	Same period last year
Current income tax expense	5,997,893.76	1,671,294.17
Deferred income tax expense	19,471.10	19,471.10
Adjustment for precious period	20,891.90	196,708.50
Total	6,038,256.76	1,887,473.77

##### (2) Adjustment on accounting profit and income tax expenses

Item	Current period
Total profit	51,020,756.02
Income tax measured by statutory/applicable tax rate	12,755,189.01
Impact by different tax rate applied by subsidies	
Adjusted the previous income tax	20,891.90
Impact by non-taxable revenue	-2,693,881.14
Impact on cost, expenses and losses that unable to deducted	
Impact by the deductible losses of the un-recognized previous deferred income tax	-1,025,624.21
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	-3,018,318.80
Change of the balance of deferred income tax assets/liabilities at period-begin resulted by tax rate adjustment	
Income tax expense	6,038,256.76

#### 47. Notes to statement of cash flow

##### (1) Other cash received in relation to operation activities

Item	Current period	Same period last year
Intercourse funds	29,623,572.79	14,445,364.48
Interest income	664,434.23	350,767.12
Total	30,288,007.02	14,796,131.60

## (2) Other cash paid in relation to operation activities

Item	Current period	Same period last year
Expenses of operation management cash paid	4,770,459.97	6,238,289.92
Intercourse funds and other	25,392,044.89	34,390,552.03
Total	30,162,504.86	40,628,841.95

## (3) Other cash received in relation to investment activities

Item	Current period	Same period last year
Account received for equity transfer	20,870,000.00	46,001,000.00
Total	20,870,000.00	46,001,000.00

## (4) Other cash paid in relation to investment activities

Item	Current period	Same period last year
Equity transfer fee		5,733,400.00
Total		5,733,400.00

**48. Supplementary information to statement of cash flow**

## (1) Supplementary information to statement of cash flow

Supplementary information	Current period	Same period of last year
<b>1. Net profit adjusted to cash flow of operation activities:</b>		
Net profit	44,982,499.26	26,566,849.72
Add: Assets impairment provision		392,040.25
Credit impairment loss	-101,666.14	—
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	11,806,505.67	6,155,954.57
Amortization of intangible assets	670,462.14	695,499.23
Amortization of long-term deferred expenses	527,299.42	379,476.58

Supplementary information	Current period	Same period of last year
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-101,666.14	63,707.05
Loss of disposing fixed assets(gain is listed with “-”)	-52,583.13	35,533.33
Loss from change of fair value(gain is listed with “-”)		
Financial expenses (gain is listed with “-”)	4,765,937.06	3,596,467.06
Investment loss (gain is listed with “-”)	-16,711,450.93	-17,866,022.25
Decrease of deferred income tax asset( increase is listed with “-”)	19,471.10	19,471.10
Increase of deferred income tax liability (decrease is listed with “-”)		
Decrease of inventory (increase is listed with “-”)	-4,455,508.57	5,938,424.27
Decrease of operating receivable accounts (increase is listed with “-”)	-29,044,227.74	-23,770,419.43
Increase of operating payable accounts (decrease is listed with “-”)	15,128,987.30	-30,277,449.59
Other		
Net cash flow arising from operating activities	27,434,059.30	-28,070,468.11
<b>2. Material investment and financing not involved in cash flow</b>		
Debt transfer to capital		
Convertible bonds due within one year		
Fixed assets financing lease-in		
<b>3. Net change of cash and cash equivalents:</b>		
Balance of cash at period end	199,241,051.16	277,556,456.47
Less: Balance of cash equivalent at period-begin	142,848,120.69	161,793,218.56
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increasing of cash and cash equivalents	56,392,930.47	115,763,237.91

## (2) Constitution of cash and cash equivalent

Item	Balance at period-end	Balance at year-beginning
I. Cash	199,241,051.16	277,556,456.47

Item	Balance at period-end	Balance at year-beginning
Including: Stock cash	89,247.55	109,592.35
Bank deposit available for payment at any time	199,151,803.61	277,446,864.12
Other monetary fund available for payment at any time		
Account available for payment saved in central bank		
Deposit in inter-bank		
Call loans from banks		
II. Cash equivalent		
Including: bond investment matured within 3 months		
.....		
<b>II. Balance of cash and cash equivalent at period-end</b>	<b>199,241,051.16</b>	<b>277,556,456.47</b>
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

#### 49. Assets with ownership or use right restricted

Item	Ending book value	Reason
Monetary fund	26,664,140.00	1 Note VI-1
Long term equity investment	27,063,722.06	Note IX -4(5)
Assets held for sale	85,017,251.77	Note IX -4(5)
Total	138,745,113.83	

#### 50. 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	6.8747	5,884.74

### 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

No disposal of subsidiary in the period

## 5. Change of consolidate scope for other causes

No change of consolidate scope for other causes in the period

# 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 Xinyongtong Automobile Development Co. Ltd.	Shenzhen	Shenzhen	Service industry	100.00		Obtained by establishment or investment
Shenzhen Dongchang Yongtong Automobile Inspection 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 Chuangying Technology Co., Ltd.*2	Shenzhen	Shenzhen	Service industry	100.00		Obtained by establishment or investment
Shenzhen Xinyongtong Automobile Inspection	Shenzhen	Shenzhen	Service industry	51.00		Obtained by establishment or

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio(%)		Acquired way
				Directly	Indirectly	
Equipment Co. Ltd.						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 Hanligao Technology 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 or investment
Anhui Tellus Starlight	Hefei	Hefei	Commerce		60.00	Obtained by



Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio(%)		Acquired way
				Directly	Indirectly	
Junzun Jewelry Co., Ltd.						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 Hanligao Technology Ceramics Co., Ltd was from September 21, 1993 to September 21, 1998, and the operation period of Shenzhen South Auto Maintenance Center was from July 12, 1994 to July 11, 2002, these companies have ceased operations for many years and their business registrations have been revoked because they did not participate in the annual industrial and commercial inspection. The Company has been unable to exercise effective control over these companies, and these companies are not included in the consolidation scope of the Company's consolidated financial statements, the Company's investment in these companies and the book value of the net investment in these companies is zero.

\*2, Shenzhen Tellus Real Estate Trading Co., Ltd. was renamed as Shenzhen Tellus Chuangying Technology Co., Ltd. on November 23, 2018, it has completed the business registration changes and obtained the business license.

## (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 Sales Co. Ltd	40%	53,409.02	--	891,946.07
Shenzhen SDG Huari Automobile Enterprise Co.Limited	40%	-23,389.77	--	10,914,287.57

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

Subsidiary	Balance at period-end					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile Sales Co. Ltd	61,440,674.09	3,741,267.74	65,181,941.83	62,952,076.65	--	62,952,076.65

Subsidiary	Balance at period-end					
Shenzhen SDG Huari Automobile Enterprise Co.Limited	44,972,026.13	27,154,671.49	72,126,697.62	44,840,978.70	--	44,840,978.70

(Continued)

Subsidiary	Balance at end of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile Sales Co. Ltd	50,501,290.59	3,303,588.99	53,804,879.58	51,708,536.94	--	51,708,536.94
Shenzhen SDG Huari Automobile Enterprise Co.Limited	42,821,429.72	27,874,888.18	70,696,317.90	43,352,124.56	--	43,352,124.56

(Continued)

Subsidiary	Current period				Same period last year			
	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 Sales Co. Ltd	106,372,651.09	133,522.54	133,522.54	3,616,339.12	85,879,290.03	446,069.13	446,069.13	2,611,399.29
Shenzhen SDG Huari Automobile Enterprise Co.Limited	18,957,565.71	-58,474.42	-58,474.42	-3,733,976.75	17,507,428.39	-411,922.09	-411,922.09	-972,706.87

(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 associated enterprise****(1) Important associated enterprise**

Joint venture/ associated enterprise	Main operation place	Registered place	Business nature	Share-holding ratio(%)		Accounting treatment on investment for Joint venture or associated enterprise
				Directly	Indirectly	
Associated enterprise:						
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen	Shenzhen	Sales and maintain of Benz	35.00		Equity method
Shenzhen Dongfeng Automobile 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 management and leasing	50.00		Equity method

**(2) Main financial information of the important joint venture**

Item	Shenzhen Tellus Gman Investment Co., Ltd	
	Balance at period-end/Current period	Balance at end of last year/Same period last year
Current assets	39,509,329.58	30,578,378.74
Including: Cash and cash equivalent	10,531,553.22	9,055,687.59
Non-current assets	358,747,463.90	362,263,866.80
Total assets	398,256,793.48	392,842,245.54
Current liabilities	20,874,384.38	12,764,218.35
Non-current liabilities	246,000,000.00	256,000,000.00

Item	Shenzhen Tellus Gman Investment Co., Ltd	
	Balance at period-end/Current period	Balance at end of last year/Same period last year
Total liabilities	266,874,384.38	268,764,218.35
Minority interests		--
Equity attributable to shareholder of parent company	131,382,412.10	124,078,027.19
Share of net assets calculated by shareholding ratio	65,691,206.05	62,039,013.62
Adjustment items		
—Goodwill		--
—Unrealized profit of internal trading		--
—Other		--
Book value of equity investment in joint ventures	65,691,204.86	62,039,013.62
Fair value of the equity investment of joint venture with public offers concerned		
Business income	41,866,318.34	33,843,551.10
Financial expenses	7,181,939.67	9,221,726.36
Income tax expenses	1,685,627.29	
Net profit	7,304,384.91	6,984,356.55
Net profit of the termination of operation		
Other comprehensive income		
Total comprehensive income	7,304,384.91	6,984,356.55
Dividends received from joint venture in the year		

## (3) Main financial information of the important associated enterprise

Item	Balance at period-end/Current period		Balance at end of last year/Same period last year	
	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd
Current assets	257,732,411.19	499,585,517.51	257,589,051.00	617,799,827.49
Non-current assets	38,933,549.81	223,302,727.56	22,136,628.00	228,248,688.85
Total assets	296,665,961.00	722,888,245.07	279,725,679.00	846,048,516.34
Current liabilities	169,147,592.70	494,334,284.71	164,858,755.00	370,192,355.97
Non-current liabilities	50,193,449.01	69,181,983.79	--	70,203,098.25
Total liabilities	219,341,041.71	563,516,268.50	164,858,755.00	440,395,454.22
Minority interests	--	--	--	-9,013,246.97
Equity attributable to shareholder of parent company	77,324,919.29	169,497,328.91	114,866,924.00	414,666,309.09
Share of net assets calculated by shareholding ratio	27,063,721.75	42,374,332.23	40,203,423.40	103,666,577.28
Adjustment items				
—Goodwill				
—Unrealized profit of internal trading				
—Other				
Book value of equity investment in associated enterprise	27,063,722.06	42,374,332.23	40,203,423.40	103,666,577.28
Fair value of the equity investment of associated				

Item	Balance at period-end/Current period		Balance at end of last year/Same period last year	
	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd	Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd
enterprise with public offers concerned				
Business income	568,266,810.59	219,400,462.98	625,845,433.53	206,529,913.61
Net profit	12,457,996.18	10,121,106.72	24,457,707.54	3,918,159.88
Net profit of the termination of operation	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	12,457,996.18	10,121,106.72	24,457,707.54	3,918,159.88
Dividends received from associated enterprise in the year	17,500,000.00	64,100,548.07	52,500,000.00	--

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

Item	Balance at period-end/Current period	Balance at end of last year/Same period last year
Joint venture:		
Total book value of investment	11,617,563.40	11,253,581.63
Total amount of the follow items calculated by share-holding ratio		
—Net profit	363,981.77	102,122.54
—Other comprehensive income		
—Total comprehensive income	363,981.77	102,122.54
Associated enterprise:		

Item	Balance at period-end/Current period	Balance at end of last year/Same period last year
Total book value of investment	7,072,920.13	7,482,170.28
Total amount of the follow items calculated by share-holding ratio		
—Net profit	-409,250.15	-362,624.06
—Other comprehensive income		
—Total comprehensive income	-409,250.15	-362,624.06

## (5) Excess deficit from joint venture or associated business

Joint venture or associated enterprise	Cumulative losses without recognized at beginning of the year	Loss of net profit without recognized in the period (or the net profit shares in the period)	Cumulative losses without recognized at end of current period
Shenzhen Tellus Auto Service Chain Co., Ltd.	98,921.14	-33.44	98,887.7
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., Ltd.	1,498,143.53	242,952.17	1,741,095.7
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.	783,412.71	123,625.16	907,037.87

## 4. Important co-management

No co-management in the Period.

## IX. Related party and related transactions

## 1. Parent company of the enterprise

Parent company	Registered 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	2582.82 million 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 associated enterprise of the Company

Found more in Note VIII-3.

## 4. Particulars about other related parties

(1) purchase/sale of goods; providing/accepting labor service

①Purchasing goods/accepting labor service

Related party	Content	Current period	Same period last year
Shenzhen SD Engineering Management Co., Ltd.	Cost of superintendence	504,190.40	240,000.00
Shenzhen SDG Tellus Property Management Co., Ltd.	Property service charge	5,816,443.82	--

Sales of goods/providing labor service

Related party	Content	Current period	Same period last year
Shenzhen SD Petty Loan Co., Ltd.	Property service charge	95,167.03	--

(2) related associated trusteeship management/ mandatory administration

No related associated trusteeship management/ mandatory administration in the period.

(3) Related contract

No related contract in the period.

(4) Related lease

①As a lessor for the Company

Lessee	Assets type	Lease income recognized in the period	Lease income recognized at same period last year
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	House leasing	2,523,809.60	2,523,809.60
Shenzhen Xinyongtong Auto Service Co., Ltd.	House leasing	327,782.86	308,502.84
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., Ltd.	House leasing	240,428.57	226,285.74
Shenzhen SD Petty Loan Co., Ltd.	House leasing	704,631.90	--
Shenzhen SDG Tellus Property Management	House leasing	13,288.57	70,190.48



Co., Ltd.			
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## (5) Related guarantee

## ① The Company serves as guarantor

1. 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 Zung Fu Tellus Auto Service Co., Ltd. (hereinafter referred to as Zung Fu Tellus) to the expiration date of the joint venture contract between the Company and Zung Fu 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 RMB 100 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.

Shenzhen Xinglong Machinery Mould Co., Ltd. (hereinafter referred to as “Xinglong Company”) is a shareholding subsidiary of the Company, the Company holds a 43% equity interest in Xinglong Company. In order to build the Xinglong Gold Jewelry Building Project, Xinglong Company signed a fixed asset loan contract with China Construction Bank Co., Ltd. Shenzhen Branch (hereinafter referred to as “China Construction Bank”) with a loan amount of RMB 280 million, and Xinglong Company used the land certificate of Xinglong Gold Jewelry Building (Land Parcel No.H309-0024(1)) as the collateral. Now Xinglong Company intends to apply to China Construction Bank for the cancellation of the land certificate mortgage for the real estate license of Xinglong Gold Jewelry Building. During the period of handling the real estate license, each shareholder of Xinglong Company pledges the equity of Xinglong Company to China Construction Bank at the same time so as to provide temporary pledge guarantees for the loans of Xinglong Company.

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 HezhiYuan Jewelry Co., Ltd., the related enterprise of Chengdu CaizhiYuan Jewelry Co., Ltd. which is a shareholder of the Company’s subsidiary Sichuan Tellus Jewelry Technology Co., Ltd., and the related individual Xiong Yungui, Chengdu Ruihang Jewelry Co., Ltd., a shareholder of Sichuan Tellus Jewelry Technology Co., Ltd., and the related individual Linhang, Chengdu Zhongjin Guifu Jewelry Co., Ltd., a shareholder of Sichuan Tellus Jewelry Technology Co., Ltd., and the related individual Lin Tonggui, Chengdu Hengyue Trading Co., Ltd., a shareholder of Sichuan Tellus Jewelry Technology Co., Ltd., and related company Chengdu Zhongcheng Shubao Jewelry Co., Ltd. set the maximum guarantee by taking Sichuan Tellus Jewelry Technology Co., Ltd. as the creditor, the main creditor's right of guarantee is the accounts receivable of Sichuan Tellus Jewelry Technology Co., Ltd. to the warrantees, Lin Qin, etc., the total amount of guarantees is 104.99 million Yuan.

## (6) Currencies deposit between related parties

Related party	Content	Current year	Last year
Borrow-in:			
Shenzhen SDG Co., Ltd.	Fund occupation expenses	139,647.55	216,794.15
Anhui Jinzun Jewelry Co., Ltd.	Fund occupation expenses	207,543.00	18,368.53
Starlight Jewelry Co., Ltd.	Fund occupation expenses	117,416.63	4,411.18
Borrow-out:			
Shenzhen Xinglong Machinery Mould Co., Ltd.	Fund occupation expenses	37,708.32	37,708.32

## (7) Remuneration of key manager

Item	Current period	Same period last year
Remuneration of key manager	3,510,000 Yuan	4,000,000 Yuan

**5. Receivable/payable items of related parties**

## (1) Receivable item

Item	Balance at period-end		Balance at end of last year	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	2,776,190.40	--	--	--
Shenzhen Xinyongtong Auto Service Co., Ltd.	984,964.00	927,602.00	927,602.00	927,602.00
Shenzhen Xinyongtong Dongxiao Auto Parts Sales Co., Ltd.	722,475.00	680,400.00	680,400.00	680,400.00
Total	4,483,629.40	1,608,002.00	1,608,002.00	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 Yongtong Xinda Inspection Equipment Co., Ltd.	531,882.24	531,882.24	531,882.24	531,882.24

Item	Balance at period-end		Balance at end of last year	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Xiandao New Material Co., Ltd.	660,790.09	660,790.09	660,790.09	660,790.09
Shenzhen Xinglong Machinery Mould Co., Ltd.	2,376,474.54	1,093,185.22	2,338,766.22	1,074,239.56
Shenzhen Tellus Xinyongtong Auto Service Co., Ltd.	114,776.33	114,776.33	114,776.33	114,776.33
Total	5,043,220.20	3,759,930.88	5,005,511.88	3,740,985.22
Dividend receivable:				
Shenzhen SDG Tellus Property Management Co., Ltd.	--	--	232,683.74	--
Total	--	--	232,683.74	--
Long-term account receivable				
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	Balance at period-end	Balance at end of last year
Accounts payable:		
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 Tellus Gman Investment Co., Ltd	200,000.00	200,000.00
Total	6,300,155.46	6,300,155.46
Other accounts payable:		
Shenzhen SDG Real Estate Co., Ltd	335,701.34	335,701.34
Hong Kong Yujia Investment Co, Ltd.	2,126,714.22	2,116,056.82
Shenzhen SDG Swan Industrial Co., Ltd.	20,703.25	20,703.25
Shenzhen Machinery Equipment Imp & Exp. Company	1,554,196.80	1,554,196.80

Item	Balance at period-end	Balance at end of last year
Shenzhen SDG Co., Ltd.	20,331,808.32	23,079,380.77
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 Xinyongtong Technology Co., Ltd.	139,200.00	139,200.00
Shenzhen Tellus Hang Investment Co., Ltd.	111,129.00	192,129.00
Shenzhen Yongtong Xinda Inspection Equipment Co., Ltd.	29,940.00	28,340.00
Anhui Jinzun Jewelry Co., Ltd.	2,530,000.00	5,530,000.00
Starlight Jewelry Co., Ltd.	886,291.66	903,458.30
Shenzhen SDG Tellus Property Management Co., Ltd.	2,566,284.00	1,763,953.00
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	833,334.00	833,334.00
Shenzhen SD Petty Loan Co., Ltd.	227,836.80	227,836.80
Total	33,265,099.38	38,296,250.07

## X. Commitment or contingency

### 1. Important commitments

#### (1) Capital commitments

Item	Balance at period-end	Balance at end of last year
Signed without recognized in financial statement		
—Purchase and construction of long-term assets commitment	7,888,840.85	23,314,560.50
Total	7,888,840.85	23,314,560.50

### 2. Contingency

#### (1) Contingent liability and its financial influence formed by pending litigation 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.

After failed to communicate with Jintian Company about the cash and equity that should be allocated to our company after Jintian Company's bankruptcy and reorganization for more than once, the Company filed a lawsuit to the People's Court of the Qianhai Cooperation Zone, requesting the court to order Jintian Company and its shareholders to pay RMB 325,000 in cash and 427,604 shares of A shares and 163,886 shares of B shares of Jintian Company. The matter has been filed but has not been opened until June 30, 2019.

② In 2014, our subsidiary Shenzhen Automobile Industry Trading General Company (hereinafter referred to as Automobile Industry 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 20<sup>th</sup> 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. 30<sup>th</sup> 2018, which granted to revoke the approval and ruled in favor of Automobile Industry and Trading Co., Ltd. In June 2018, Huarong Asset Shenzhen Branch applied to the Shenzhen Intermediate People's Court for the bankruptcy liquidation of Guangming Watch. Up to 30<sup>th</sup> June 2019, no further legal instruments have been received.

③Bao'an District People's Court (1996) BFJZ No. 183 civil judgment judged that Guangming Watch Industry Company should repay RMB 1.9 million and interest to CCB, the final judgment of Shenzhen Intermediate People's Court (1996) SZFJYZZ No. 563 civil judgment upheld the original verdict. After the judgment, Guangming Watch Industry Company failed to fulfill its obligations, and CCB applied for enforcement and executed 1.64 million Yuan. Afterwards, as no property was available for execution, Baoan District Court made civil ruling (1997) SBFZZ No. 220 on May 20, 2003 to rule the termination of execution. In June 2004, the original creditor CCB transferred all of the above claims to the asset management company. After several transfers, Ezhou Liantai Investment Consulting Co., Ltd. proposed to obtain the claims 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) SZFYZZ 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) EHRZY No. 00005 execution ruling was repealed and returned for re-examination.

On November 30, 2015, Ezhou Liantai Investment Consulting Co., Ltd. applied for execution to the Shenzhen Futian District People's Court by taking Automobile Trade Company as the person subject to enforcement. On December 10, 2018, the Company received the execution ruling (2018) Yue 0304 Zhi Hui No. 1003 from Shenzhen Futian District People's Court, and the Company has paid RMB 1,900,000 to Ezhou Liantai on November 26, 2018 in accordance with the execution ruling, the case has been executed and closed.

④The 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. In December 2017, subsidiary of Tellus- Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd. 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. 22<sup>nd</sup> 2018. Later, the Court hearing the case in court twice on 7<sup>th</sup> March 2018 and 29<sup>th</sup> March 2018. The first trial has been completed, Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd. lose a lawsuit. No further legal instruments have been received ended as 30<sup>th</sup> June 2019.

⑤In March 2018, the natural person Huang Weiqiang has filed a lawsuit with Shenzhen Automobile Industry and Trading General Company and Shenzhen SDG Co., Ltd. to Shenzhen Luohu District People's Court, asking them to pay a total amount of 136, 692.13 Yuan 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, the second instance court rejected Huang's appeal. No further legal instruments have been received ended as 30<sup>th</sup> June 2019.

⑥ In March 2019, Xie Jianguang submitted an arbitration application to the Shenzhen Labor and Personnel Dispute Arbitration Commission on the grounds that he had changed his position without authorization and illegally terminated the contract, claiming compensation of 529,389.55 Yuan. The Arbitration Commission held a trial in June 2019, and later ruled that Shenzhen Automobile Industry Trading General Company lost the case. At present, Automobile Industry and Trade Company is preparing to file a first-instance complaint.

⑦ In 2019, Ma Baohong took Shenzhen Tellus (Group) Co., Ltd. and Shenzhen Zhongtian Industrial Co., Ltd. as the defendants, and submitted an arbitration application to the Shenzhen Labor and Personnel Dispute Arbitration Commission on the grounds of being forced to terminate the labor contract and that the bonus is not being paid in full. The claimed amount of compensation is 472,706.27 Yuan. In July 2019, the Arbitration Commission held a trial, and no ruling has yet been made.

## **XI. Events after balance sheet date**

### **1. Profit distribution**

No profit distribution and capital reserve conversion in the period

### **2. Equity transfer**

On July 30, 2019, the Company and Shenzhen Runhe United Investment Development Co., Ltd. (hereinafter referred to as "Runhe") signed a supplementary agreement on the transfer of 43% equity of Shenzhen Xinglong Machinery Mould Co., Ltd., and Runhe Committed to settle the entire equity transfer payment and interest with the company before August 14, 2019. At the same time, it shall pay the interest penalty from July 15<sup>th</sup>, 2019 to the date of repayment to the company, which is calculated according to the standard of 0.005% of the daily interest. If Runhe fails to settle all equity transfer payments and interest to the company before 24 o'clock on August 14, 2019, Runhe shall trace back the transfer payment to the company every one day after June 15<sup>th</sup>, 2019, and pay the penalty of 0.005% of the transfer payments to the company, at the same time, the company has the right to cancel the "Agreement on Transfer of State-owned Property Rights of Enterprise", confiscate all the payments made by Runhe, and require Runhe to pay the punitive liquidated damages of RMB 30 million. As of the date of approval of this report, the company has received the total equity transfer payment of 286,670,000 Yuan and the interest of 9,028,100 Yuan in accordance with the "Agreement on Transfer of State-owned Property Rights of Enterprise" and the supplementary agreement.

## **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.2019

Item	Auto sales	Auto maintenance and inspection	Leasing and services	Wholesale and retail of jewelry	Offset of segment	Total
Main business income	79,247,600.74	41,996,759.09	73,850,131.87	97,100,722.64	-18,012,331.98	274,182,882.36
Main business cost	77,917,559.91	37,364,007.55	20,803,127.12	91,148,345.86	-17,938,617.69	209,294,422.75
Total assets	30,493,346.31	109,116,284.20	2,549,695,423.99	168,653,088.69	-1,146,386,354.72	1,711,571,788.47
Total liability	40,336,387.86	69,757,658.55	842,394,394.59	6,717,514.33	-411,898,881.99	547,307,073.34

Jan. - Jun.2018

Item	Auto sales	Auto maintenance and inspection	Leasing and services	Wholesale and retail of jewelry	Offset of segment	Total
Main business income	61,613,402.01	37,925,019.21	40,798,989.10	71,783,625.94	-17,930,279.08	194,190,757.18
Main business 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 liability	29,987,929.63	66,907,715.97	718,902,933.48	6,259,924.48	-377,156,522.44	444,901,981.12

## XIII. Principle notes of financial statements of the company

### 1. Accounts receivable

#### (1) By account age

Account age	Balance at period-end
Within one year	2,835,572.40
Including: within 6 months	2,835,572.40
7-12 months	--

Account age	Balance at period-end
Subtotal of within one year	2,835,572.40
1-2 years	--
2-3 years	--
3-4 years	--
4-5 years	--
Over 5 years	--
Subtotal	3,320,375.48
Less: bad debt provision	484,803.08
Total	2,835,572.40

## (2) According to accrual method for bad debts

Category	Balance at period-end				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt provision separately	--	--	--	--	--
Receivables with bad debt provision accrual by credit portfolio	2,835,572.40	85.40	--	--	2,835,572.40
Accounts with single minor amount but with bad debts provision accrued individually	484,803.08	14.60	484,803.08	100.00	--
Total	3,320,375.48	100.00	484,803.08	92.68	2,835,572.40

## (Continued)

Category	Balance at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with single significant amount and withdrawal bad debt	--	--	--	--	--

Category	Balance at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
provision separately					
Receivables with bad debt provision accrual by credit portfolio	38,274.00	7.32	--	--	38,274.00
Accounts with single minor amount but with bad debts provision accrued individually	484,803.08	92.68	484,803.08	100.00	--
Total	523,077.08	100.00	484,803.08	92.68	38,274.00

## ①Accounts receivable with bad debt provision accrual individually at period-end

Accounts receivable(units)	Balance at period-end			
	Book balance	Bad debt provision	Accrual ratio	Accrual reasons
Shenzhen Bijiashan Entertainment Company	172,000.00	172,000.00	100.00	Not expected to collected due to long account age
SEG outlets	97,806.64	97,806.64	100.00	Not expected to collected due to long account age
Guangzhou Lemin Computer Center	86,940.00	86,940.00	100.00	Not expected to collected due to long account age
Other	128,056.44	128,056.44	100.00	Not expected to collected due to long account age
Total	484,803.08	484,803.08	—	—

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

Item	Balance at period-end		
	Book balance	Bad debt provision	Accrual ratio (%)
Within one year	2,835,572.40	--	--
Total	2,835,572.40	--	--

## (3) Bad debt provision

Category	Balance at year-beginning	Current changes			Balance at period-end
		Accrual	Collected or switch back	Write off or charge off	
Accounts with single minor amount but with bad debts provision accrued individually	484,803.08	--	--	--	484,803.08
Total	484,803.08	--	--	--	484,803.08

(4) Account receivable actually written-off in the period

No account receivable actually written-off in the period

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

Top 5 account receivables at ending balance by arrears party amounted to 3,172,685.04 Yuan, a 95.55% in total balance at end of the period, bad debt provision accrual correspondingly at period amounted as 356,746.64 Yuan.

Name of the company	Relationship with the Company	Amount	Term	Proportion in total account receivables (%)	Balance of bad debt provision at period-end
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Non-related party	2,776,190.40	Within one year	83.61%	
Shenzhen Bijiaoshan Entertainment Company	Non-related party	172,000.00	Over 10 years	5.18%	172,000.00
SEG outlets	Non-related party	97,806.64	Over 10 years	2.95%	97,806.64
Guangzhou Lemin Computer Center	Non-related party	86,940.00	Over 10 years	2.62%	86,940.00
Qiu Shiyu	Non-related party	39,748.00	Within one year	1.20%	
Total		3,172,685.04		95.55%	356,746.64

(6) Account receivable derecognition due to financial assets transfer

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

(7) 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.

## 2. Other account receivable

Item	Balance at period-end	Balance at year-begin
------	-----------------------	-----------------------

Item	Balance at period-end	Balance at year-begin
Interest receivable	1,031,521.11	723,407.50
Dividend receivable	--	232,683.74
Other account receivable	124,086,778.34	114,826,853.13
Total	125,118,299.45	115,782,944.37

**(1) Interest receivable**

Item	Balance at period-end	Balance at year-begin
Time deposit	1,031,521.11	723,407.50
Total	1,031,521.11	723,407.50

**(2) Dividend receivable**

Item (or invested unit)	Balance at period-end	Balance at year-begin
Shenzhen SDG Tellus Property Management Co., Ltd.	--	232,683.74
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	17,500,000.00	
Total	17,500,000.00	232,683.74

**(3) Other account receivable****①By account age**

Account age	Balance at period-end
Within one year	122,774,941.60
Including: within 6 months	122,774,941.60
7-12 months	
Subtotal of within one year	122,774,941.60
1-2 years	76,041.64
2-3 years	76,041.64
3-4 years	285,524.77
4-5 years	76,041.64
Over 5 years	16,108,487.11

Account age	Balance at period-end
Subtotal	139,397,078.40
Less: bad debt provision	15,310,300.06
Total	124,086,778.34

## ②By nature

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from internal units	122,565,595.03	113,272,049.06
Intercourse funds receivable from related party	3,072,702.05	2,999,556.31
Other	13,758,781.33	13,846,602.16
Total	139,397,078.41	130,118,207.53

## ③Accrual of bad debt provision

	Phase I	Phase II	Phase III	
Bad debt provision	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	Total
Balance on Jan. 1, 2019	1,197,774.29	14,112,525.77		15,310,300.06
Book balance of other account receivable of Jan. 1, 2019 in the period				
——Turn to phase II				
——Turn to phase III				
——Return to Phase II				
——Return to Phase I				
Current accrual				
Current switch back				
Rewrite in the period				
Write-off in the period				
Other changes				

	Phase I	Phase II	Phase III	
Bad debt provision	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	Total
Balance on Jun. 30, 2019	1,197,774.29	14,112,525.77		15,310,300.06

④Bad debt provision

Category	Balance at year-beginning	Current changes			Balance at period-end
		Accrual	Collected or switch back	Write off or charge off	
Other account receivable with single significant amount and withdrawal bad debt provision separately	12,259,692.71				12,259,692.71
Other receivables with bad debt provision accrual by credit portfolio	1,178,828.63				1,178,828.63
Other account receivable with single minor amount but withdrawal bad debt provision separately	1,852,833.06				1,852,833.06
Total	15,291,354.40				15,291,354.40

⑤ Other account receivable actually written-off in the period

No other account receivable actually written-off in the period

⑥Top 5 other account receivables at ending balance by arrears party

Name of the company	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Bad debt provision Balance at period-end
Shenzhen Zhonghao	Intercourse funds	5,000,000.00	Over 3 years	3.59	5,000,000.00

Name of the company	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Bad debt provision Balance at period-end
(Group) Co., Ltd					
Gold Beili Electrical Appliances Company	Intercourse funds	2,706,983.51	Over 3 years	1.94	2,706,983.51
Shenzhen Petrochemical Group	Intercourse funds	1,916,479.74	Over 3 years	1.37	1,916,479.74
Huatong Package Co., Ltd.	Intercourse funds	1,212,373.79	Over 3 years	0.87	1,212,373.79
Other_VAT(trading dept.)	Intercourse funds	763,481.79	Over 3 years	0.55	763,481.79
Total		11,599,318.83		8.32	11,599,318.83

⑦Account receivable with government subsidy involved

No account receivable with government subsidy involved of the Company at period-end.

⑧Other account receivable derecognition due to financial assets transfer in the Period

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

⑨Assets and liabilities resulted by other account receivable transfer and continues involvement in the Period

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

Item	Balance at period-end			Balance at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment for subsidiary	736,743,472.73	1,956,000.00	734,787,472.73	724,743,472.73	1,956,000.00	722,787,472.73
Investment for associates and joint venture	114,159,652.64	9,787,162.32	104,372,490.32	123,283,180.97	9,787,162.32	113,496,018.65
Total	850,903,125.37	11,743,162.32	839,159,963.05	848,026,653.70	11,743,162.32	836,283,491.38

#### (2) Investment for subsidiary



The invested entity	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end	Current accrual Impairment provision n	Ending balance of impairment provision
Shenzhen SDG Tellus Real Estate Co., Ltd.	31,152,888.87	--	--	31,152,888.87	--	--
Shenzhen Tellus Chuangying Technology Co., Ltd.	2,000,000.00	12,000,000.00	--	14,000,000.00	--	--
Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd.	57,672,885.22	--	--	57,672,885.22	--	--
Shenzhen Zhongtian Industrial Co., Ltd.	369,680,522.90	--	--	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	10,000,000.00	--	--	10,000,000.00	--	--

The invested entity	Balance at year-beginning	Increased in the period	Decreased in the period	Balance at period-end	Current accrual Impairment provision	Ending balance of impairment provision
Xinyongtong Automobile Inspection Equipment Co. Ltd.						
Shenzhen Hanligao Technology 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.	100,000,000.00	--	--	100,000,000.00	--	--
Total	724,743,472.73	12,000,000.00		736,743,472.73		1,956,000.00

Note: \* Shenzhen Hanligao Technology 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-beginning	Changes in the period (+,-)				
		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	62,039,013.62	--	--	3,652,191.24	--	--
Shenzhen Tellus Hang	11,253,581.63	--	--	363,981.77	--	--

The invested entity	Balance at year-beginning	Changes in the period (+,-)				
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change
Investment Co., Ltd.						
Subtotal	73,292,595.25	--	--	4,016,173.01		
II. Associated enterprise						
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	40,203,423.40	--	--	4,360,298.66		
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	49,990,585.72	--	--	4,360,298.66	--	--
Total	123,283,180.97	--	--	8,376,471.67	--	--

(Continued)

The invested entity	Changes in the period (+,-)			Balance at period-end	Ending balance of impairment provision
	Cash dividend or profit announced to issued	Accrual Impairment provision	Other		
I. Joint venture					
Shenzhen Tellus Gman Investment Co., Ltd	--	--	--	65,691,204.86	--
Shenzhen Tellus Hang Investment Co., Ltd.	--	--	--	11,617,563.40	--
Subtotal	--	--	--	77,308,768.26	--

The invested entity	Changes in the period (+,-)			Balance at period-end	Ending balance of impairment provision
	Cash dividend or profit announced to issued	Accrual Impairment provision	Other		
II. Associated enterprise					
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	17,500,000.00	--	--	27,063,722.06	--
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	17,500,000.00	--	--	36,850,884.38	9,787,162.32
Total	17,500,000.00	--	--	114,159,652.64	9,787,162.32

#### 4. Operating income and operating cost

Item	Current period		Same period last year	
	Income	Cost	Income	Cost
Main business	19,112,054.55	1,774,557.00	20,083,496.42	1,842,326.22
Total	19,112,054.55	1,774,557.00	20,083,496.42	1,842,326.22

#### 5. Investment income

Item	Current period	Same period last year
income from long-term equity investment measured by equity	8,376,471.67	12,154,498.47
Investment income from financial products in holding period	3,417,993.78	2,802,071.22
Total	11,794,465.45	14,956,569.69

### XIV. Supplementary Information

#### 1. Details of non-recurring gains and losses in period

Item	Amount	Note
Gains/losses from disposal of non-current asset	103,159.68	Income from fixed assets disposal
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)	6,611.29	VAT input tax deduction
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	37,708.32	Capital occupation fee of joint-stock enterprise
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		
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		

Item	Amount	Note
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 and financial assets available for sale	5,935,926.39	Income from financial products
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	307,993.15	Switch back of bad debt provision
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	-713,774.56	The liquidated damages paid for early termination of lease from Tellus Starlight Jinzun Company
Other gains and losses items complying with definition for non-current gains and losses		
Subtotal	5,677,624.27	
Affect on income tax	1,436,258.10	
Affect on minority equity(after tax)	54,777.29	
Total	4,186,588.88	

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. ROE 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	4.1749	0.1039	0.1039

Profits during report period	Weighted average ROE (%)	Earnings per share	
		Basic EPS	Diluted EPS
Company			
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	3.7846	0.0942	0.0942

## **Section XI. Documents Available for Reference**

The Company reserved completed integrated documents for CSRC, SZSE, relevant departments and public investor for reference, including:

1. Original Accounting Statement of Semi-Annual 2019 carrying the signatures and seals of the legal representative, general manager, CFO and manager of Financial Department;
2. All original documents and notifications of the Company disclosed in newspapers that designated by CSRC in report period;
3. Semi-Annual report disclosed in other securities market.