

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

## **Annual Report 2018**

**April 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 2018 Annual Report 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 profit distribution pre-plan deliberated and approved by the Board was: distributed 0.00 Yuan (tax included) for every 10 shares held by whole shareholders of the Company based on 297,281,600 shares in total, 0 share bonus (tax included), and 4.5 additional shares for each 10 shares held by shareholders are being converted by the capital reserve.**

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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, this year	Refers to	Year of 2018
Auto Industry and Trade Co.,	Refers to	Shenzhen Auto Industry and Trade Corporation
Zhongtian Company	Refers to	Shenzhen Zhongtian Industrial Co., Ltd.
GAC	Refers to	Gems & Jewelry Trade Association of China
Huari Company	Refers to	Shenzhen Huari Toyota Auto Sales Co., Ltd, Shenzhen SDG Huari Auto Enterprise Co., Ltd.
Zungfu Tellus	Refers to	Shenzhen Zungfu Tellus Auto Service 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 Technology Co., Ltd.
Xinglong Company	Refers to	Shenzhen Xinglong Machinery Mould Co., Ltd.
Tellus Property	Refers to	Shenzhen SDG Tellus Property Management Co., Ltd.
SDG	Refers to	Shenzhen Special Development Group Co., Ltd.
Xinyongtong Technology Company	Refers to	Shenzhen Xinyongtong Technology Co., Ltd.
Dongxiao Inspection Company	Refers to	Shenzhen Xinyongtong Dongxiao Auto. Inspection 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		
Registrations add.	3/F, Tellus Building, Shui Bei Er Road, Luohu District, Shenzhen		
Code for registrations add	518020		
Offices add.	15/F, CNNC Building, Shennan Middle Road, Futian District, Shenzhen		
Codes for office add.	518031		
Company's Internet Web Site	www.tellus.cn		
E-mail	ir@tellus.cn		

### 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. Information disclosure and preparation place

Newspaper appointed for information disclosure	Securities Times (Shenzhen) and Hong Kong Commercial Daily(H.K.)
Website for annual report publish appointed by CSRC	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Preparation place for annual report	Secretariat of the BOD of Shenzhen Tellus Holding Co., Ltd.

#### IV. Registration changes of the Company

Organization code	91440300192192210U
Changes of main business since listing (if applicable)	No changes during the period
Previous changes for controlling shareholders (if applicable)	1. On 31 March 1997, the 159,588,000 state shares held by Shenzhen Investment Management Co., Ltd., the only non-circulation shareholder, were transfer to SDG; total share capital of the Company was 220,281,600 shares while 159,588,000 state shares held by SDG, a 72.45% in total share capital. 2. On 4 January 2006, the 13,717,440 shares, as the consideration of share merger reform, were transfer to account of A-shareholders from SDG. After share merger reform, SDG holds 66.22% of the total share capital of the Company. 3. On March 27, 2015, the Company has completed the non-public offering of A shares of 77,000,000, of which 6,000,000 shares are issued to the controlling shareholder - SDG, and SDG holds 51.09% of the Company's total shares after the issuance. 4. In 2016, SDG reduced part of the company's unrestricted outstanding shares by means of centralized bidding, the accumulatively reduced shareholdings accounted for 2% of the company's total share capital. As of the end of the reporting period, SDG holds 49.09% of the Company's total shares, and is still the controlling shareholder of the Company.

#### V. Other relevant information

CPA engaged by the Company

Name of CPA	Ruihua Certified Public Accountants (LLP)
Offices add. for CPA	3-9/F, West Tower, China Oversea Property Plaza, 7# Building, 8# Yard, Yongdingmen West Binhe Rd., Dongcheng District, Beijing
Signing Accountants	Cai Xiaodong, Zhou Xuechun

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

☐ Applicable ☒ Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

☐ Applicable ☒ Not applicable

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

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

☐ Yes ☒ No

	2018	2017	Changes over last year	2016
Operating income (RMB)	414,238,778.96	347,237,289.80	19.30%	324,240,841.90
Net profit attributable to	86,924,058.72	66,862,772.68	30.00%	27,193,562.63

shareholders of the listed Company(RMB)				
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB)	83,286,083.84	54,431,067.47	53.01%	24,233,716.21
Net cash flow arising from operating activities(RMB)	-6,574,979.97	-2,093,068.05		57,874,934.32
Basic earnings per share (RMB/Share)	0.2924	0.2249	30.01%	0.0915
Diluted earnings per share (RMB/Share)	0.2924	0.2249	30.01%	0.0915
Weighted average ROE	8.63%	7.20%	1.43%	3.08%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	1,658,295,531.00	1,403,314,594.42	18.17%	1,189,001,074.98
Net assets attributable to shareholder of listed Company (RMB)	1,050,209,537.35	963,259,056.63	9.03%	895,362,614.95

## VII. 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.

## VIII. Quarterly main financial index

In RMB

	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q
Operating income	92,099,937.58	105,855,144.15	92,625,770.58	123,657,926.65

Net profit attributable to shareholders of the listed Company	16,101,533.51	10,818,746.35	8,920,175.03	51,083,603.83
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	13,473,427.60	8,625,228.08	6,816,699.27	54,370,728.89
Net cash flow arising from operating activities	-8,305,634.44	-19,764,833.67	2,090,790.37	19,404,697.77

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the Company's quarterly report and semi-annual report

☐ Yes ☒ No

## IX. Items and amounts of non-recurring profit (gain)/loss

☒ Applicable ☐ Not applicable

In RMB

Item	2018	2017	2016	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-4,424,801.74	5,523,267.93	-51,690.07	Expenditure of the equity transfer from Xinglong Company; income of equity transfer from Xinyongtong Technology Company and Dongxiao Inspection Company
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)	3,482.07	25,753.22		
Fund possession cost reckoned into current gains/losses charged from non-financial business	76,041.64	76,041.64		
Gains/losses from entrust investment or assets management	9,611,577.38	6,606,218.86	3,916,317.84	
Gains/losses from contingency without routine business concerned	-2,225,468.76		-1,192,618.90	
Restoring of receivable impairment provision that tested individually		15,000.00		



Other non-operating income and expenditure except for the aforementioned items	485,180.13	690,397.76	-70,940.53	
Less: Impact on income tax	-161,206.61	59,964.10	-170,101.35	
Impact on minority shareholders' equity (post-tax)	49,242.45	445,010.10	-188,676.73	
Total	3,637,974.88	12,431,705.21	2,959,846.42	--

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 Company's main business including automobile sales; auto testing, maintenance, accessories sales, resource asset management and jewelry service business in the period.

1. Car sales, testing, maintenance and parts sales: During the reporting period, influenced by the unfavorable market environment and the decline in sales revenue, the company continued to increase the performance of holding companies in various automobile business segments by strengthening the management of holding companies. The holding subsidiary Huari Company completed the store renewal and re-launched its grand opening, and the profit reached a new high in recent years, the inventory at the end of the year was reduced, the funds were sufficient, and the company had a smooth and steady development. Revenue of the Company from automobile sales amounted as 122.23 million Yuan, a 16.36% declined from a year earlier.

2. Resources assets management: During the reporting period, the company improved its performance by strengthening data management, changing the way of renting, implementing incentive and restriction policies simultaneously, and adopting various management methods, achieved the annual resources assets management income of 93.62 million Yuan, and the income scale remained stable.

3. Jewelry service business: During the reporting period, the company continued to focus on the strategic thinking of transforming into a third-party integrated operation service provider in the jewellery industry, and fully promoted the company's strategy. In the current year, Sichuan Jewellery Co., Ltd., the first project of the regional channel platform, perfected and formed a set of business process systems in the operation practice that have standard operations and conform to the industry's conditions, the supply chain settlement supporting service system has been officially operated, and the ERP system of jewelry industry is in an initial trial run, the annual revenue of jewelry wholesale and retail was 151.22 million Yuan.

### 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 31 <sup>st</sup> December 2018 amounting to 224.6448 million Yuan, decreased 59.82 million Yuan over that of period beginning with 21.03% down, mainly because the 43% equity of Xinglong Company are transferred into the Company and the income accrual based on equity increased from investment for

	enterprise with shares participated
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	Book value of the construction in progress till end of 31 <sup>st</sup> December 2018 amounting to 12.8436 million Yuan, a decrease of 365.3173 million Yuan over that of period-begin with 96.60% declined. Mainly because the transfer-out of Shuibei Jewelry Building, and input for the preliminary project of Phase II of Jewelry Shuibei
Other current assets	Book value of other current assets till end of 31 <sup>st</sup> December 2018 amounting to 332.4325 million Yuan, an increase of 112.8502 million Yuan over that of period-begin with 51.39% up, mainly due to the increase of financial products purchased in the period.
Investment real estate	Book value of investment real estate till end of 31 <sup>st</sup> December 2018 amounting to 503.9224 million Yuan, an increase of 430.6989 million Yuan over that of period-begin, mainly due to the transfer-in for completion of Shuibei Jewelry Building
Account receivable	Book value of account receivable till end of 31 <sup>st</sup> December 2018 amounting to 86.1047 million Yuan, an increase of 41.8894 million Yuan over that of period-begin with 94.74% up, mainly because the wholesale credit for jewelry from Sichuan Tellus Company increased in the period
Assets held for sale	Book value of assets held for sale up to 31 <sup>st</sup> December 2018 amounting to 85.0173 million Yuan, increased 85.0173 million Yuan over that of period beginning with 100.00% up, mainly because the 43% equity of Xinglong Company are transferred into the Company

## 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 property 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. Which has 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 jewellery fashion industrial zone of Luohu District, Shuibei area is the international jewellery art center and Buxin area is the jewellery intelligent high-end manufacturing center so as to form the Shuibei-Buxin

international jewellery eco-creative area. The company is the largest owner of the Tellus Jimeng Gold Jewellery Industrial Park in Shuibei area, Tellus Shuibei Jewellery Building phase I has been put into use, and phase II construction project is about to be 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 jewellery industry through resource advantages, and gradually expand the industry influence.**

In recent years, with the slowdown in the growth of jewellery 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 jewellery 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 jewellery industry also becomes more prominent, which provide advantages for the company to plough into the supply chain services of jewellery industry that the privately operated jewellery 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 jewellery, does not compete for the stock market business, but plans to serve the vast number of jewellery enterprises through innovative business models to energize the development of industry. After years of efforts to transform into the jewellery 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 jewellery 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. During the reporting period, the company was successfully elected as the vice president of the Gems and Jewelry Trade Association of China and the executive director of the first council of the Intellectual Property Service Committee of the Gems and Jewelry Trade Association of China, 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 2018, the negative impact of the “trade war” on the world economy gradually emerged, which brought instability to international business activities and reduced investment confidence, the developed economies, emerging markets and developing economies all showed significant differentiation, and overall economic growth had signs of a downturn. China’s GDP increased by 6.6% over the previous year which continued to operate in a reasonable range, and achieved overall stability and steady progress, but the external environment was complex and severe, and the economy was still facing downward pressure. Facing the complicated international and domestic economic situation, under the leadership of the party committee and the board of directors, the company firmly promoted the strategic transformation and optimized the resource allocation, on the one hand, elaborately handled the existing business, on the other hand, rapidly promoted the development of the project, ensured the smooth implementation of the strategic transformation, and all the work has achieved remarkable results, the profit index of each business segment has reached new heights.

During the reporting period, the Company has achieved operating income of 414.24 million Yuan, increased 67 million Yuan compared with 347.24 million Yuan in the same period of last year, an increase of 19.30%, income changes are mainly: ① the income has an increase of 108.51 million Yuan on a y-o-y basis for the business expansion of jewelry wholesale and retail in the year; ② the income from automobile sales have 23.91 million Yuan declined from a year earlier with 16.36 % down from Huari Company, which was resulted by the deduction of car supply, and parts of the production for car models are ends, no substitute car models for sales subsequently; ③ the property management and service income deducted a 18.43 million Yuan from a year earlier due to the equity of Tellus Property Company transfer. Total profit achieved in the year amounting to 90.55 million Yuan, increase 21.62 million Yuan by comparing with the 68.93 million Yuan last year, net profit attributable to parent company amounting as 86.92 million Yuan, an increase of 20.06 million Yuan compare with 66.86 million Yuan achieved last year, mainly because the investment income for enterprise with share participation increased on a y-o-y basis.

In the market environment where the economy is facing downturn and the funds are generally tight, the company strengthens the management of participating companies, urges some participating companies to realize undistributed profit dividends to take back cash, and earnestly safeguards shareholders’ rights and interests, which lay a solid foundation for the company’s key projects. During the reporting period, the company’s leasing income, jewelry operating income, wealth management income and financing scale reached new highs, and the financing cost was the lowest in recent years, which effectively ensured the capital needs of the company’s business development.

### II. Main business analysis

#### 1. Introduction

See the “I-Introduction” in “Discussion and Analysis of the Operation”

## 2. Revenue and cost

### (1) Constitute of operation revenue

In RMB

	2018		2017		y-o-y changes (+,-)
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	414,238,778.96	100%	347,237,289.80	100%	19.30%
According to industries					
Auto sales	122,236,609.61	29.51%	146,150,511.84	42.09%	-16.36%
Auto inspection and maintenance and accessories sales	47,153,619.46	11.38%	50,192,766.34	14.45%	-6.05%
Property rental and service	93,621,443.04	22.60%	108,174,167.58	31.15%	-13.45%
Jewelry wholesale and retails	151,227,106.85	36.51%	42,719,844.04	12.30%	254.00%
According to products					
Auto sales	122,236,609.61	29.51%	146,150,511.84	42.09%	-16.36%
Auto inspection and maintenance and accessories sales	47,153,619.46	11.38%	50,192,766.34	14.45%	-6.05%
Property rental and service	93,621,443.04	22.60%	108,174,167.58	31.15%	-13.45%
Jewelry wholesale and retails	151,227,106.85	36.51%	42,719,844.04	12.30%	254.00%
According to region					
Shenzhen	263,011,672.11	63.49%	304,517,445.76	87.70%	-13.63%
Anhui	12,849,125.20	3.10%	4,884,558.80	1.40%	163.06%
Sichuan	138,377,981.65	33.41%	37,835,285.24	10.90%	265.74%

### (2) About the industries, products, or regions accounting for over 10% of the Company's operating income or operating profit

√Applicable □ Not applicable

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

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Auto sales	122,236,609.61	116,630,283.37	4.59%	-16.36%	-17.42%	1.23%
Auto inspection and maintenance and accessories sales	47,153,619.46	36,190,699.86	23.25%	-6.05%	-5.26%	-0.64%
Property rental and service	85,750,554.94	37,260,988.51	56.55%	-14.95%	11.57%	-10.32%
Jewelry wholesale and retails	151,227,106.85	139,519,914.92	7.74%	254.00%	260.35%	-1.63%
According to products						
Auto sales	122,236,609.61	116,630,283.37	4.59%	-16.36%	-17.42%	1.23%
Auto inspection and maintenance and accessories sales	47,153,619.46	36,190,699.86	23.25%	-6.05%	-5.26%	-0.64%
Property rental and service	85,750,554.94	37,260,988.51	56.55%	-14.95%	11.57%	-10.32%
Jewelry wholesale and retails	151,227,106.85	139,519,914.92	7.74%	254.00%	260.35%	-1.63%
According to region						
Shenzhen	255,140,784.01	185,332,389.35	27.36%	-14.14%	-10.93%	-2.62%
Anhui	12,849,125.20	14,584,662.12	-13.51%	163.06%	81.22%	51.25%
Sichuan	138,377,981.65	129,684,835.19	6.28%	265.74%	266.06%	-0.08%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

☐ Applicable ☒ Not applicable

### (3) Income from physical sales larger than income from labors

☒ Yes ☐ No

Industries	Item	Unit	2018	2017	Y-o-y changes (+,-)
Auto sales	Sales volume	Set	745	834	-10.67%
	Storage	Set	64	58	10.34%



Reasons for y-o-y relevant data with over 30% changes

☐Applicable ☒ Not applicable

#### (4) Fulfillment of the Company's signed significant sales contracts up to this reporting period

☐ Applicable ☒ Not applicable

#### (5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2018		2017		Y-o-y changes (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Auto sales	Automobile	116,630,283.37	35.09%	141,236,154.23	55.55%	-17.42%
Auto inspection and maintenance and accessories sales	Accessory, maintenance and detection	36,190,699.86	10.89%	38,200,637.20	15.02%	-5.26%
Property rental and service	Lease, property management and other	40,006,456.97	12.04%	36,099,814.88	14.20%	10.82%
Jewelry operation	Retail and wholesale of jewelry	139,519,914.92	41.98%	38,718,354.34	15.23%	260.35%
Total		332,347,355.12	100.00%	254,254,960.65	100.00%	30.71%

In RMB

Products	Item	2018		2017		Y-o-y changes (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Auto sales	Automobile	116,630,283.37	35.09%	141,236,154.23	55.55%	-17.42%
Auto inspection and maintenance and accessories sales	Accessory, maintenance and detection	36,190,699.86	10.89%	38,200,637.20	15.02%	-5.26%
Property rental and service	Lease, property management and other	40,006,456.97	12.04%	36,099,814.88	14.20%	10.82%
Jewelry operation	Retail and wholesale of	139,519,914.92	41.98%	38,718,354.34	15.23%	260.35%

	jewelry					
Total		332,347,355.12	100.00%	254,254,960.65	100.00%	30.71%

Note

#### (6) Whether the changes in the scope of consolidation in Reporting Period

☒ Yes ☐ No

Totally 15 enterprises included in consolidate statement for year of 2018, found more in the VIII. Equity in other body carry in the annotation of financial statement in Auditing Report 2018 released on Juchao Website on the same date. One enterprise decrease in the consolidate statement by comparing with last year.

#### (7) Major changes or adjustment in business, product or service of the Company in Reporting Period

☐ Applicable ☒ Not applicable

#### (8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	30,080,309.84
Proportion in total annual sales volume for top five clients	7.27%
Ratio of the sales from related parties in total annual sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Deng Debing	7,793,834.51	1.88%
2	Wei Yanyun	5,589,604.33	1.35%
3	Mao Haitao	5,572,582.10	1.35%
4	Jin Jincheng	5,572,114.96	1.35%
5	Chen Liuhai	5,552,173.94	1.34%
Total	--	30,080,309.84	7.27%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	276,302,382.28
Proportion in total annual purchase amount for top five suppliers	83.14%
Ratio of the purchase from related parties in total annual	0.00%

purchase among the top five suppliers	
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Information of top five suppliers of the Company

Serial	Suppliers	Procurement (RMB)	Proportion in total annual procurement
1	FAW TOYOTA Motor Sales Co., Ltd.	127,174,314.55	38.27%
2	Shandong Mengjinyuan Jewelry Co., Ltd.	64,518,484.00	19.41%
3	Shenzhen Jinyudeshang Gold Co., Ltd.	58,683,841.00	17.66%
4	Shenzhen Kaiheng Jewelry Industrial Co., Ltd.	17,772,521.00	5.35%
5	Gold Dragon Jewelry Co., Ltd	8,153,221.73	2.45%
Total	--	276,302,382.28	83.14%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable

### 3. Expenses

In RMB

	2018	2017	Increase/decrease y-o-y	Note of major changes
Sales expense	19,987,406.50	16,490,379.71	21.21%	
Management expense	44,231,376.56	36,735,283.59	20.41%	
Financial expense	6,508,114.19	1,520,168.86	328.12%	The interest expenditure increased from a year earlier due to the new bank loans increased at end of last year; and the Phase I project of Shuibei Jewelry Building from Zhongtian Company completed in the period and transfer to fixed assets with capitalization ceased

### 4. R&D investment

☐ Applicable ☒ Not applicable

### 5. Cash flow

In RMB

Item	2018	2017	Y-o-y changes (+,-)
Subtotal of cash in-flow from operation activity	446,554,238.53	360,454,671.41	23.89%

Subtotal of cash out-flow from operation activity	453,129,218.50	362,547,739.46	24.98%
Net cash flow arising from operating activities	-6,574,979.97	-2,093,068.05	
Subtotal of cash in-flow from investment activity	1,283,663,305.04	686,489,369.68	86.99%
Subtotal of cash out-flow from investment activity	1,261,960,622.90	835,440,610.55	51.05%
Net cash flow arising from investment activity	21,702,682.14	-148,951,240.87	
Subtotal of cash in-flow from financing activity	163,082,000.00	239,272,000.00	-31.84%
Subtotal of cash out-flow from financing activity	177,155,081.66	124,931,753.63	41.80%
Net cash flow arising from financing activity	-14,073,081.66	114,340,246.37	-112.31%
Net increased amount of cash and cash equivalent	1,054,902.13	-36,704,421.54	

Main reasons for y-o-y major changes in aspect of relevant data

√Applicable    □ Not applicable

Item	2018	2017	Y-o-y changes (+,-)	Note
Net cash flow arising from operating activities	-6,574,979.97	-2,093,068.05		The credit sales for jewelry wholesale from Sichuan Tellus Company are not in the period of sales refund; and the goods margin are paid to the Chow Tai Fook (Shenzhen) Co., Ltd. by Anhui Starlight Company
Subtotal of cash in-flow from investment activity	1,283,663,305.04	686,489,369.68	86.99%	Redemption of financial products increased in the period, bonus from enterprise with share participation increased and received the amount and interest of equity transfer from Xinglong Company
Subtotal of cash out-flow from investment activity	1,261,960,622.90	835,440,610.55	51.05%	Increase of the financial products investment and paying the transaction fee to SEHK for transferring equity of Xinglong

				Company
Net cash flow arising from investment activity	21,702,682.14	-148,951,240.87		The account and interest of equity transfer from Xinglong Company received
Subtotal of cash in-flow from financing activity	163,082,000.00	239,272,000.00	-31.84%	The new bank loans declined from a year earlier and minority shareholder's investment from Tellus Starlight Company and Sichuan Jewelry Company increased
Subtotal of cash out-flow from financing activity	177,155,081.66	124,931,753.63	41.80%	The amount of loan payment increased, liquidity loan principal and interest are paid in the period and intercourse funds to SDG
Net cash flow arising from financing activity	-14,073,081.66	114,340,246.37		The new bank loans declined from a year earlier and amount of loan payment increased on a y-o-y basis

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

☐Applicable ☒Not applicable

### III. Analysis of the non-main business

☐ Applicable ☒ Not applicable

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2018		End of 2017		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	169,512,260.69	10.22%	161,793,218.56	11.53%	-1.31%	
Account receivable	86,104,660.51	5.19%	44,215,236.68	3.15%	2.04%	
Inventory	12,342,854.40	0.74%	12,646,227.22	0.90%	-0.16%	
Investment real estate	503,922,413.70	30.39%	73,223,512.21	5.22%	25.17%	
Long-term equity	224,644,766.21	13.55%	284,464,749.15	20.27%	-6.72%	

investment						
Fix assets	112,674,017.53	6.79%	120,296,822.84	8.57%	-1.78%	
Construction in process	12,843,571.97	0.77%	378,160,896.69	26.95%	-26.18%	
Short-term loans	143,000,000.00	8.62%	120,000,000.00	8.55%	0.07%	
Long-term loans	34,934,887.55	2.11%	38,600,000.00	2.75%	-0.64%	
Assets held for sale	85,017,251.77	5.13%			5.13%	
Other current assets	332,432,494.44	20.05%	219,582,250.70	15.65%	4.40%	

## 2. Assets and liability measured by fair value

☐ Applicable ☒ Not applicable

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

Found more in the “Auditing Report 2018” disclosed on the same day in Juchao Website: 49. Assets with ownership or use right restrained listed in Note VI. Items of Consolidate Statement

## V. Investment

### 1. Overall situation

☒ Applicable ☐ Not applicable

Investment amount in the period (RMB)	Investment amount at same period of last year (RMB)	Changes
168,971,900.00	97,600,000.00	73.13%

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

☒ Applicable ☐ Not applicable

In RMB

Name of invested company	Principal business	Method of investment	Amount of investment	Shareholding	Capital sources	Partners	Term of investment	Type of products	Status as of the balance sheet	Expected return	Current investment profit and loss	Whether litigation	Date of disclosure (if applicable)	Index of disclosure (if applicable)
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									date					)
Sichuan Tellus Jewelry Technology Co., Ltd.	Sales of jewelry	New established	70,000,000.00	66.67%	Fund-raising	Chengdu Ruihang Jewelry Co., Ltd, Chengdu Caizhiyuan Jewelry Co., Ltd., Chengdu Kaixing Industrial Co., Ltd.and Sichuan Baoxie Commercial Management Co., Ltd.	2 July 2017	Sales of jewelry	Registration completed	0.00	3,081,288.75	N	8 July 2017	Found more in Notice (No.: 2017-053) released on Securities Times, Hong Kong Commercial Daily and Juchao Website
Shenzhen Zhongtian Industrial Co., Ltd.	Property leasing and management	Capital increase	98,971,900.00	100.00%	Fund-raising	N/A	Not fixed deadline	Property leasing and management	Completed the changes	0.00	-12,585,234.01	N	9 Feb. 2018	Found more in Notice (No.: 2018-011) released on Securities Times, Hong Kong Commercial Daily and Juchao Website

Total	--	--	168,971,900.00	--	--	--	--	--	--	0.00	-9,503,945.26	--	--	--
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### 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

### 5. Application of raised proceeds

☒ Applicable ☐ Not applicable

#### (1) Overall application of raised proceeds

☒ Applicable ☐ Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
2015 年	Non - Public Offering	63,352	8,245.02	56,430.27	0	17,097.4	26.99%	0	As of December 31, 2018, the fund-raising investment	0



									projects of the company's non-public offering of shares in 2015 have completed investment or capital increase, and all the raised funds have been fully used.	
Total	--	63,352	8,245.02	56,430.27	0	17,097.4	26.99%	0	--	0
Explanation on General usage of raised capital										
<p>According to the "Proposal of the Company's plan for non-public offering of shares" and other related proposals deliberated and approved by the Company's 19<sup>th</sup> extraordinary meeting of the seventh board of directors and the 4<sup>th</sup> extraordinary general meeting of 2014, and the "Approval for non-public offering of shares of Shenzhen Tellus(Group) Co., Ltd." (CSRC license No. [2015]173) approved by China Securities Regulatory Commission, the Company has adopted non-public offering of shares to issue RMB ordinary shares (A shares) of 77 million shares, and the issue price is 8.40 Yuan /Share. The total raised funds of this issuance are 646,800,000 Yuan; the net amount of raised funds is 633,520,000 Yuan after deducting the issuance costs of 13,280,000 Yuan. On March 12, 2015, Ruihua Certified Public Accountants (special general partnership) has verified the capital of this issuance and issued "Capital Verification Report" RHYZ No. [2015]48330003. Ended as 31<sup>st</sup> December 2018, the projects with fund raising non publicly offering in 2015 are being completed or capital increase completion, all the funds have been used.</p>										

## (2) Situation of committed project of raised proceeds

√Applicable □Not applicable

In 10 thousand Yuan

Committed investment projects & investment of raised fund	Projects changed or not (including changed partially)	Total committed investment of raised capitals	Total investment after adjustment (1)	Amount invested in this period	Amount of accumulated investment till the period-end (2)	Investment program till the period-end (3)=(2)/(1)	Predicted serviceable condition date of project	Profit realized in this year	Reach the predicted interest or not	Project feasibility was changed hugely or not
Investment project commitment										
1. Tellus Shuibei	Y	26,000	33,097.4	1,036.69	27,035.94	81.69%		0	Not	N

Jewelry Building									applicabl e	
2.1 Newly increased decoration costs of Tellus Shuibei project	Y	6,809	2,799.79	208.33	244.33	8.73%		0	Not applicabl e	N
2.2 Bank loans payment	N	19,150	19,150	0	19,150	100.00%		0	Not applicabl e	N
2.3 Sichuan Regional Jewelry Channel Platform Company	Y	0	10,000	7,000	10,000	100.00%		308.13	Not applicabl e	N
2.4 Retail market of jewelry business	Y	19,500	0	0	0	0.00%		0	Not applicabl e	Y
2.5 Jewelry e-business	Y	4,500	0	0	0	0.00%		0	Not applicabl e	Y
2.6 Jewelry training business	Y	3,800	0	0	0	0.00%		0	Not applicabl e	Y
2.7 Automobile leasing business supporting the jewelry market	Y	2,630	0	0	0	0.00%		0	Not applicabl e	Y
Subtotal of commitment projects	--	82,389	65,047.19	8,245.02	56,430.27	--	--	308.13	--	--
Investment orientation for over raised fund										
N/A										
Total	--	82,389	65,047.19	8,245.02	56,430.27	--	--	308.13	--	--
Situation about not coming up to schemed progress or expected revenue and the reason(In specific project)	<p>Tellus Shuibei Jewelry Building has come into service officially.</p> <p>2. In the investment projects of raised funds for supplementing the Company's working capital:</p> <p>(1) Repayment of bank loans of 191,500,000 Yuan has been completed.</p> <p>(2) Newly increased decoration costs of Tellus Shuibei project will put into use according to the construction progress. (3) On 7 April 2017 and 4 May 2017, the Company holding the official 7<sup>th</sup> meeting of 8<sup>th</sup> BOD and AGM of 2016 respectively, deliberated and approved the "Proposal of Canceling Part of the Fund-Raised Investment Projects", that is, the jewelry e-business, jewelry training, jewelry market matching with the automobile leasing business supporting the jewelry market are determined to removed.(4) On 8 May 2017 and 25 May 2017, the Company holding the 8<sup>th</sup> extraordinary meeting of 8<sup>th</sup> BOD and First Extraordinary shareholders meeting of 2017 respectively, deliberated and approved the "Proposal of "Changed the Fund-Raised Purpose and Investment on Jewelry Channel Platform Company in Sichuan area", that is, the Company will contribute fund-raised of 100 million Yuan in the project of</p>									

	<p>Sichuan Regional Jewelry Channel Platform Company, the Company takes 66.67% equity in the above mentioned new company.(5) On 12 December 2017 and 28 December 2017, the Company holding the 13<sup>th</sup> extraordinary meeting of 8<sup>th</sup> BOD and Third Extraordinary Shareholders Meeting of 2017 respectively, deliberated and approved “Proposal of Change the Projects with Fund-Raised Investment”, that is, the Company will change the fund-raised projects according to actual conditions, increased more investment in Tellus Shuibei Jewelry Buildings and the total fund raised investment, the second capital for decoration will reduce to 27.9979 million Yuan from former 68.09 million Yuan, the 13.93 million Yuan which has no projects occupied, the 40.0921 million Yuan reduced from decoration and 16.9519 million Yuan from part of the interest and financial products will totally (70.974 million Yuan) invested in the follow-up construction of Tellus Shuibei Jewelry Building, the Tellus Shuibei Jewelry Building project plans to have 330.974 million Yuan from the fund-raised after changed.</p>
Explanation on great changes of feasibility of project	<p>(1) Jewelry E-business: Jewelry e-commerce business: the jewelry e-commerce business market is highly competitive, payback period is long, the Company needs to bear some business risks and long-playing losses, which may bring adverse effects on the Company’s overall performance if investing the jewelry e-commerce platform according to the original plan under the current market situation, so the Company has decided to suspend the plan to use raised funds to invest in this project. The raised funds in the original plan shall be used for other projects.(2) Jewelry retail market business: since 2015, affected by the decline of prosperity in jewelry industry and the raise of property costs, large jewelry retail markets across the country have shrunk the business and reduced the income and profits, if the Company continued to invest large funds into the jewelry retail market, the business risks would be large, so the Company has planned to cancel the raised-fund investment plan for the jewelry retail market business.(3) Jewelry training business: this project has not yet been put into use. The Company has started to investigate some schools in early 2015 and found that there are already many jewelry training schools in Shenzhen Shuibei area and the market competition is rather intense; at the same time, affected by the decline of prosperity in jewelry industry, the demand for training business has substantially reduced. If the Company invests in the construction of jewelry training schools, the return on investment is relatively low and the payback period is long, so the Company has decided to suspend the investment plan for this project, and wait to argue until the business of jewelry service industry goes smoothly and enough resources are accumulated. The raised funds in the original plan shall be used for other projects. (4) Automobile leasing business supporting the jewelry market: the project has not yet been put into use. One main reason is that Shenzhen Municipal Government announced the implementation of car-purchase restriction policy on December 29, 2014, the car purchase takes two methods, i.e. lottery and bidding, this policy made the Company unable to carry out this business as planned; another reason is that the prosperity of jewelry industry has declined, the demand for automobile leasing has greatly reduced in jewelry industry of Shuibei, and the business prospects are influenced, so the Company has decided to cancel the investment in this project. The raised funds in the original plan shall be used for other projects.</p>
Amount, usage and progress of using for fund raising out of the plan	<p>Not applicable</p>
Change of implementation place	<p>Not applicable</p>

of investment project of raised capitals	
Adjustment of implementation way for investment project of raised capitals	Applicable
	Occurred in previous year
	<p>1. On 7 April 2017 and 4 May 2017, the Company holding the official 7<sup>th</sup> meeting of 8<sup>th</sup> BOD and AGM of 2016 respectively, deliberated and approved the “Proposal of Canceling Part of the Fund-Raised Investment Projects”, that is, the jewelry e-business, jewelry training, jewelry market matching with the automobile leasing business supporting the jewelry market are determined to canceled. 2. On 8 May 2017 and 25 May 2017, the Company holding the 8<sup>th</sup> extraordinary meeting of 8<sup>th</sup> BOD and First Extraordinaryshareholders meeting of 2017 respectively, deliberated and approved the “Proposal of ”Changed the Fund-Raised Purpose and Investment on Jewelry Channel Platform Company in Sichuan area”, that is, the Company will contribute fund-raised of 100 million Yuan in the project of Sichuan Regional Jewelry Channel Platform Company, the Company takes 66.67% equity in the above mentioned new company. 3.On 12 December 2017 and 28 December 2017, the Company holding the 13<sup>th</sup>extraordinary meeting of 8<sup>th</sup> BOD and Third Extraordinary Shareholders Meeting of 2017 respectively, deliberated and approved “Proposal of Change the Projects with Fund-Raised Investment”, that is, the Company will change the fund-raised projects according to actual conditions, increased more investment in Tellus Shuibei Jewelry Buildings and the total fund raised investment, the second capital for decoration will reduce to 27.9979 million Yuan from former 68.09 million Yuan, the 13.93 million Yuan which has no projects occupied, the 40.0921 million Yuan reduced from decoration and 16.9519 million Yuan from part of the interest and financial products will totally (70.974 million Yuan) invested in the follow-up construction of Tellus Shuibei Jewelry Building, the Tellus Shuibei Jewelry Building project plans to have 330.974 million Yuan from the fund-raised after changed.</p>
Particular about the advanced input and replacement	Applicable
	<p>On April 27, 2015, the Company held the thirtieth interim meeting of the seventh board of directors which deliberated and approved the motion about replacing the self-raised funds beforehand invested in fund-raising project with the raise funds, and agreed the Company to replace the self-raised funds of 114,162,000 Yuan invested in fund-raising project with the raise funds, of which 15.6 million Yuan was used to replace and supplement the beforehand invested self-raised funds of the Company’s circulating funds and 98,562,000 Yuan was used to replace and supplement the beforehand invested self-raised funds of Tellus ShuibeiJewelry Building project. The Company’s independent director and sponsor institution have expresses their agreement on this matter.</p>
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Balance of the amount for raised-fund investment project after implementation and reasons	Applicable
	<p>The fund-raising investment projects of the company’s non-public offering of sharesin 2015 have completed investment or capital increase, and all the raised funds have been used.The total funds raised as of December 31, 2018 amounted to 8,959,100 yuan, which was net interest income generated during the depositing period of raised funds.</p>

Use of funds and allocation for reserved raised capital	In view of the fact that the fund-raising investment projects of the company's non-public offering of shares have completed investment or capital increase, in order to further improve the usage efficiency of the raised funds, the 2 <sup>nd</sup> meeting of the ninth board of directors of the company reviewed and approved the Proposal on the Company to Use the Surplus Raised Funds to Permanently Supplement the Working Capital, and agreed the company to use the surplus raised funds and interest income from the fund-raising investment projects to permanently supplement the working capital.
Issues or other conditions found in use of fund raised and disclosure	N/A

### (3)The changed project of raised proceeds

√Applicable    □Not applicable

In 10 thousand Yuan

Project after changed	Corresponding original project	Total raised funds plans to invested after changed (1)	Amount actually invested in the Period	Accumulative funds actually invested ended as the Period (2)	Investment program till the period-end (3)=(2)/(1)	Predicted serviceable condition date of project	Profit realized in this year	Reach the predicted interest or not (Y/N)	Project feasibility was changed hugely or not after project changed
Tellus Shuibei Jewelry Building	Tellus Shuibei Jewelry Building	33,097.4	1,036.69	27,035.94	81.69%		0	N	N
Newly increased decoration costs of Tellus Shuibei project	Newly increased decoration costs of Tellus Shuibei project	2,799.79	208.33	244.33	8.73%		0	N	N
Sichuan Regional Jewelry Channel Platform Company	Retail market of jewelry business, Jewelry e-business, Jewelry	10,000	7,000	10,000	100.00%		308.13	Y	N

	training business, Automobile leasing business supporting the jewelry market								
Total	--	45,897.19	8,245.02	37,280.27	--	--	308.13	--	--
Explanation on reasons of the changes, decision-making procedures and information disclosure (explain by specific project)		<p>1. On 7 April 2017 and 4 May 2017, the Company holding the official 7<sup>th</sup> meeting of 8<sup>th</sup> BOD and AGM of 2016 respectively, deliberated and approved the “Proposal of Canceling Part of the Fund-Raised Investment Projects”, that is, the jewelry e-business, jewelry training, jewelry market matching with the automobile leasing business supporting the jewelry market are determined to canceled. 2. On 8 May 2017 and 25 May 2017, the Company holding the 8<sup>th</sup> extraordinary meeting of 8<sup>th</sup> BOD and First Extraordinaryshareholders meeting of 2017 respectively, deliberated and approved the “Proposal of ”Changed the Fund-Raised Purpose and Investment on Jewelry Channel Platform Company in Sichuan area”, that is, the Company will contribute fund-raised of 100 million Yuan in the project of Sichuan Regional Jewelry Channel Platform Company, the Company takes 66.67% equity in the above mentioned new company. 3. On 12 December 2017 and 28 December 2017, the Company holding the 13<sup>th</sup>extraordinary meeting of 8<sup>th</sup> BOD and Third Extraordinary Shareholders Meeting of 2017 respectively, deliberated and approved “Proposal of Change the Projects with Fund-Raised Investment”, that is, the Company will change the fund-raised projects according to actual conditions, increased more investment in Tellus Shuibei Jewelry Buildings and the total fund raised investment, the second capital for decoration will reduce to 27.9979 million Yuan from former 68.09 million Yuan, the 13.93 million Yuan which has no projects occupied, the 40.0921 million Yuan reduced from decoration and 16.9519 million Yuan from part of the interest and financial products will totally (70.974 million Yuan) invested in the follow-up construction of Tellus Shuibei Jewelry Building, the Tellus Shuibei Jewelry Building project plans to have 330.974 million Yuan from the fund-raised after changed.</p>							
Particular and reasons of fail to reached the target advance or anticipated income (explain by specific project)		<p>1. Tellus Shuibei Jewelry Building has acceptance completed in August 2018 and officially put into use.</p> <p>2. Newly increased decoration costs of Tellus Shuibei project will put into service according to the progress of the construction</p>							
Explanation on major changes on project feasibility after project changed		N/A							

## **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

Counterpart	Equity sold	Sales day	Trading price (10 thousand Yuan)	Net profit contributed by the sold equity from period-begin to date for sales (in 10 thousand Yuan)	Impact on the Company	Ratio of the net profit from equity sales in total net profit of the Company	Pricing principal	Whether it was a related transaction (Y/N)	Relationship with the counterparty	Ownership transferred completely or not (Y/N)	Implemented on schedule (Y/N), explained the reasons and countermeasure for not completed on schedule	Disclosure day	Disclosure index
Shenzhen Runhe Unite Investment Development Co., Ltd.	43% equity of Shenzhen Xinglong Machinery Mould Co., Ltd.	15 June 2018	28,667	-551	The impact on total profit of the Company approximately amounted as 201.88 million Yuan		In accordance with the Assets Appraisal Report (Guozonglian Ping Bao Zi No. 920170 No. 3-0083 issued by Guozhonglian Land Real Estate Assets	N	N/A	N	On schedule	20 June 2018	Notice(No.: 2018-040) released on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn).



							Appraisal Co., Ltd.- the enterprise with qualification of exercising securities and futures business, the assessment is adopted asset-based approach and income approach						
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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	367,507,215.83	329,287,759.22	19,586,969.80	75,377,436.98	71,806,075.55
Shenzhen SDG Huari Auto Enterprise Co., Ltd.	Subsidiary	Auto maintenance and production and sales of accessories	USD 5 million	70,696,317.90	27,344,193.34	35,692,198.19	-534,194.27	-1,539,161.44
Shenzhen Zhongtian Industrial Co., Ltd.	Subsidiary	Property rental	RMB 366.2219 million	585,058,667.78	367,396,026.29	14,699,530.76	-12,585,880.50	-12,585,234.01
Shenzhen Huari Toyota Automobile Sales Co. Ltd	Subsidiary	Sales of automobile	RMB 2 million	53,804,879.58	2,096,342.64	171,904,862.83	3,492,698.33	3,501,822.26
Shenzhen Xinyongtong Auto Vehicle Inspection Equipment Co., Ltd.	Subsidiary	Manufacture of inspection equipment for motor vehicle	RMB 19.61 million	10,916,976.23	5,718,773.31	5,537,122.24	2,035,621.51	1,653,222.79
Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd	Subsidiary	Inspection and repair of motor vehicle	RMB 32.90 million	74,982,130.34	56,389,412.60	11,967,233.50	5,358,492.81	4,649,851.02
Anhui Tellus Starlight	Subsidiary	Jewelry sales	RMB 9.8 million	13,367,177.64	4,692,436.76	12,849,125.20	-5,652,305.43	-5,652,295.43

Jewelry Investment Co., Ltd.								
Sichuan Tellus Jewelry Technology Co., Ltd.	Subsidiary	Jewelry sales	RMB 150 million	136,409,389.36	135,459,429.90	138,377,981.65	6,326,229.93	4,621,702.04
Shenzhen Zungfu Tellus Auto Service Co., Ltd	Joint stock Company	Car sales and maintenance	RMB 30 million	279,725,679.00	114,866,924.00	1,212,159,355.00	29,011,810.00	24,539,734.00
Shenzhen Dongfeng Automobile Co., Ltd.	Joint stock Company	Manufacture and maintenance of automobile	RMB 100 million	846,048,516.34	405,653,062.12	494,413,981.09	337,282,475.02	274,312,241.81
Shenzhen Tellus Gman Investment Co., Ltd.	Joint stock Company	Investment in industry, property management and leasing	RMB 123.70496 million	392,842,245.54	124,078,027.19	77,472,993.92	10,230,461.90	11,589,473.55

Particular about subsidiaries obtained or disposed in report period

√Applicable □Not applicable

Name	Way to obtained and dispose in the Period	Impact on overall operation and performance
Shenzhen Xinyongtong Dongxiao Auto. Inspection Co., Ltd.	Sold by equity transfer	Achieved transfer investment income of 1,072,860.12 Yuan

Notes of holding and shareholding companies

The Company's shareholding company, Shenzhen Dongfeng Motor Co., Ltd. (hereinafter referred to as "Dongfeng Company"), cooperated with Shenzhen Baoli Real Estate Development Co., Ltd. to develop urban renewal projects with the land use rights of its Longhua factory. After many negotiations and changes to the contract (agreement), the compensation method for the demolition of Dongfeng Company's Longhua factory was finally determined as the monetary compensation for the relocated residential area and the relocation of commercial real estate (The area is 1350 square meters). On December 27, 2017, the two parties signed the Pre-Settlement Agreement for the Longhua Factory Demolition and Reconstruction Cooperative Development Project", in 2018, Dongfeng Company confirmed the compensation income of 322.68 million Yuan for the relocation of Longhua factory; the Company confirmed the investment income of 68.57 million Yuan according to the shareholding ratio.

## VIII. Structured vehicle controlled by the Company

☐Applicable ☒Not applicable

## IX. Future Development Prospects

### (I) Industry pattern and development trend

During the reporting period, due to the impact of the international and domestic economic situation, the domestic economic growth slowed down and entered a stable range. After going through the bottom shocks in recent years, although the market of jewellery industry was still uncertain due to the overall economic environment, in the long run, benefiting from the increase in per capital disposable income of urban residents, the increasing millennial young consumers and emerging middle class group, the demand for high-quality consumer demand and the increase in risk aversion, the gold jewelry market has recovered to some extent, and the industry has entered a recovery phase. According to Euromonitor data, the market size of China's gold and jewellery industry reached 696.5 billion yuan in 2018, a year-on-year increase of 6.72%. Although the growth rate of total retail sales of consumer goods in 2018 declined, the gold jewelry industry is still one of the fastest growing consumer goods categories. .

Under the dual stimulus of domestic tax reduction and encouragement of consumption upgrading policy, the consumer side will gradually become the engine of economic growth. Under the economic new normal background, with the maturity of the market and consumers' gradually higher requirements to the product quality, the gold and jewellery companies with brand connotation and high recognition will be increasingly favored by consumers. The technology overlay of internet + mode, internet of things, artificial intelligence, communication and other technologies has further promoted the transformation of business ecology, and the jewelry industry has also shifted from the original batch production expansion to the consumer-oriented and omni-channel sales management. The unceasing overlay and penetration of gold jewelry category and the possibility of multi-scenario consumption have increased the repurchase rate of products. Low-tier cities have become the main sinking channels for gold jewelry enterprises in the future, the differentiation and upgrading of consumer groups may also drive the development of the industry. It is foreseeable that in 2019, the gold jewelry consumer market will breed and give birth to more development opportunities.

### (II) The company development strategy

Since formulated the strategic plan for transforming into a third-party integrated operation service provider in the jewelry industry in 2014, Tellus has been steadily pushing forward its strategy in accordance with the established strategy. Through the implementation of various transformation projects in recent years, we have accumulated practical experience in the jewelry industry, and further clarified the path of transformation, strategic layout and core work content, namely, took becoming the most influential third-party integrated operation service provider of fashion jewelry industry as the company's vision; took promoting industry norms, reducing industry costs, creating industry value, and enhancing industry efficiency as the mission; the strategy implementation path was to give full play to the advantages of state-owned listed companies, based on Shuibei-Buxin physical platform, with internet integrated service platform as the hub, with supply chain financial services as a means, with innovation and entrepreneurship platform as a breakthrough, with jewelry industry requirements as the goal, ploughed into the upstream, midstream, and downstream of jewelry industry supply chain, opened up the jewellery industry

chain information island, formed the effective data cluster of industry chain, provided the industry's comprehensive value-added services, and created an O2O vertical ecosystem in the jewelry industry. In the future, the company will actively adopt a variety of innovative models to promote the implementation of the company's transformation strategy.

### **1. Physical platform**

(1) Shuibei Jewelry Industrial Park Project: The physical platform is the core foundation of the company's overall strategy. As of the end of the reporting period, the company's projects located at the Tellus Gmen Gold Jewelry Industrial Park included: the phase I project of Tellus Shuibei Jewellery Building built by the company's wholly-owned subsidiary, the Shuibei Jinzuo Building project constructed by the joint venture and the Xinglong Gold and Jewelry Building constructed by the joint stock companies have been completed and put into use; the phase II project of Tellus Shuibei Jewellery Building is also about to be put into construction. Relying on the above-mentioned physical platforms, the company will give full play to its resource advantages, make overall planning for the business format, and innovate the operation and management model, provide basic property services, business butler services, marketing promotion services, talent services, financial services, testing, packaging, catering, innovation and entrepreneurship, design creativity, incubators, warehousing, gold leasing and other industries and services supporting value-added contents by grafting "Jinteli ICON" jewelry business butler services, innovation and entrepreneurship platforms, central treasury and safe deposit box projects, create a jewelry industry innovation ecosystem, and energize the transformation and development of the jewelry industry.

(2) In the structural reform strategy and plan of the jewelry industry supply side in the Shuibei-Buxin area planned by the Shenzhen Municipal Government and the Luohu District Government, Buxin area is planned to be the jewelry intelligent manufacturing base of Luohu District. The company has a number of properties in the Buxin industrial zone, and is the largest owner of the 04 and 05 subunits of the Buxin urban renewal unit planning project. The company will actively promote the implementation of the reform project, improve the quality of the company's assets and lay a solid foundation for the company's strategic transformation under the established planning scheme of Luohu District.

### **2. Regional channel platform**

In 2017, the company used the raised funds to cooperate with the channel vendors with strong strength in Sichuan to co-invest and establish Sichuan Tellus Jewelry Technology Co., Ltd. During the reporting period, Sichuan Tellus, the first project of the regional channel platform, was smoothly launched, and the supply chain settlement supporting service system was officially put into operation, the ERP system of the jewelry industry was also put into trial run, a standard business process system conforming to the industry situation was formed through practice and experience, risk management and control was reasonable and effective, achieved an annual business income of 138 million yuan and a total profit of 6.3262 million yuan. In the future, Sichuan Tellus will continue to give full play to its own advantages, improve and innovate its own business model, create a successful example of regional channel platform, and lay a solid foundation for the replication and expansion of the business model nationwide.

### **3. Innovative and entrepreneurial platform**

In order to cultivate the innovative and entrepreneurial soil for Shenzhen jewelry industry and promote the

transformation and upgrading of Shenzhen jewelry industry, Tellus Group plans to invest in the construction of “Jewelry Industry Innovative and Entrepreneurial Base”. The project is located on the third floor of the phase I podium building of Tellus Shuibei Jewelry Building, with a construction area of approximately 3,500 m<sup>2</sup>. “Tellus Innovative and Entrepreneurial Base” is the first batch of licensed innovative and entrepreneurial bases in the jewelry industry in Shenzhen.

The innovative and entrepreneurial base will take “jewelers”, “Jinchuang Tellus makers service”, “new technology and new materials R&D platform”, “Xinggongchang designer platform” and “jewelry business incubation platform” as five sub-platforms for construction, accelerate the space renovation and upgrading, “Xinggongchang” innovative and entrepreneurial space, jewelry industry financial incubation system, new technology and new materials laboratory, jewelry testing platform and other key projects, build the entire process incubation acceleration system for the small and micro enterprises from makers’ training to entrepreneurship, entrepreneurial support, product marketization to the development and listing of small and micro enterprises, which provides a rooted entrepreneurial platform for the makers so as to enhance the entrepreneurial success rate of the jewelry industry and energize the industry innovation.

#### **4. Jewelry financial service platform**

With the full implementation of China’s Golden Tax Phase III system and the increasing number of listed companies in the jewelry industry, the overall management standardization and compliance of the jewelry industry is increasing, and the entire industry is paying more and more attention to legal compliance operations. Under the circumstances of this market transformation, the credit and capital advantages brought by the company as a state-owned enterprise and a listed company have become more and more prominent, its popularity and industry status in the jewelry industry has been highlighted, and the conditions for establishing a large financial service platform are maturing day by day. In the future, Tellus will give full play to its comprehensive resource advantages, explore and carry out various financial services such as financing guarantee business, micro-credit business, factoring and pawn through investment, acquisition and other means to provide standardized and fast financial services to customers nationwide.

#### **5. Internet integrated service platform**

The Internet integrated service platform is the main channel for linking the entire Tellus jewelry ecosystem, and the ultimate carrier for data precipitation, and also the core platform for gathering resources of the entire industry chain. By focusing on the resources and data of each business platform, Tellus will take the internet integrated service platform as the hub and plough into the upstream, midstream and downstream of the jewelry industry chain. At the upstream, control and hold the internet integrated service platform by the jewellery fund investment method, introduce the channel resources of core brand owners and production wholesalers in the upstream of Shuibei area physical platform into the internet integrated service platform, and realize the integration of upstream resources. At the midstream, make strategic cooperation with important channel providers in each province or large regions, establish regional channel platforms, introduce supply chain resources of regional channel providers, and realize the integration of midstream resources. At the downstream, introduce the terminal retail store resources in various regions through value-added services such as financial services and ERP systems, and achieve resource integration of downstream terminals through data management. Each platform, section and

service support each other, establish and strengthen partnerships, and jointly build a third-party service platform for the jewelry industry, create a jewelry industry ecosystem, and energize the innovation and development of the jewelry industry.

### **(III) The company's 2019 annual business plan**

In 2019, the company will seriously implement the “Double Hundred Actions” in strict accordance with the work deployment of the board of directors, ensure the smooth realization of the “13th Five-Year” planning objectives, and strive to advance various tasks.

1. Original main business: On the basis of maintaining the stable scale of car sales and service business, actively explore the new model of incremental business of Huari Company. In the aspect of resource assets business, properly solve the problems left over from history through refined management, continue to tap potential and increase revenue, meanwhile, innovate the planning type through scientific design, transform and upgrade the original property, and improve asset quality and income level. In terms of enterprise management, continue to improve the management level, optimize and adjust the enterprise structure, maximize the value of the participating companies, gradually withdraw from the loss-making enterprises according to the plan, clean up the zombie enterprises, and enhance the enterprise vitality.

2. Transformation business:

(1) Continue to optimize and improve the business model of Sichuan Tellus Company, focus on promoting the supply chain settlement supporting service system and the ERP system in the jewelry industry, and increase the project revenue and profit items.

(2) The key project of physical platform, i.e. phase I project of Tellus Shuibei Jewelry Building has been officially put into operation. The company will take advantage of various resources and actively explore innovative business models that rely on physical platforms to carry out various value-added services, and improve the comprehensive income of the project.

(3) Actively promote the phase II project of Shuibei Jewelry Building and strive to put it into construction in 2019.

(4) Continue to promote the Tellus jewelry industry mergers and acquisitions fund project, actively seek suitable targets for the company's transformation strategy, participate in and incubate the high quality projects through fund investment and mergers and acquisitions, and provide rich resources for strategic transformation.

(5) Rapidly promote the implementation of the innovative and entrepreneurial base project, serve the innovative and entrepreneurial enterprises through innovative value-added service, cultivate high-quality innovative enterprises, and inject new vitality into the industry.

3. Management:

(1) Strengthen human resource management, optimize performance management, and explore long-term incentive mechanisms.

(2) Strengthen team building, enhance the transformation talents construction, and promote the overall quality of human resources.

(3) Do a good job in risk internal control, strengthen risk management and control, and continue to improve the system and internal control system.

(4) Thoroughly study and implement the spirit of the “19th National Congress”, combine party building work with

the company's operation and management, continue to carry out the "two studies and one do" and anti-corruption work, implement the targeted poverty alleviation work, and bring party building work to practice.

(5) Implement the various tasks of informatization construction, and complete the IT system construction of the projects in Shuibei area and Sichuan Tellus Company in accordance with the overall business plan of the company.

(6) Pay close attention to safety production, implement safety management responsibility system, eliminate safety hazards, and ensure safety and no accidents.

(7) Strengthen the construction of corporate culture, focus on building a corporate culture atmosphere of striving to be the striver, and promote the healthy development of enterprises.

#### **(IV) Possible 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, exchange rate instability, and the domestic monetary policy shifting from relatively loose to stable, China's economy has entered a speed-shift period, and GDP growth has stepped into a stable "new normal stage", the domestic economy is still facing a slowdown in growth, and the risk of increasing industrial restructuring pressure has an uncertain impact on the overall economic environment and company's operating results.

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

##### **2. Risks brought about by transforming into new areas**

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 ploughing into the jewelry industry, the company has become more and more aware of the difficulties and risks that may be faced in the transformation to a new business area. Whether we can realize the innovative integration of the traditional characteristics of the jewelry industry and the new technology and new model, how to meet the ever-changing individualized diversified needs of emerging consumer groups, and how to take the path of innovation and development in the more competitive industry environment in the market segment are 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 layout of business transformation.

In response to this risk, on the one hand, the company will continue to strengthen the transformation conviction, make full demonstration, prudently make decisions, elaborate management, and carry out market-oriented operation in accordance with the established overall development strategy and business strategy so as to ensure



that the 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 take the opportunity of completing the “Double Hundred Actions” to explore and improve the company’s long-term incentive mechanism, mobilize the enthusiasm of all employees, improve the management level and operational efficiency of enterprises, and effectively enhance the core competitiveness of enterprises.

## **X. Reception of research, communication and interview**

### **1. In the report period, reception of research, communication and interview**

☐ Applicable    ☒ Not applicable

No reception of research, communication and interview in the Period

## Section V. Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

√Applicable    □Not applicable

The company attaches great importance to the reasonable returns for investors; the Articles of Association clearly defines the standards and proportions of cash dividends, the decision-making procedures and mechanisms, and the form of profit distribution. The company strictly complies with the Articles of Association and the resolutions of the shareholders' general meeting, the dividends standards and proportions are clear, relevant decision-making procedures and mechanisms are complete, the independent directors are responsible and give play to their duties, the medium and small shareholders have the opportunities to express their opinions and demands, and the legitimate rights and interests of medium and small shareholders are fully maintained.

Special description on cash dividend policy	
Whether it meets the requirements of the Article of Association or the Resolution of the General Meeting (Y/N):	Y
Whether the bonus standards and proportion is clear and well-defined (Y/N):	Y
Whether has a completed relevant decision-making procedures and mechanism (Y/N):	Y
Whether independent directors fulfill duties and play a due role (Y/N):	Y
Minority shareholders whether has opportunity of full expression and appeals, the legal interest of the minority are being protected totally (Y/N):	Y
As for the adjustment and change of cash bonus policy, the condition and procedures whether meets regulations and transparent (Y/N):	Y

Distribution plan (pre-plan) for common stock dividends, capitalization scheme of capital reserve (pre-plan) in latest three years (including this period)

The parent Company's retained profit ended as 2016 was -55,254,500 Yuan, which is no profit distribution and cash bonus carried out for fails to meet the condition of dividends.

As of December 31, 2017, the undistributed profit of the company's consolidated statements was RMB 97,798,595.80, and the undistributed profit of the parent company was RMB -1,372,862.05. The only subsidiary that had an impact on the company's consolidated undistributed net profit of more than 10% was Shenzhen Auto Industry and Trade Corporation, the main reason why the company had no dividend was because the company's

working capital was tight and there was no enough cash to pay dividends. According to Article 7.6.7 of the “Guidelines for Standardized the Operation of Listed Companies on Main Board of Shenzhen Stock Exchange (2015 Revised), when a listed company formulates a profit distribution plan, it should be based on the profit available for distribution in the parent company’s statements. At the same time, in order to avoid the situation of over-allocation, the company should determine the specific profit distribution ratio based on the lower profit available for distribution either in the consolidated statement or in the parent company’s statement. Because the undistributed profit of the parent company was negative, the company did not distribute profits in 2017, nor increased the public reserve fund.

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 .

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	0.00	86,924,058.72	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	66,862,772.68	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	27,193,562.63	0.00%	0.00	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent Company is positive but no plan of cash dividend proposed of common stock

√Applicable    □Not applicable

The reason that why the revenues and profits distributed for common stock holder from the parent company are positive during reporting period, but the cash bonus distribution plan of common stock is not proposed	The usage and using plan of undistributed profit
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Ended as 31 <sup>st</sup> December 2018, balance of monetary fund of the parent company amounted as 283.84 million Yuan, including fund-raising 3.3 million Yuan. According to the investment scheme, approximately 307 million Yuan will invest for the projects in 2019 which has a great gap of fund. The premise of cash dividend is that the listed company has sufficient capital, and after dividend distribution, it will not have a major impact on the production and operation of the listed company. Therefore, we do not intend to adopt the method of cash dividend.	According to the investment scheme, approximately 307 million Yuan will invest for the projects in 2019
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## II. Profit distribution plan and capitalizing of common reserves plan for the Period

√Applicable    □Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	0.00
Shares transferred from every 10 shares (Share)	4.5
Equity base of distribution plan (Share)	297,281,600
Cash bonus distribution (RMB) (Tax included)	0.00
Cash bonus distribution in other ways (i.e. share buy-backs) (RMB)	0.00
Total cash bonus (including other ways) (RMB)	0
Distributable profits (RMB)	18,545,850.31
Ratio of total cash dividend (other ways included) in total profit distribution	0
Cash dividend	
Other	
Explanation on profit distribution or capitalizing of capital reserves	
In accordance with the Auditing Report 2018 issued by Ruihua Certified Public Accountants (LLP), the net profit attributable to owners of parent company in consolidate statement for year of 2018 amounted as 86.92 million Yuan and net profit of the parent company amounted as 20.11 million Yuan. Ended as 31 <sup>st</sup> December 2018, the retained profit of the consolidate statement was 184.54 million Yuan, capital reserve was 565.23 million Yuan; and the retained profit of parent company amounted as 18.55 million Yuan, capital reserve was 562.03 million Yuan. According to the Guidelines for Standardized the Operation of Listed Companies on Main Board of Shenzhen Stock Exchange (2015 Revised) article 7.6.7: when formulating profit distribution plans, the listed company shall take the profits available for distribution in the parent company's statement as the basis. Meanwhile, in order to avoid the situation of over-distribution, the company should determine the specific profit distribution proportion according to the principle of the lower profit available for distribution in the parent company's consolidated statement. In terms of the financial data, the Company shall based on the profit available for distribution in the parent company's statement.	
Ended as 31 <sup>st</sup> December 2018, balance of monetary fund of the parent company amounted as 283.84 million Yuan, including	

fund-raising 3.3 million Yuan. According to the investment scheme, approximately 307 million Yuan will invest for the projects in 2019 which has a great gap of fund. The premise of cash dividend is that the listed company has sufficient capital, and after dividend distribution, it will not have a major impact on the production and operation of the listed company. Therefore, we do not intend to adopt the method of cash dividend. Pursuit to the relevant regulation of Notice on Further Implementing Relevant Matters of Dividend Distribution of Listed Companies from the CSRC and Article of Association, under the premise of guaranteeing the normal operation and long-term development of the Company with purpose of actively return shareholders, the 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. After the above mentioned plan implemented, retained capital reserves of the parent company amounted to 428,256,131.23 Yuan.

### III. Implementation of commitment

#### 1. Commitments that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√Applicable    □Not applicable

Commitments	Commitment party	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform						
Commitments in report of acquisition or equity change						
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing	Shenzhen Tellus Holding Co., Ltd.	Other	The commitments to the fulfillment of information disclosure about the Company business development are as follows: except for the information has been disclosed publicly, the Company has not had the disclosed information about asset acquisition and business development that has not been disclosed within one year. In the future, the Company shall timely, accurately and adequately disclose the relevant information according to the progress of new business and the related requirements.	17 October 2014	Long-term	Implementing
Equity incentive commitment						
Other commitments for medium and small	Shenzhen Special Development	Horizontal Competition	In order to avoid the horizontal competition, the Company's controlling shareholder, Shenzhen SDG has issued the "commitment letter about the	26 May 2014	Long-term	Implementing

shareholders	Group Co., Ltd. (SDG)		avoidance of horizontal competition” on May 26, 2014. The full commitment letter is as follows: 1. The Company and other enterprises controlled by the Company except Tellus Group haven’t occupied in any business that could substantially compete with the main businesses of Tellus Group, and have no horizontal competition relationship with Tellus Group.			
	Shenzhen Tellus Holding Co., Ltd.	Dividend commitment	From 2017 to 2019, the Company’s profits will first be used to cover the losses of previous years; after making up for losses of previous years, in the premise that the Company’s profits and cash flow can meet the Company's normal operations and long-term development, reward shareholders, the Company will implement positive profit distribution approaches to reward the shareholders, details are as follows: 1. The Company’s profit distribution can adopt cash, stock or the combination of cash and stock or other methods permitted by law. The foreign currency conversion rates of domestically listed foreign shares dividend are calculated according to the standard price of HK dollar against RMB announced by People's Bank of China on the first working day after the resolution date of the shareholders' meeting. The Company prefers to adopt the cash dividends to distribute profits. In order to maintain the adaptability between capital expansion and performance growth, in the premise of ensuring the full cash dividend distributions and the rationality of equity scale and equity structure, the Company can adopt the stock dividend methods to distribute profits. 2. According to the "Company Law" and other relevant laws and the provisions of the Company’s "Articles of Association", following conditions should be satisfied when the Company implements cash dividends: (1) the Company's annual distributable profits (i.e. the after-tax profits after making up for losses and withdrawing accumulation funds) are positive value, the implementation of cash dividends will not affect the Company's subsequent continuing operations; (2) the audit institution issues the standard audit report with clean opinion to the Company's	4 May 2017	31 December 2019	Implementing

		<p>annual financial report; (3) the Company has no significant investment plans or significant cash outlay (except for fund-raising projects). Major investment plans or significant cash outlay refer to: the accumulated expenditures the Company plans to used for investments abroad, acquisition of assets, or purchase of equipment within the next 12 months reach or exceed 30% of the net assets audited in the latest period. 3. In the premise of meeting the conditions of cash dividends and ensuring the Company's normal operation and long-term development, the Company makes cash dividends once a year in principle, the Company's board of directors can propose the Company to make interim cash dividends in accordance with the Company's profitability and capital demand conditions. The proportion of cash dividends in profits available for distribution and in distribution of profits should meet the following requirements: (1) in principle, the Company's profits distributed in cash every year should not be less than 10% of profit available for distribution realized in the same year, and the Company's profits accumulatively distributed in cash in the last three years should not be less than 30% of the annual average profit available for distribution realized in the last three years. (2) if the Company's development stage belongs to mature stage and there is no significant capital expenditure arrangement, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 80%; (3) if the Company's development stage belongs to mature stage and there are significant capital expenditure arrangements, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 40%; (4) if the Company's development stage belongs to growth stage and there are significant capital expenditure arrangements, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 20%; when the Company's development stage is not easy to be differed but there are significant capital expenditure arrangements, please</p>			
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			handle according to the preceding provisions. 4. On the condition of meeting the cash dividend distribution, if the Company's operation revenue and net profit grow fast, and the board of directors considers that the Company's equity scale and equity structure are reasonable, the Company can propose and implement the dividend distribution plans except proposing the cash dividend distribution plans. When allocating stock dividend every time, the stock dividend per 10 shares should be no less than 1 share. Stock allocation can be implemented individually or in combination of cash dividends. When confirming the exact amount of profit distribution by stock, the Company should fully consider if the general capital after profit distribution by stock matches with the Company's current operation scale and profit growth rate and consider the impact on future financing so as to make sure the allocation plans meet the overall interests of all shareholders.			
Completed on time(Y/N)	Y					
As for the commitment out of the commitment time, explain the specific reasons and further plans	Not applicable					

**2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast**

☐Applicable ☒Not applicable

**IV. Non-operational fund occupation from controlling shareholders and its related party**

☐ Applicable ☒ Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

**V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA**

☐Applicable    ☒Not applicable

**VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year**

☐Applicable    ☒Not applicable

No accounting policy, estimates and calculation method changed in the Period.

**VII. Major accounting errors within reporting period that needs retrospective restatement**

☐ Applicable    ☒ Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

**VIII. Compare with last year's financial report; explain changes in consolidation statement's scope**

☒ Applicable    ☐ Not applicable

Totally 15 enterprises included in consolidate statement for year of 2018, found more in the VIII. Equity in other body carry in the annotation of financial statement in Auditing Report 2018 released on Juchao Website on the same date. One enterprise decrease in the consolidate statement by comparing with last year.

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

Accounting firm appointed

Name of domestic accounting firm	Ruihua Certified Public Accountants (LLP)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	55
Continuous life of auditing service for domestic accounting firm	5
Name of domestic CPA	Cai Xiaodong ,Zhou Xuechun
Continuous life of auditing service for domestic accounting firm	3

Re-appointed accounting firms in this period

☐ Yes    ☒ No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

☐ Applicable    ☒ Not applicable

**X. Particular about suspended and delisting after annual report disclosed**

☐ Applicable    ☒ Not applicable

**XI. Bankruptcy reorganization**

☐ Applicable    ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period

**XII. Significant lawsuits and arbitration of the Company**

☐ Applicable    ☒ Not applicable

No significant lawsuits and arbitration occurred in the reporting period.

### **XIII. Penalty and rectification**

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

### **XIV. 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.

### **XV. 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.

## XVI. 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 over the approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Shenzhen Zungfu Tellus Auto Service Co., Ltd	Director, supervisor and senior executives of the Company serves director of the enterprise	Routine related transaction	Offering property renal	Reference market pricing	530	530	5.66%	530	N	Agreed by contract or agreement	530	3 April 2018	Notice No.: 2018-022 on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Shenzhen SDG Tellus Property Management	Subsidiary of the controlling	Routine related transaction	Accept property management	Reference market pricing	751.18	751.18	18.42%	660	Y	Agreed by contract or agreement	751.18	3 April 2018	Notice No.: 2018-022 on

Co., Ltd.	shareholder		services										Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Shenzhen SDG Tellus Property Management Co., Ltd.	Subsidiary of the controlling shareholder	Routine related transaction	Offering property rental	Reference market pricing	10.04	10.04	0.11%	0	Y	Agreed by contract or agreement	10.04		
Shenzhen SDG Petty Loan Co., Ltd.	Subsidiary of the controlling shareholder	Routine related transaction	Offering property rental and management service	Reference market pricing	8.73	8.73	0.09%	0	Y	Agreed by contract or agreement	8.73		
Total				--	--	1,299.95	--	1,190	--	--	--	--	--
Detail of sales return with major amount involved				N/A									
Report the actual implementation of the daily 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				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 the Company had non-operating contact of related credit and debt

√ Yes □ No

Debts payable to related party

Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
Shenzhen Special Development Group Co., Ltd. (SDG)	Controlling shareholders	Intercourse funds and loan interest	3,244	36	1,561		36	1,719
Shenzhen Special Development Group Co., Ltd. (SDG)	Controlling shareholders	Loan principal for the Tellus Group and Hurari Company	1,868		1,279			589

**5. Other related transactions**

□Applicable √Not applicable

Nil

**XVII. 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 and its subsidiary (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhen Zungfu Tellus Auto Service Co., Ltd	30 Sept. 2014	3,500	17 Apr. 2007	3,500	Pledged	To the expire date of joint venture contract	N	Y
Shenzhen Xinglong Machinery Mould Co., Ltd.	28 Dec. 2018	28,000		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 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	N	Y

						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)		28,000		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 for subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
Shenzhen Zhongtian Industrial Co., Ltd.	7 May 2014	30,000	24 June 2014	30,000	Joint liability guaranty	24 June 2014 to 23 June 2024	N	Y
Total amount of approving guarantee for subsidiaries in report period (B1)		0		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		30,000		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		30,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		30,000		
Guarantee of the subsidiaries for subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
Total amount of approving guarantee for subsidiaries in report period (C1)		0		Total amount of actual occurred guarantee for subsidiaries in report period (C2)		0		
Total amount of approved guarantee for subsidiaries at the		0		Total balance of actual guarantee for subsidiaries at		0		

end of reporting period (C3)		the end of reporting period (C4)	
Total amount of guarantee of the Company (total of three abovementioned guarantee)			
Total amount of approving guarantee in report period (A1+B1+C1)	28,000	Total amount of actual occurred guarantee in report period (A2+B2+C2)	61,500
Total amount of approved guarantee at the end of report period (A3+B3+C3)	61,500	Total balance of actual guarantee at the end of report period (A4+B4+C4)	61,500
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)		58.56%	
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. Entrust others to cash asset management

### (1) Trust financing

☒Applicable ☐Not applicable

Trust financing in the reporting period

In 10 thousand Yuan

Type	Capital resources	Amount for entrust	Balance un-expired	Overdue amount
Bank financing product	Idle raised funds	4,000	0	0
Bank financing product	Own funds	15,920	33,040	0
Total		19,920	33,040	0

Details of the single major amount, or high-risk trust investment with low security, poor fluidity and non-guaranteed

☐Applicable ☒Not applicable

Entrust financial expected to be unable to recover the principal or impairment might be occurred

☐Applicable ☒Not applicable

## **(2) Entrusted loans**

☐ Applicable ☒ Not applicable

The Company had no entrusted loans in the reporting period.

## **4. Other material contracts**

☐ Applicable ☒ Not applicable

No other material contracts for the Company in reporting period

## **XVIII. Social responsibility**

### **1. Fulfill social responsibility**

The Company has always taken the shareholders' return, employees' achievements, and social feedback as its own duty. We adheres to the principle of fairness and actively safeguards the legitimate rights and interests of shareholders; actively advocates achieving the self-worth while realizing the enterprise value, and creates a working environment that the enterprise cares for employees and employees love the enterprise so as to have a harmonious development together; actively returns to the society and the public, and commits itself to achieve the harmonious and sustainable development of the Company and society.

### **2. Performance of taking targeted measures in poverty alleviation**

#### **(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 Li Bai village. The project has begun on December 29, 2017, currently, the project has completed. After the project is completed, it will greatly facilitate the production and transportation of Li Bai 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**

Expansion and repair the road in Li Bai village

**3. Environmental protection**

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

No

No

**XIX. Explanation on other significant events**

☐ Applicable ☒ Not applicable

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

**XX. 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 shares issued	Bonus share	Capitalization of public reserve	Other	Subtotal	Amount	Ratio
I. Restricted shares	77,000,000	25.90%	0	0	0	-77,000,000	-77,000,000	0	0.00%
1. State holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned corporation shares	6,000,000	2.02%	0	0	0	-6,000,000	-6,000,000	0	0.00%
3. Other domestic shares	71,000,000	23.88%	0	0	0	-71,000,000	-71,000,000	0	0.00%
Including: domestic legal person's shares	71,000,000	23.88%	0	0	0	-71,000,000	-71,000,000	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	220,281,600	74.10%	0	0	0	77,000,000	77,000,000	297,281,600	100.00%
1. RMB ordinary shares	193,881,600	65.22%	0	0	0	77,000,000	77,000,000	270,881,600	91.12%
2. Domestically listed foreign shares	26,400,000	8.88%	0	0	0	0	0	26,400,000	8.88%
2. Foreign shares listed	0	0.00%	0	0	0	0	0	0	0.00%

aboard									
3. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	297,281,600	100.00%	0	0	0	0	0	297,281,600	100.00%

Reasons for share changed

☒Applicable ☐Not applicable

In March 2015, the company issued a total of 77,000,000 shares to two specific investors via non-public offering, and the issued shares were listed on the Shenzhen Stock Exchange on March 27, 2015. According to the Administrative Measures on the Securities Issuance of Listed Companies and other relevant regulations, the non-publicly issued A-shares were locked during the restricted period. In this non-public offering of shares, the restricted period of 77,000,000 shares subscribed by the two subscribers was 36 months from the date of listing (March 27, 2015). During the reporting period, the restricted period of the company's non-public offering of stocks expired, and was listed and circulated on April 19, 2018.

Approval of share changed

☒Applicable ☐Not applicable

On April 11, 2018, the company submitted an application for the listing and circulating of restricted shares to China Securities Depository and Clearing Corporation Limited Shenzhen Branch and the Shenzhen Stock Exchange, China Securities Depository and Clearing Corporation Limited issued the Stock Change Registration Confirmation on April 18, 2018. According to the Stock Change Registration Confirmation, CSDC would officially complete the change registration of lifting the restriction on restricted shares after the market closing on April 18, 2018. On April 19, 2018, after being approved by the Shenzhen Stock Exchange, the company disclosed the Prompt Announcement on Lifting the Restriction on the Non-public Offering of Shares" at [www.cninfo.com.cn](http://www.cninfo.com.cn).

Ownership transfer of share changes

☐Applicable ☒Not applicable

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

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

In Share

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
Shenzhen Special Development Group Co., Ltd.	6,000,000	6,000,000	0	0	Upon Expiration of the restriction on shares issued by the Company non-publicly, the shares shall be lifted	19 April 2018
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (LP)	71,000,000	71,000,000	0	0	Upon Expiration of the restriction on shares issued by the Company non-publicly, the shares shall be lifted	19 April 2018
Total	77,000,000	77,000,000	0	0	--	--

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in Reporting Period

☐Applicable ☒Not applicable

### 2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

☐Applicable ☒Not applicable

### 3. Current internal staff shares

☐Applicable ☒Not applicable



### III. Particulars about shareholder and actual controller of the Company

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

In Share

Total common stock shareholders in reporting period-end	52,687	Total common stock shareholders at end of last month before annual report disclosed	51,676	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten 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. (SDG)	State-owned corporation	49.09%	145,925,256	0	0	145,925,256		0
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (LP)	Domestic non state-owned corporate	21.87%	65,001,600	-5,998,400	0	65,001,600		0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.40%	1,197,304	-900	0	1,197,304		0
Agricultural Bank of China Ltd. – CSI 500 ETF	Other	0.26%	778,841	542,741	0	778,841		0
Li Guangxin	Domestic nature	0.26%	761,161	0	0	761,161		0

	person							
Zhong Yujian	Domestic nature person	0.11%	312,392	312,392	0	312,392		0
He Xing	Domestic nature person	0.10%	300,100	0	0	300,100		0
Huang Chuyun	Domestic nature person	0.09%	266,500	0	0	266,500		0
Ding Bingfang	Foreign nature person	0.09%	265,600	265,600	0	265,600		0
Feng Weiyong	Domestic nature person	0.08%	226,200	77,900	0	226,200		
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note3)		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 persons acting in concert 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 persons acting in concert.						
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.	145,925,256					RMB ordinary shares	145,925,256	
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (LP)	65,001,600					RMB ordinary shares	65,001,600	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,197,304					Domestically listed foreign shares	1,197,304	
Agricultural Bank of China Ltd. – CSI 500 ETF	778,841					RMB ordinary shares	778,841	
Li Guangxin	761,161					Domestically listed foreign shares	761,161	
Zhong Yujian	312,392					RMB ordinary	312,392	

		shares	
He Xing	300,100	Domestically listed foreign shares	300,100
Huang Chuyun	266,500	Domestically listed foreign shares	266,500
Ding Bingfang	265,600	RMB ordinary shares	265,600
Feng Weiyong	226,200	RMB ordinary shares	226,200
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, Ltd and other shareholders, and they do not belong to the persons acting in concert 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 persons acting in concert.		
Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held(if applicable) (see note4)	N/A		

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.

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Majority shareholder	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Special Development Group Co., Ltd.	Zhang Junlin	20 June 1982	91440300192194195C	Investment in industry (specific item should be declaration); investment in tourism industry; development and operation of the real estate; domestic business, material supply and marketing industry (excluding

				monopolized commodity and commodity under special government control); economic information(excluding restricted projects); import & export business
Equity of listed Company in and out of China control and hold by the majority shareholder in the Period	Except the shares of the Company held by SDG, SDG still holds 253.93529 million shares of Shenzhen SDG Information Co., Ltd. (Stock name: SDGI, Stock code: 000070), a 40.5% takes; holds 7,985,809 shares of Sichuan Jinlu Group Co., Ltd. (Stock name: Jinlu Group, Stock code: 000510), a 1.31% takes; and 9,135,174 shares of Huatai Securities Co., Ltd. (Stock name: Huatai Securities, Stock code: 601688) with 0.13% takes.			

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

### 3. Actual controller of the Company and persons acting in concert

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

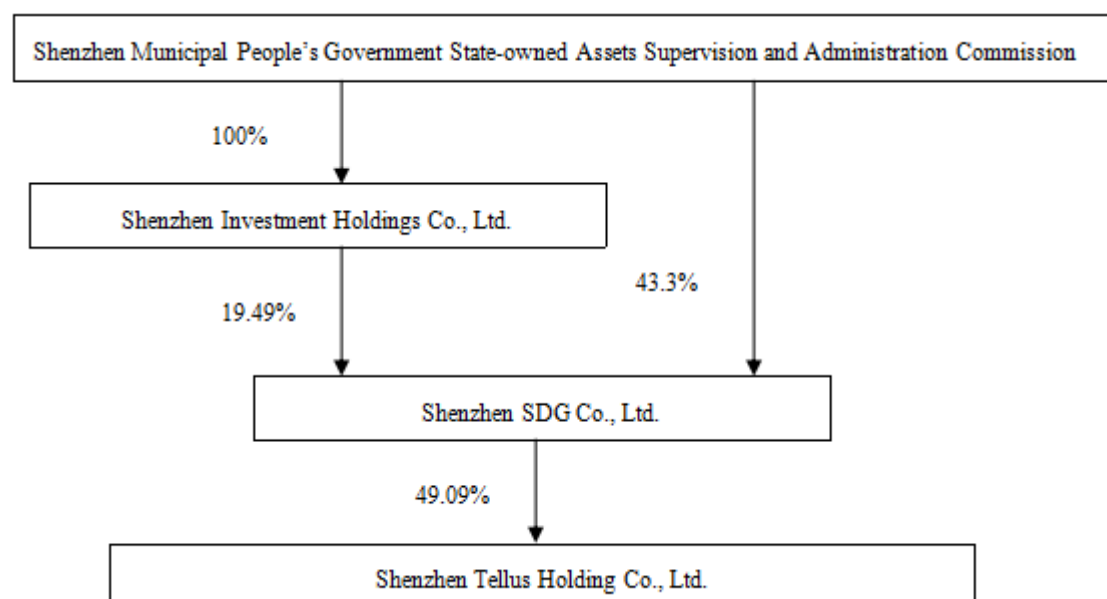
Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission	Peng Haibin	20 July 2003	K31728067	Not applicable
Equity of domestic/oversea listed Company control by actual controller in report period	Not applicable			

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

☐Applicable ☒Not applicable

#### 4. Particulars about other legal person shareholders with over 10% shares held

☒Applicable ☐Not applicable

Corporate shareholders	Legal rep./person in charge of unit	Date of foundation	Register capital	Main business or management activity
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (LP)	Cheng Houbo	18 April 2014	620 million Yuan	Equity investment

#### 5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

☐Applicable ☒Not applicable

## Section VII. Preferred Stock

☐ Applicable    ☒ Not applicable

The Company had no preferred stock in the Period.

## Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Fu Chunlong	Chairman	Currently in office	M	46	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Yu Lei	Director	Currently in office	F	51	6 June 2012	6 Sept. 2021	0	0	0	0	0
Zhang Quanxun	Director	Currently in office	M	46	20 May 2015	6 Sept. 2021	0	0	0	0	0
Gu Zhiming	Director	Currently in office	M	48	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Lv Hang	Director, GM	Currently in office	M	58	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Lou Hong	Director	Currently in office	F	51	9 Feb. 2018	6 Sept. 2021	0	0	0	0	0
Lou Hong	CFO	Currently in office	F	51	4 Jan. 2018	6 Sept. 2021	0	0	0	0	0
Hu Yuming	Independent director	Currently in office	M	54	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Jiang Dinghang	Independent director	Currently in office	M	56	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Zhang Dong	Independent director	Currently in office	M	45	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0

Guo Xiaodong	Chairman of the Supervisory Committee	Currently in office	M	55	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Chen Yangsheng	Supervisor	Currently in office	M	56	4 May 2017	6 Sept. 2021	0	0	0	0	0
Yang Jianping	Supervisor	Currently in office	F	47	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Liu Haicheng	Supervisor	Currently in office	F	50	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Zhang Zheng	Supervisor	Currently in office	M	35	7 Sept. 2018	6 Sept. 2021	0	0	0	0	0
Feng Yu	Deputy GM	Currently in office	M	52	17 June 2006	6 Sept. 2021	0	0	0	0	0
Xie Jing	Deputy GM	Currently in office	M	54	25 Oct. 2018	6 Sept. 2021	0	0	0	0	0
Qi Peng	Secretary of the Board	Currently in office	M	46	28 Dec. 2015	6 Sept. 2021	0	0	0	0	0
Lv Hang	Chairman	Leave the office	M	58	20 May 2015	7 Sept. 2018	0	0	0	0	0
Chen Gengsen	Director	Leave the office	M	47	20 May 2015	7 Sept. 2018	0	0	0	0	0
Ding Hui	Director, GM	Leave the office	M	46	20 May 2015	7 Sept. 2018	0	0	0	0	0
Wei Shaohui	Independent director	Leave the office	M	47	20 May 2015	7 Sept. 2018	0	0	0	0	0
Ji Huibin	Independent director	Leave the office	M	49	20 May 2015	7 Sept. 2018	0	0	0	0	0
Li Xiangjun	Independent director	Leave the office	M	57	20 May 2015	7 Sept. 2018	0	0	0	0	0



Chen Hua	Chairman of the Supervisory Committee	Leave the office	F	55	20 May 2015	7 Sept. 2018	0	0	0	0	0
Fu Chunlong	Supervisor	Leave the office	M	46	20 May 2015	7 Sept. 2018	0	0	0	0	0
Li Yudong	Supervisor	Leave the office	F	53	20 Dec. 2017	7 Sept. 2018	0	0	0	0	0
Wang Bei	Supervisor	Leave the office	F	38	20 Dec. 2017	7 Sept. 2018	0	0	0	0	0
Ren Yongjian	Deputy GM	Leave the office	M	56	20 May 2015	7 Sept. 2018	0	0	0	0	0
Li Ming	Deputy GM	Leave the office	M	57	20 May 2015	7 Sept. 2018	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

## II. Changes of directors, supervisors and senior executives

√Applicable □Not applicable

Name	Title	Type	Date	Reasons
Fu Chunlong	Chairman	Dismiss & appoint	7 Sept. 2018	General election
Yu Lei	Director	Dismiss & appoint	7 Sept. 2018	General election
Zhang Quanyun	Director	Dismiss & appoint	7 Sept. 2018	General election
Gu Zhiming	Director	Dismiss & appoint	7 Sept. 2018	General election
Lv Hang	Director, GM	Dismiss & appoint	7 Sept. 2018	General election
Lou Hong	Director, CFO	Dismiss & appoint	7 Sept. 2018	General election
Hu Yuming	Independent director	Dismiss & appoint	7 Sept. 2018	General election
Jiang Dinghang	Independent	Dismiss &	7 Sept. 2018	General election

	director	appoint		
Zhang Dong	Independent director	Dismiss & appoint	7 Sept. 2018	General election
Guo Xiaodong	Chairman of the Supervisory Committee	Dismiss & appoint	7 Sept. 2018	General election
Chen Yangsheng	Supervisor	Dismiss & appoint	7 Sept. 2018	General election
Yang Jianping	Supervisor	Dismiss & appoint	7 Sept. 2018	General election
Liu Haicheng	Supervisor	Dismiss & appoint	7 Sept. 2018	General election
Zhang Zheng	Supervisor	Dismiss & appoint	7 Sept. 2018	General election
Feng Yu	Deputy GM	Dismiss & appoint	25 Oct. 2018	General election
Xie Jing	Deputy GM	Dismiss & appoint	25 Oct. 2018	General election
Qi Peng	Secretary of the Board	Dismiss & appoint	25 Oct. 2018	General election
Lv Hang	Chairman	Leave the office while office term ends	7 Sept. 2018	General election
Chen Gengsen	Director	Leave the office while office term ends	7 Sept. 2018	General election
Ding Hui	Director, GM	Leave the office while office term ends	7 Sept. 2018	General election
Wei Shaohui	Independent director	Leave the office while office term ends	7 Sept. 2018	General election
Ji Huibin	Independent director	Leave the office while office term ends	7 Sept. 2018	General election
Li Xiangjun	Independent director	Leave the office while office term	7 Sept. 2018	General election

		ends		
Chen Hua	Chairman of the Supervisory Committee	Leave the office while office term ends	7 Sept. 2018	General election
Fu Chunlong	Supervisor	Leave the office while office term ends	7 Sept. 2018	General election
Li Yudong	Supervisor	Leave the office while office term ends	7 Sept. 2018	General election
Wang Bei	Supervisor	Leave the office while office term ends	7 Sept. 2018	General election
Ren Yongjian	Deputy GM	Leave the office while office term ends	7 Sept. 2018	General election
Li Ming	Deputy GM	Leave the office while office term ends	7 Sept. 2018	General election

### III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Name	Main work experience and holding the post
Fu Chunlong	Born in 1973, Master degree, senior human resources manager. He ever took the Deputy Team Leader in Work Team of Shenzhen SDG Huatong Packaging Co., Ltd., Business Deputy General Manager /GM and deputy director/director of HR Department of Shenzhen SDG Co., Ltd., and supervisor of the Company. Now, he is Deputy GM of Shenzhen SDG Co., Ltd- controlling shareholder of the Company and Supervisor of Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd and Chairman of the Company
Yu Lei	Born in 1968, Master degree, a certified real estate appraiser and real estate economist. She successively served as secretary of the international project cooperation department of Beijing Chaoyan Vocation Education Training Center, deputy chief, chief and deputy director of Luohu Branch, the Bureau of Planning and Land of Shenzhen Municipality, the deputy director and director of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality. Now she serves as deputy GM of the controlling shareholder of the Company- SDG and Director of the Company
Zhang Quanyun	Born in 1973, Master degree, he successively served as auditor and project manager in auditing department of Shenzhen Zhixing CPA Office; the GM assistant of Xiamen Xingdao Feilu Investment Co., Ltd., secretary of the Board, GM assistant and staff director of Fujian Logistics Investment Financing Co., Ltd.; deputy director of Xiamen

	Productivity Promotion Center; director of the plastic business department and strategy development department of Shenzhen Tongchan Package Group and the director of strategy research and merger department of SZ Capital. Now he serves as deputy president and member of the investment committee of Shenzhen Capital Fortune Investment Management Co., Ltd. and Director of the Company
Gu Zhiming	Born in 1971, a senior gold investment analyst. He successively serves as the staff of business dept. in Guilin Wan Ya Jewelry Co., Ltd., business director of Shenzhen Chenzhixin Jewelry Co., Ltd., the business director of the business division of Luk Fook Holdings (International), GM of Shenzhen Jing Long Jewelry Co., Ltd. and COO of the Shenzhen XINGGUANGDA Jewelry Co., Ltd. No he serves as the deputy GM of the Shenzhen Yue Peng Jin Jewelry Co., Ltd. and Director of the Company.
Ly Hang	Born in 1961, Master degree, a senior political division. He successively served as lecturer and secretary of the principal of Shenzhen University; the business manager, deputy director and director of the office of the Party Dept. of Shenzhen SDG; chairman and GM of Shenzhen SDG Xiaomeisha Tourism Center; Director and GM of Shenzhen Tellus Holding Co., Ltd; GM of Shenzhen SDG Property Management Co., Ltd and chairman of the Company etc.
Lou Hong	Born in 1968, a Bachelor degree and senior account. Used to worked as staff of the financial dept. in Suzhou Silk Industry Company and in Shenzhen Southeast Silk Co., Ltd.; staff of the accounting & financial dept. of Shenzhen Special Economic Zone Development (Group) Company and worked in accounting management office; also worked as deputy GM of Shenzhen SDG Liancheng Real Estate Development Co., Ltd.; manager of the financial dept. of Shenzhen SDG Investment Co., Ltd.; the business manager and deputy director in accounting & financial dept. of Shenzhen SDG Group Co., Ltd.; CFO of the Shenzhen SDG Real Estate Co., Ltd. and the deputy director of the planning financial dept. Of Shenzhen SDG and Director and CFO of the Shenzhen SDG Xiaomeisha Investment Development Co., Ltd. Currently works as the Director and CFO of the Company.
Hu Yuming	Born in 1965, a doctoral candidate and accounting professor. He successively served as a teaching assistant, lecturer and vice professor of Xiamen University, associate professor of the school of management, vice director and director of accounting department of Jinan University, the deputy dean of the school of international institute and school of management of the Jinan University. Now he serves as the professor and doctoral supervisor of school of management of the Jinan University and Independent director of the Company
Jiang Dinghang	Born in 1963, a master degree and a lawyer. He successively served as the minister of legal consultation department of Shenzhen Social Security Bureau, deputy director of Shenzhen Labor Bureau Office, director of general office of Shenzhen SDG, GM of the Shenzhen SDG Songli Company, GM of the Shenzhen Communications Industry Co., Ltd and apprentice lawyer of Guangdong Zhong An Laws Firm. Now he serves as senior partner of Shanghai ALLBRIGHT (Shenzhen) Law Office and Independent director of the Company.
Zhang Dong	Born in 1974, a doctoral candidate, postdoctoral economics and senior gold investment analyst. He successively served as Deputy GM of Shenzhen Qiang Zhuang Computer Tech. Co., Ltd, Deputy GM of Shenzhen Brain Age Economic and Cultural Co., Ltd, the assistant president of Hong Kong Leader Culture Media Co., Ltd, GM of Shenzhen Zhong Shi Advertising Co., Ltd, GM of Heilongjiang Luk Kwai Fook Jewelry Limited and President of Luk Kwai Fook Jewelry Group. No he serves as executive director of Shenzhen Yongtian Shengdao Investment Development Co., Ltd and Independent director of the Company.
Guo Xiaodong	Born in 1964, a bachelor degree and senior economist. He successively served as assistant engineer of Shuangliao Agricultural Machinery Bureau in Jilin Province, engineer of Fourth Research Laboratory of Jilin Institute of Agricultural Machinery, manager of Gaodao industrial (Shenzhen) Co., Ltd., minister of the engineering dept., deputy GM and GM of Shenzhen SDG Development Center Property Management Company, deputy GM of

	Shenzhen SDG Development Center Construction Supervision Company, Director and GM of Shenzhen SDG Development Center Property Management Company, deputy GM of Shenzhen SDG Property Co., Ltd., Chairman of the Supervisory Committee of Shenzhen SD Real Estate Co., Ltd and Chairman of the Supervisory Committee of Shenzhen SD Xiaomeisha Tourism Development Co., Ltd. Now he serves as Chairman of Supervisory Committee of the Company
Chen Yangsheng	Born in 1963, a postgraduate and senior accountant. He ever served as deputy director/director of the financial dept. in Shenzhen Industrial Products Trade Group Company; deputy director/director/CFO of the financial dept. in Shenzhen Aokangde Group Company; director and CFO of Shenzhen State-owned Duty-Free Commodity (Group) Company; director and CFO of Shenzhen Agricultural Products Co., Ltd. and supervisor of Shenzhen Tagen Group Co., Ltd.; now he serves as director and CFO of Shenzhen SDG Co., Ltd-controlling shareholder of the Company, and Supervisor of the Company.
Yang Jianping	Born in 1972, a postgraduate and certified public accountant. He ever served as Business manager of accounting and finance department of SDGI, financial manager of Taike Branch, financial manager of Guanglan Branch, deputy manager and manager of the accounting & finance dept; Director and CFO of Shenzhen Tellus Holding Co., Ltd. Now he serves as director of the accounting & finance dept of SDG-controlling shareholder of the Company and Supervisor of the Company
Liu Haicheng	Born in 1969, a postgraduate and certified public accountant. She ever served as staff of design dept. of Dongfeng Auto Wheel Co., Ltd., staff of technical dept. of Shenzhen Dongfeng Motor Co., Ltd., staff of the secretariat of Shenzhen Automobile Association, operations dept. staff of the automobile division of the Company, staff of enterprise management dept. and deputy manager of the Company. Now she serves as manager of the enterprise management dept. and supervisor of the Company
Zhang Zheng	Born in 1984, a Bachelor degree. He successively served as senior auditor of Shenzhen Branch of Shenzhen Zhongqin Wanxin Accountant Affairs, the financing commissioner of planning & finance dept. of SDG, deputy manager of the planning & finance dept. of the Company. Now he serves as deputy manager of the audit supervision department and supervisor of the Company
Feng Yu	Born in 1967, bachelor's degree. He ever took the deputy director of Haicheng Foreign Economic and Trade Commission of Liaoning Province, director of liaison department of Youth President Committee of State-owned Assets Administration, Deputy GM of Shenzhen Xianke Real-estate Co., Ltd., Manager of Investment Department of China Sports Group Industry Co., Ltd.; Deputy director and Director to the Office of General Manger of Shenzhen SDG Co., Ltd; and Supervisor of the Company. Now, he acts as Deputy General Manager of the Company
Xie Jing	Born in 1965, a citizenship of Canadian, bachelor's degree, and a senior engineer, national registered supervision engineer. He successively served as structural engineer of Hunan Light Industry Design Institute, engineer of the Hunan Branch of Bank of China, assistant GM of the real estate dept. and GM of Engineering department of SDG, deputy GM of Shenzhen Jincheng Real Estate Group Co., Ltd., the executive president of Shenzhen Jiaanda Group and GM etc. of the land reserve center of Weiye Holding. Currently he serves as Deputy GM of the Company.
Qi Peng	Born in 1973, master's degree, economist, he has obtained the qualification certificate of secretary of the board from Shenzhen Stock Exchange. He successively served as secretary to the president and director in information center of Shenzhen Special Economic Zone Development (Group) Co., Ltd.; deputy director in secretariat of the board, and deputy manager in enterprise development department, and manager in automobile business department and management department of Shenzhen Tellus(Group) Co., Ltd.; general manager of Shenzhen Tellus Automobile

	Service Chain Co., Ltd.; general manager of Shenzhen Tellus New Yongtong Automobile Development Co., Ltd.; director secretariat of the board of Shenzhen Tellus(Group) Co., Ltd.; and serves as secretary of the board of the Company
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Post-holding in shareholder's unit

√Applicable    □Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Fu Chunlong	Shenzhen SDG Co., Ltd.	Deputy GM	Dec. 2017		Y
Yu Lei	Shenzhen SDG Co., Ltd.	Deputy GM	Aug. 2011		Y
Chen Yangsheng	Shenzhen SDG Co., Ltd.	CFO	Dec. 2016		Y
Yang Jianping	Shenzhen SDG Co., Ltd.	Director of planning& finance dept.	Jan. 2018		Y

Post-holding in other unit

√Applicable    □Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Zhang Quanyun	Shenzhen Capital Fortune Investment Management Co., Ltd.	Deputy President	Feb. 2013		Y
Gu Zhiming	Shenzhen Yue Peng Jin Jewelry Co., Ltd	Deputy GM	May 2011		Y
Hu Yuming	Jinan University	professor of school of management and doctoral supervisor	June 2003		Y
Jiang Dinghang	Shanghai ALLBRIGHT (Shenzhen) Law Office	Senior partner	April 2005		Y
Zhang Dong	Shenzhen Yongtian Shengdao Investment Development Co., Ltd.	Executive Director	April 2014		Y

Punishment of securities regulatory authority in recent three years to the Company's current and outgoing directors, supervisors and senior management during the reporting period

□Applicable    √Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

The Company executes in strict accordance with the "Salary Management System for Headquarters of Shenzhen Tellus(Group) Co., Ltd. ", "Staff Performance Management System for Headquarters of Shenzhen Tellus (Group) Co., Ltd. ", "Implementing Rules of Remuneration and Appraisal Committee of the Board of Shenzhen Tellus(Group) Co., Ltd.", "Annual Performance Management Approaches for Leading Group Members of Shenzhen Tellus(Group) Co., Ltd." and other relevant system regulations, strictly implements the performance appraisal, and pay the remuneration in accordance with the assessment results.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Fu Chunlong	Chairman, Party secretary	M	46	Currently in office	0	Y
Lv Hang	Director, GM	M	58	Currently in office	108.31	N
Ding Hui	Director, GM	M	46	Leave the office	91.32	N
Guo Xiaodong	Chairman of the Supervisory Committee	M	55	Currently in office	8.5	N
Chen Hua	Chairman of the Supervisory Committee	F	55	Leave the office	44.9	N
Ren Yongjian	Deputy GM	M	56	Leave the office	71.7	N
Lou Hong	Director, CFO	F	51	Currently in office	32.5	N
Feng Yu	Deputy GM	M	52	Currently in office	90.59	N
Li Ming	Deputy GM	M	57	Leave the office	71.93	N
Xie Jing	Deputy GM	M	54	Currently in office	8.16	N
Qi Peng	Secretary of the Board	M	46	Currently in office	52.33	N

Wang Bei	Supervisor	F	38	Leave the office	26.98	N
Li Yudong	Supervisor	F	53	Leave the office	34.03	N
Liu Haicheng	Supervisor	F	50	Currently in office	18.53	N
Zhang Zheng	Supervisor	M	35	Currently in office	13.93	N
Ji Huibin	Independent director	M	49	Leave the office	5	N
Wei Shaohui	Independent director	M	47	Leave the office	5	N
Li Xiangjun	Independent director	M	57	Leave the office	5	N
Hu Yuming	Independent director	M	54	Currently in office	3	N
Jiang Dinghang	Independent director	M	56	Currently in office	3	N
Zhang Dong	Independent director	M	45	Currently in office	3	N
Total	--	--	--	--	697.71	--

Delegated equity incentive for directors and senior executives in reporting period

☐Applicable ☒Not applicable

## V. Particulars of workforce

### 1.Number of Employees, Professional composition, Education background

Employee in-post of the parent Company(people)	47
Employee in-post of main Subsidiaries (people)	290
The total number of current employees(people)	337
The total number of current employees to receive pay (people)	337
Retired employee' s expenses borne by the parent Company and main Subsidiaries(people)	0
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	40
Sales personnel	86



Technician	115
Financial staff	28
Administration staff	68
Total	337
Education background	
Type of education background	Numbers (people)
Master	23
Bachelor degree	83
Junior college	78
Technical secondary school	43
Other	110
Total	337

## 2. Remuneration Policy

The Company executes in strict accordance with the "Salary Management System for Headquarters of Shenzhen Tellus Holding Co., Ltd. ", "Staff Performance Management System for Headquarters of Shenzhen Tellus Holding Co., Ltd. " and other relevant system regulations strictly implement.

## 3. Training programs

The Company always attaches importance to the training and development work for employees; and committed to creating a comprehensive talent training system in order to helping the successful achievement in continuous improvement of staff's comprehensive ability and in strategy target of the Company. Combine with current situation of the Company, and take annual planning, position requirement and responsibility as well as enterprise's development needs into consideration, the Company formulated a systematic training plans and talent cultivation projects; strengthen training works in aspect of multi-tiered, multi-channel, multi-field and multi-form, including induction training for new employees, business training for on-job employees, operation skill training for workers at the production line, upgrade training for manager, project development and risk control training, continues to improve general quality for employees in order to achieve a win-win situation for the Company and employees.

## 4. Labor outsourcing

☐Applicable    ☒Not applicable

## Section IX. Corporate Governance

### I. Corporate governance of the Company

During the reporting period, the Company has been observing the laws and regulations as Company Law, Securities Law, Governance Criteria of the Listed Companies, Guidelines for Standardized Operation of Listed Companies on the Main Board of Shenzhen Stock Exchange and relevant rules issued by the CSRC, for the purpose of improving its legal person governance structure, setting up and improving the internal control system, and standardizing its operation level. According to the Articles of Association, Procedure Rules of Shareholders General Meeting, Procedure Rules of Board of Directors, Procedure Rules of Supervisory Committee, Working Rules of Independent Directors, Working Rules of General Manager, working rules of every committee of the Board and a series of rules and regulations, the Company maintained formal procedures, clearly duties and obligations of its general meeting, board of directors, supervisory committee, each specialized committee of the board and senior manager. Each of its directors, supervisors and senior managers can perform their duties earnestly.

In 2018, the Company have convened four shareholders general meetings, 16 meetings of the Board, 6 meeting of the Supervisory Committee, 2 meetings of Auditing Committee of the Board, one meeting of Strategy Committee of the Board and one meeting of Remuneration and Appraisal Committee of the Board; [relevant governance documents](#) as Articles of Association, Procedure Rules of Shareholders General Meeting, Procedure Rules of Board of Directors, Implementation Rules and Procedure Rules of Supervisory Committee and Working Rules of General Manager etc. are being revised; in accordance with the principles of professionalization, professionalism, and marketization, the company completed the election of the board of directors, the board of supervisors, and the senior management. In order to establish and improve the company's standardized operation mechanism and improve the company's internal control system, the company promoted the revision, promulgation and abolition of the system in accordance with the established system construction work plan, and revised a number of rules and regulations throughout the year.

As of the end of the reporting period, the actual situation of corporate governance was in line with the requirements of the regulatory documents issued by the China Securities Regulatory Commission on the governance of listed companies.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC?

☐ Yes ☒ No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC.

## II. Independent of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company has been independent from the controlling shareholders in terms of business, personnel, asset, institution and finance. The Company has independent and complete business and is able to operate independently.

(i) Business: the Company belongs to independent legal person entity. Being completely independent from controlling shareholders, it has independent and complete business system and is able to operate independently. The Company has independent production, sales and service systems and its major business. There is no inter-competition between the Company and its controlling shareholders and related parties.

(ii) Personnel: the Company establishes complete labor, human resources and salary management systems. Senior executive as GM, Deputy GM, CFO and Secretary of the Board etc. are receives remuneration from the Company since they are employed by the Company, and no one takes position in the enterprises owned by shareholders.

(iii) Assets: The Company independently and completely owns the business system and underlying assets related to the operation, and independently registers, establishes accounts, adjusts accounts and manages the assets, and the assets are independent of the controlling shareholders and other enterprises controlled by them.

(iv) Finance: the Company has independent financial accounting department which set independent accounting calculation system and finance management system. No controlling shareholder intervenes in the capital application of the Company. The Company opens separate bank accounts. No capital is saved in the financial Company or settlement center account controlled by substantial shareholder or other related parties; the Company does not share bank account with controlling shareholders and other enterprise under their control. And The Company pays taxes by law independently.

(v) Institution: the board, the supervisory committee and other internal institutions of the Company operate independently. All the institutions of the Company are set according to the standards requirements applicable to listed Company and actual business natures of the Company. It has independent office location.

## III. Horizontal competition

☐Applicable    ☒Not applicable

## IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

### 1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Meeting Date	Date of disclosure	Index of disclosure
First Extraordinary	Extraordinary	73.01%	27 Feb. 2018	28 Feb. 2018	"Resolution Notice

General Meeting of 2018	General Meeting				of First Extraordinary General Meeting of 2018” (No.: 2018-014) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Annual General Meeting of 2017	Annual General Meeting	73.07%	29 June 2018	30 June 2018	“Resolution Notice of Annual General Meeting of 2017” (No.: 2018-041) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Second Extraordinary General Meeting of 2018	Extraordinary General Meeting	72.06%	7 Sept. 2018	8 Sept. 2018	”Resolution Notice of Second Extraordinary General Meeting of 2018” (No.: 2018-050) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Third Extraordinary General Meeting of 2018	Extraordinary General Meeting	71.03%	24 Dec. 2018	25 Dec. 2018	”Resolution Notice of Third Extraordinary General Meeting of 2018” (No.: 2018-067) published on Securities Times, Hong Kong Commercial Daily

					and Juchao Website (www.cninfo.com.cn)
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## 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

☐Applicable ☒Not applicable

## V. Responsibility performance of independent directors

### 1.The attending of independent directors to Board meetings and general meeting

The attending of independent directors to Board Meeting and shareholders general meeting							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attending shareholders' meeting
Wei Shaohui	9	1	8	0	0	N	0
Ji Huibin	9	1	8	0	0	N	2
Li Xiangjun	9	1	8	0	0	N	0
Hu Yuming	7	1	6	0	0	N	2
Jiang Dinghang	7	1	6	0	0	N	2
Zhang Dong	7	1	6	0	0	N	1

Explanation of absent the Board Meeting for the second time in a row

No independent directors did not attend the Board Meeting for the second time in a row during the period

### 2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

☐Yes ☒No

Independent directors has no objections for relevant events in reporting period

### 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

☒Yes ☐No

Explanation on advice that accepted/not accepted from independent directors

In accordance with the provisions of the Company Law, the Securities Law, the Stock Listing Rules, the Independent Director System and other relevant laws and regulations, the company's independent directors paid

attention to the normalization of the company's operations, performed their duties independently, diligently and conscientiously did their duties, and made independent, objective and fair opinions on the company's fund occupation of related party and external guarantees during the reporting period, profit distribution matters, self-evaluation of internal control of the company, deposit and use of raised funds, changes in accounting policies, related transactions, use of partially idle raised funds and self-owned funds to purchase bank financial products, election of the board of directors, appointment of senior management personnel, providing stock equity pledge guarantee for the bank loans of Shenzhen Xinglong Machinery Mould Co., Ltd., engaging audit institutions for financial reports and internal control and other matters requiring independent directors to express independent opinions, which played an active role in improving the company's supervision mechanism and helping the board of directors make scientific and objective decisions, and played an important role in safeguarding the legitimate rights and interests of the company and all shareholders.

## **VI. Duty performance of the special committees under the board during the reporting period**

Board of Director of the Company have three special committees as strategic committee, auditing committee and remuneration and appraisal committee, and formulated implementation rules for the special committees independently. During the reporting period, all committees had clear responsibilities and the overall operations were good, which ensured efficient operation and scientific decision-making of the board of directors, and there were no other important opinions and suggestions.

### **1. Duty performance of the strategic committee**

The strategic committee of the board is specially set-up according to the regulation of Governance Criteria of the Listed Companies, responsible for study on the long term development strategy and material investment decisions and raising its recommendations. The committee comprised of 5 directors, and the committee is chaired by chairman of the Company. During the reporting period, the committee actively performed its duties, and carry out works strictly in accordance with relevant rules of the CSRC, Shenzhen Stock Exchange and Working Rules of Strategic Committee, with each of its members doing their best to perform the respective duties, provides strategic supports for the sustained and steady development of the Company. One meeting was held by strategic committee in 2018, which including:

On December 24, 2018, the strategy committee of the board of directors held a meeting and reviewed the Proposal on Investment and Construction of Tellus Innovative and Entrepreneurial Base Project", each committee member made research on the investment project and offered proposals, which played an important role in strengthening the scientificity of investment decision and improving the benefits and quality of investment decision..

### **2. Duty performance of the audit committee**

The audit committee of the board of directors is a specialized work organization set up by the board of directors in accordance with the Guidelines for the Governance of Listed Companies, and is mainly responsible for the communication, supervision and verification of internal and external audits of the company. The committee comprised of 5 directors, including 3 independent directors, and the committee is chaired by independent director

of the Company. During the reporting period, the committee actively performed its duties, and carry out works strictly in accordance with relevant rules of the CSRC, Shenzhen Stock Exchange and Working Rules of Audit Committee. Pay close attention to the company's management, financing and implementation of internal control standards; strengthen the communication and contact with the company's relevant responsible departments, review the validity assessment of the company's internal control and enterprise risk management through communication, inspection, reporting, etc., and check whether the company's operations, financing and accounting policies comply with laws and regulations, and provide management and audit opinions.

Two meetings were held by audit committee in 2018, which including:

(1) During the annual audit, the audit committee took active attitude in relevant works. Prior to the official involvement of Ruihua Certified Public Accountants (LLP) (hereinafter referred to as Ruihua) in the annual audit, on 30 January 2018, the audit committee held meeting and determined the working arrangement for annual report after negotiation with Ruihua, reviewed the financial statements prepared by the Company, the committee agreed to submit the financial statements and related information to Ruihua for audit.

(2) The audit committee held meeting on 2 April 2018 to re-review the financial statements, and formed written opinions and resolutions in respect of the annual financial statements, audit work summary report.

### 3. Duty performance of the remuneration and appraisal committee

The remuneration and appraisal committee of the board of directors is a specialized working organization set up by the board of directors in accordance with the Guidelines for the Governance of Listed Companies, it is mainly responsible for formulating the assessment criteria for the company's directors and senior management personnel and making the assessment, responsible for formulating and reviewing the pay policy and programs of the company's directors and senior management personnel, and responsible for the board of directors. The committee comprised of 5 directors, including 3 independent directors, and the committee is chaired by independent director of the Company. During the reporting period, the committee actively performed its duties, and carry out works strictly in accordance with relevant rules of the CSRC, Shenzhen Stock Exchange and Working Rules of Audit Committee. The committee comprised of 5 directors, including 3 independent directors, and the committee is chaired by independent director of the Company. During the reporting period, the committee actively performed its duties, and carry out works strictly in accordance with relevant rules of the CSRC, Shenzhen Stock Exchange and Working Rules of Audit Committee. One meeting was held by remuneration and appraisal committee in 2018, which including:

On August 3, 2018, the remuneration and appraisal committee of the board of directors held a meeting and reviewed the annual performance appraisal indicators and remuneration of the company's directors, supervisors and senior management personnel. After review, all members of the remuneration and appraisal committee considered that the remuneration payment during the reporting period was in line with the company's performance appraisal system, the remuneration of directors, supervisors and senior executives were determined by the

company's relevant system.

## VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

☐ Yes ☒ No

Supervisory committee has no objection about supervision events in reporting period

## VIII. Examination and incentives of senior management

Board of the Company evaluated senior executives based on relevant regulations at end of this reporting period.

## IX. Internal Control (IC)

### 1. Details of major defects in IC appraisal report that found in reporting period

☐ Yes ☒ No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2 April 2019	
Disclosure index of full internal control evaluation report	Juchao website for information disclosure appointed by Shenzhen Stock Exchange: http://www.cninfo.com.cn	
Ratio of the total assets from enterprise included in the appraisal range in total assets in consolidate statement	97.58%	
Ratio of the operation revenue from enterprise included in the appraisal range in total revenue in consolidate statement	98.66%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Significant defects: Individual defects or together with other defects causing the material misstatements in financial reports cannot be timely prevented or found or corrected. It is recognized as a significant	1. Major deficiencies: A. Great decisions violate the Company’s established procedure, resulting in significant losses to the Company; B. Serious violation of laws and



	<p>defect if following cases happen.A. Fraud of management leading to material misstatements of financial results or false financial reports, which mislead users of financial statements and result in decision-making mistakes and litigation; B. Ineffective control environment;C. Major internal control deficiencies found and reported to the management but haven't been corrected after a reasonable time; D. The decision-making of the Company's major matters has not fulfilled the corresponding decision-making process, resulting in significant losses of the Company; E. Important businesses involving the Company's production and management are lack of effective control;F. Other defects that seriouslymislead the correct judgments made by the users of the statements, resulting in the company's major compensation.</p> <p>2. Important defects: Individual defects or together with other defects causing the misstatementsin financial reports cannot be timely prevented or found or corrected, though the misstatements don't reach and exceed the importancelevel, they should still cause the management's attention. It is recognized as an important defect if following cases happen.A. The selection and application of accounting policies do not follow the generally accepted accounting principles; B. Anti-fraud programs and control measures have been not established; C. Corresponding control mechanism for accounts handling of unconventional or special transactions has not been established or implemented and has no</p>	<p>regulations results in significant losses to the Company; C. Important businesses are lack of system control or system control fails; D. Serious brain drain of core management or core technical staff; E. Significant deficiencies in the internal evaluation results have not been corrected. F. The failure of internal control to information disclosure causes the company to be publicly condemned by the regulatory authorities.</p> <p>2. Significant deficiencies: A. The Company violates the enterprise internal regulations and causes significant losses; B. Serious brain drain of business personnel in the Company's key positions; C. The Company's significant business systems have deficiencies; D. The significant deficiencies in the internal control of the Company have not been corrected.</p> <p>3. General deficiencies refers to deficiencies except for major and significant deficiencies.</p>
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	there is no appropriate compensatory controls; D. The controls to the period-end financial reporting process have one or more defects and cannot reasonably ensure that the financial statements prepared are true and accurate.3. General deficiencies refers to the deficiencies except for major and significant deficiencies.	
Quantitative standard	<p>1. Major deficiencies: misstatement amount &gt; 10% of total profit, and absolute amount &gt; 2 million Yuan;</p> <p>2. Significant deficiencies: 5% of total profit &lt; misstatement amount ≤ 10% of total profit, and absolute amount &gt; 1 million Yuan; or 1 million Yuan &lt; absolute amount ≤ 2 million Yuan, and misstatement amount &gt; 5% of total profit.</p> <p>3. General deficiencies: misstatement amount ≤ 5% of total profit, or absolute amount ≤ 1 million Yuan</p>	<p>1. Major deficiencies: loss amount &gt; 1.5% of owner's equity attributable to parent Company, and absolute amount &gt; 5 million Yuan;</p> <p>2. Significant deficiencies: 0.5% of owner's equity attributable to parent Company &lt; loss amount ≤ 1.5% of owner's equity attributable to parent Company, or 1 million Yuan &lt; absolute amount ≤ 5 million Yuan;</p> <p>3. General deficiencies: loss amount ≤ 0.5% of owner's equity attributable to parent Company, or absolute amount ≤ 1 million Yuan</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

## X. Auditing report of internal control

√Applicable    □Not applicable

Deliberations in Internal Control Audit Report	
We consider that: in all major aspects,Shenzhen Tellus Holding Co., Ltd. has efficiency in financial report of internal control dated 31 December 2018 according to Basic Standards of Internal Control for Enterprise and relevant regulations.	
Disclosure details of audit report of internal control	Disclosure
Disclosure date of audit report of internal control (full-text)	2 April 2019
Index of audit report of internal control (full-text)	Juchao website for information disclosure appointed by Shenzhen Stock Exchange: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Opinion type of auditing report of IC	Standard without reserved reports
whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

☐Yes ☒No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

☒Yes ☐No

## **Section X. Corporate Bond**

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

No

## Section XI. Financial Report

### I. Audit Report

Type of audit opinion	Standard unqualified auditor's report
Date of audit report signing	1 April 2019
Audit authority	Ruihua Certified Public Accountants (LLP)
Serial of Audit Report	Ruihua Shen Zi 【2019】 No.: 48400003
CPA's name	Cai Xiaodong, Zhou Xuechun

### Text of audit report

#### To the shareholders of Shenzhen Tellus Holding Company Limited:

##### I. Opinion

We have audited the financial statements of Shenzhen Tellus Holding Company Limited ("the Company"), which comprise the consolidated and company balance sheet as at 31 December 2018, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2018, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

##### II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of

the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

### **(I) Measurement of the carrying value of construction in progress**

#### **1. Factual description**

As disclosed notes VI, 2 and VI, 14 to the financial statements, After the completion of the first phase of the Teli Shuibei Jewelry Building project in this year, the original value of the investment real estate was RBM438.086 million, which accounted for a significant proportion of the total assets. When carrying over the first phase of the Teli Shuibei Jewelry Building project to the investment real estate, the management should make judgments on the following aspects: determining the time when the project under construction will be transferred to the investment real estate and starting to calculate depreciation; estimating the cost of the completed project that has not yet been settled; estimating the expected useful life and residual value of the corresponding investment real estate. Because the confirmation and measurement of the investment real estate in construction involves the management's judgment and the amount is of great importance, the confirmation and measurement of the investment real estate in Tereshuibei Jewelry Building Phase I project are identified as the key audit items.

#### **2. How our audit addressed the matter**

- (1) We have tested the design and implementation of key internal controls in the relevant projects to confirm the effectiveness of internal controls;
- (2) We have carried out the field investigation procedure, inquired the person in charge of the first phase of the project of Teli Shuibei Jewelry Building to know the construction progress of the project;
- (3) We inspected the original vouchers of the first phase of the project added in this year, such as the project contract, acceptance report, settlement documents, progress payment application, invoice and payment vouchers, in order to determine whether the entry amount is accurate.

We have acquired and checked the payment progress account, the cumulative measurement report of important individual or unit projects for the first phase of the Tereshuibei Jewelry Building project, and cross-checked the account, statement records and book amount to check the integrity of the construction under construction.

Check the correctness and completeness of the end-of-period balance of the payable project with the auditing of the payable project funds, and corroborate the total contract amount, the accumulative payment amount and the unpaid amount of the completed project amount of the important single or unit project.

We performed the following procedures for construction in progress.

We assessed the design and implementation of the key project-related internal controls of the Company in order to determine the effectiveness of the internal control policies;

We conducted a field investigation procedure by consulting supervision company as well as the person who was in charge of the Project about the progress of the Project.

We verified the accounting records about the Project by obtaining substantial accounting vouchers, such as construction contracts、acceptance reports、project statement、demand notes for interim payments、invoices、payment certificate and so on, in order to determine the accuracy of the construction in progress.

We obtained and cross-checked the records in the Project payments standing books and applications of bill of quantities so as to verify the completeness of the construction in progress.

(4) For projects completed in the current year, check the completed individual or comprehensive acceptance documents, including building foundation, main project, installation project acceptance documents and planning acceptance documents, and confirm the time point for completion and transfer of investment real estate;

(5) Evaluate the reasonableness of accounting estimates related to depreciation and review the depreciation charged on the books.

## **(II) Revenue recognition for sales of cars**

### **1.Factual description**

As disclosed in Note (VI) 35 and Note (13) 4 to financial statements, In 2018, sales revenue of automobiles and jewelry was RMB 27,346.37 million, which accounted for a large proportion of total sales revenue and increased rapidly. Therefore, there may be related risks in the confirmation of sales revenue. Therefore, we regard the confirmation of sales revenue as a key audit item.

### **2.How our audit addressed the matter**

Our main audit procedures for the above key audit matters related to revenue recognition include:

(1) Understanding and testing the design and implementation of the internal control system related to sales and receipts of Tellus Co., Ltd.

(2) In view of the identified items requiring the use of analytical procedures, and based on the understanding of customers and their environment, the sales revenue of the current period is compared with that of the previous period, and the abnormal structure and price changes of the sales products are analyzed, and the reasons for the abnormal changes are analyzed.

(3) Drawing accounting vouchers from the accounting records of sales revenue of goods, cross-checking contracts, invoices, receipts and receipts related to sales, checking the consistency of the names, quantities and amounts of goods entered into accounts, checking whether the period of entry is consistent with the period of invoices and receipts, paying special attention to the samples before and after the balance sheet date. Is this included in the correct accounting period.

(4) Combined with the audit of accounts receivable, we select the current sales volume of the main customer letters and test the samples of unresponsive letters.

## **IV. Other information**

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2018 annual report of the Company other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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

#### **(V) Responsibilities of the management and those charged with governance for the financial statements**

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

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

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

#### **(VI) Auditor's responsibilities for the audit of the financial statements**

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

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

A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.

B. Understand the internal controls related to auditing in order to design appropriate audit procedures.

C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.

D. Conclude on the appropriateness of management's application of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If



the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to the Company's financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions(if applicable).

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclosure such items in the audit report.

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated balance sheet

Prepared by Shenzhen Tellus Holding Co., Ltd.

2018-12-31

In RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary fund	169,512,260.69	161,793,218.56
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	86,104,660.51	44,215,236.68
Including: Note receivable		
Account receivable	86,104,660.51	44,215,236.68
Accounts paid in advance	9,112,473.27	3,737,706.70
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	14,483,208.41	15,820,265.08
Including: Interest receivable	723,407.50	221,232.88
Dividend receivable	232,683.74	779,868.09
Buying back the sale of financial assets		
Inventory	12,342,854.40	12,646,227.22
Assets held for sale	85,017,251.77	
Non-current asset due within one year		
Other current assets	332,432,494.44	219,582,250.70

Total current assets	709,005,203.49	457,794,904.94
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	10,176,617.20	10,176,617.20
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	224,644,766.21	284,464,749.15
Investment real estate	503,922,413.70	73,223,512.21
Fix assets	112,674,017.53	120,296,822.84
Construction in process	12,843,571.97	378,160,896.69
Productive biological asset		
Oil and gas asset		
Intangible assets	51,012,282.25	52,349,686.92
Expense on development		
Goodwill		
Long-term expenses to be apportioned	6,304,607.22	1,779,713.94
Deferred income tax asset	24,355,086.71	24,394,028.91
Other non-current asset	3,356,964.72	673,661.62
Total non-current asset	949,290,327.51	945,519,689.48
Total assets	1,658,295,531.00	1,403,314,594.42
Current liabilities:		
Short-term loans	143,000,000.00	120,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable and account payable	73,365,876.09	28,032,708.69
Accounts received in advance	15,897,763.97	13,790,019.47
Selling financial asset of repurchase		

Commission charge and commission payable		
Wage payable	25,802,670.36	23,171,154.53
Taxes payable	9,377,393.57	9,927,572.27
Other account payable	250,489,094.47	153,329,405.21
Including: Interest payable	290,215.78	229,494.72
Dividend payable		
Reinsurance payable		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	517,932,798.46	348,250,860.17
Non-current liabilities:		
Long-term loans	34,934,887.55	38,600,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	3,920,160.36	3,920,160.36
Long-term wages payable		
Accrual liability	2,225,468.76	
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		14,520,000.00
Total non-current liabilities	41,080,516.67	57,040,160.36
Total liabilities	559,013,315.13	405,291,020.53
Owner's equity:		
Share capital	297,281,600.00	297,281,600.00
Other equity instrument		
Including: preferred stock		

Perpetual capital securities		
Capital public reserve	565,226,274.51	565,226,274.51
Less: Inventory shares		
Other comprehensive income	26,422.00	
Reasonable reserve		
Surplus public reserve	3,139,918.14	2,952,586.32
Provision of general risk		
Retained profit	184,535,322.70	97,798,595.80
Total owner's equity attributable to parent company	1,050,209,537.35	963,259,056.63
Minority interests	49,072,678.52	34,764,517.26
Total owner's equity	1,099,282,215.87	998,023,573.89
Total liabilities and owner's equity	1,658,295,531.00	1,403,314,594.42

Legal representative: Fu Chunlong

Accounting Principal: Lou Hong

Accounting Firm's Principal: Liu Yuhong

## 2. Balance Sheet of Parent Company

In RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary fund	88,836,626.14	97,991,738.05
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	38,274.00	
Including: Note receivable		
Account receivable	38,274.00	
Accounts paid in advance	604,800.00	
Other account receivable	115,782,944.37	99,322,267.37

Including: Interest receivable	723,407.50	221,232.88
Dividend receivable	232,683.74	779,868.09
Inventory		
Assets held for sale	85,017,251.77	
Non-current asset due within one year		
Other current assets	195,506,958.35	203,500,000.00
Total current assets	485,786,854.63	400,814,005.42
Non-current assets:		
Finance asset available for sales	10,176,617.20	10,176,617.20
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	836,283,491.38	789,830,758.66
Investment real estate	44,820,151.69	46,749,467.61
Fix assets	14,824,845.14	15,536,781.07
Construction in process	12,843,571.97	5,554,512.79
Productive biological asset		
Oil and gas asset		
Intangible assets	249,731.94	341,121.77
Expense on development		
Goodwill		
Long-term expenses to be apportioned	2,958,817.65	223,715.66
Deferred income tax asset	13,830,369.64	13,869,311.84
Other non-current asset		
Total non-current asset	935,987,596.61	882,282,286.60
Total assets	1,421,774,451.24	1,283,096,292.02
Current liabilities:		
Short-term loans	143,000,000.00	120,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable and account payable	19,800.00	14,000.00
Accounts received in advance	4,742.51	1,511.00

Wage payable	4,858,788.51	5,769,360.88
Taxes payable	331,909.65	474,977.89
Other account payable	392,558,990.89	295,942,266.75
Including: Interest payable	232,810.41	165,604.16
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	540,774,231.56	422,202,116.52
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Accrual liability		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	540,774,231.56	422,202,116.52
Owner's equity:		
Share capital	297,281,600.00	297,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	562,032,851.23	562,032,851.23
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	3,139,918.14	2,952,586.32

Retained profit	18,545,850.31	-1,372,862.05
Total owner's equity	881,000,219.68	860,894,175.50
Total liabilities and owner's equity	1,421,774,451.24	1,283,096,292.02

### 3. Consolidated Profit Statement

In RMB

Item	Current period	Last period
I. Total operating income	414,238,778.96	347,237,289.80
Including: Operating income	414,238,778.96	347,237,289.80
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	410,735,581.28	313,002,481.12
Including: Operating cost	332,347,355.12	254,254,960.65
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	6,276,612.65	3,638,454.37
Sales expense	19,987,406.50	16,490,379.71
Management expense	44,231,376.56	36,735,283.59
R&D expense		
Financial expense	6,508,114.19	1,520,168.86
Including: Interest expenses	8,909,350.20	4,189,844.30
Interest income	2,755,755.76	2,776,945.85



Losses of devaluation of asset	1,384,716.26	363,233.94
Add: other income	3,482.07	25,753.22
Investment income (Loss is listed with “-”)	88,785,468.69	33,599,860.09
Including: Investment income on affiliated company and joint venture	83,051,508.69	21,297,772.09
Income from change of fair value (Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)		374,583.14
III. Operating profit (Loss is listed with “-”)	92,292,148.44	68,235,005.13
Add: Non-operating income	1,739,055.65	725,518.07
Less: Non-operating expense	3,479,344.28	35,120.31
IV. Total Profit (Loss is listed with “-”)	90,551,859.81	68,925,402.89
Less: Income tax expense	4,411,880.45	3,143,834.18
V. Net profit (Net loss is listed with “-”)	86,139,979.36	65,781,568.71
(i) net profit from continuous operation (Net loss is listed with “-”)	86,139,979.36	65,781,568.71
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
Net profit attributable to owner's of parent company	86,924,058.72	66,862,772.68
Minority shareholders' gains and losses	-784,079.36	-1,081,203.97
VI. Net after-tax of other comprehensive income	26,422.00	
Net after-tax of other comprehensive income attributable to owners of parent company	26,422.00	
(i) Other comprehensive income items which will not be reclassified		

subsequently to gain/loss		
1.Re-measurement of the change of defined benefit plan		
2.Other comprehensive income unable transfer to gain/loss under equity method		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	26,422.00	
1.Other comprehensive income able to transfer to gain/loss under equity method	26,422.00	
2.Gains or losses arising from changes in fair value of available-for-sale financial assets		
3.Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4.The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5.Translation differences arising on translation of foreign currency financial statements		
6.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	86,166,401.36	65,781,568.71
Total comprehensive income attributable to owners of parent Company	86,924,058.72	66,862,772.68
Total comprehensive income attributable to minority shareholders	-784,079.36	-1,081,203.97
VIII. Earnings per share:		
(i) Basic earnings per share	0.2924	0.2249

(ii) Diluted earnings per share	0.2924	0.2249
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As for the enterprise combined under the same control, net profit of Yuan achieved by the merged party before combination while Yuan achieved last period

Legal representative: Fu Chunlong

Accounting Principal: Lou Hong

Accounting Firm's Principal: Liu Yuhong

#### 4.Profit Statement of Parent Company

In RMB

Item	Current period	Last period
I. Operation income	42,607,127.11	44,035,720.63
Less: Operating cost	12,747,839.01	3,662,936.04
Tax and extras	1,683,760.67	1,658,236.32
Sales expense		
Management expense	20,609,716.66	15,151,430.07
R&D expense		
Financial expense	4,850,337.92	856,292.09
Including: Interest expenses	6,902,903.32	3,667,547.94
Interest income	2,179,149.78	2,655,947.30
Losses of devaluation of asset	117,864.17	-178,762.83
Add: other income		
Investment income (Loss is listed with "-")	16,298,388.00	31,049,977.47
Including: Investment income on affiliated company and joint venture	14,998,084.49	17,123,423.23
Income from change of fair value (Loss is listed with "-")		
Income from assets disposal (Loss is listed with "-")		
II. Operating profit (Loss is listed with "-")	18,895,996.68	41,288,575.93

Add: Non-operating income	1,253,151.18	0.04
Less: Non-operating expense	4,161.48	15,033.48
III. Total Profit (Loss is listed with “-”)	20,144,986.38	41,273,542.49
Less: Income tax expense	38,942.20	38,942.20
IV. Net profit (Net loss is listed with “-”)	20,106,044.18	41,234,600.29
(i) net profit from continuous operation (Net loss is listed with “-”)	20,106,044.18	41,234,600.29
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
V. Net after-tax of other comprehensive income		
(i) Other comprehensive income items which will not be reclassified subsequently to gain/loss		
1.Re-measurement of the change of defined benefit plan		
2.Other comprehensive income unable transfer to gain/loss under equity method		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income able to transfer to gain/loss under equity method		
2.Gains or losses arising from changes in fair value of available-for-sale financial assets		
3.Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4.The effect hedging portion of gains or losses arising from cash flow hedging instruments		

5.Translation differences arising on translation of foreign currency financial statements		
6.Other		
VI. Total comprehensive income	20,106,044.18	41,234,600.29
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current period	Last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	426,869,708.10	351,036,436.94
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		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		

Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	19,684,530.43	9,418,234.47
Subtotal of cash in-flow from operation activity	446,554,238.53	360,454,671.41
Cash paid for purchasing commodities and receiving labor service	335,367,549.57	236,140,838.02
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	52,732,468.64	55,047,561.06
Taxes paid	23,689,718.46	20,250,075.88
Other cash paid concerning operating activities	41,339,481.83	51,109,264.50
Subtotal of cash out-flow from operation activity	453,129,218.50	362,547,739.46
Net cash flow arising from operating activities	-6,574,979.97	-2,093,068.05
II. Cash flows arising from investing activities:		
Cash received from recovering investment	1,106,320,000.00	628,171,900.00
Cash received from investment income	68,064,559.78	15,714,288.78
Net cash received from disposal of fixed, intangible and other long-term	263,520.00	259,940.00

assets		
Net cash received from disposal of subsidiaries and other units	1,504,125.26	2,343,240.90
Other cash received concerning investing activities	107,511,100.00	40,000,000.00
Subtotal of cash in-flow from investment activity	1,283,663,305.04	686,489,369.68
Cash paid for purchasing fixed, intangible and other long-term assets	31,343,082.90	31,340,610.55
Cash paid for investment	1,224,884,140.00	804,100,000.00
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 out-flow from investment activity	1,261,960,622.90	835,440,610.55
Net cash flow arising from investment activity	21,702,682.14	-148,951,240.87
III. Cash flows arising from financing activities		
Cash received from absorbing investment	15,000,000.00	22,672,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	15,000,000.00	22,672,000.00
Cash received from loans	148,082,000.00	216,600,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash in-flow from financing activity	163,082,000.00	239,272,000.00
Cash paid for settling debts	145,943,235.58	120,000,000.00
Cash paid for dividend and profit distributing or interest paying	15,066,890.08	4,931,753.63
Including: Dividend and profit of		

minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	16,144,956.00	
Subtotal of cash out-flow from financing activity	177,155,081.66	124,931,753.63
Net cash flow arising from financing activity	-14,073,081.66	114,340,246.37
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	281.62	-358.99
V. Net increased amount of cash and cash equivalent	1,054,902.13	-36,704,421.54
Add: Balance of cash and cash equivalents at the period -begin	141,793,218.56	178,497,640.10
VI. Balance of cash and cash equivalents at the period -end	142,848,120.69	141,793,218.56

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current period	Last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	42,987,480.31	60,856,831.09
Write-back of tax received		
Other cash received concerning operating activities	26,178,276.09	9,696,177.07
Subtotal of cash in-flow from operation activity	69,165,756.40	70,553,008.16
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	18,738,644.84	14,515,785.88
Taxes paid	4,065,009.38	3,755,038.44



Other cash paid concerning operating activities	38,903,678.52	21,185,336.08
Subtotal of cash out-flow from operation activity	61,707,332.74	39,456,160.40
Net cash flow arising from operating activities	7,458,423.66	31,096,847.76
II. Cash flows arising from investing activities:		
Cash received from recovering investment	733,500,000.00	535,500,000.00
Cash received from investment income	59,901,381.01	15,146,686.15
Net cash received from disposal of fixed, intangible and other long-term assets		13,195.84
Net cash received from disposal of subsidiaries and other units		14,150,000.00
Other cash received concerning investing activities	107,511,100.00	40,000,000.00
Subtotal of cash in-flow from investment activity	900,912,481.01	604,809,881.99
Cash paid for purchasing fixed, intangible and other long-term assets	10,556,123.04	4,549,479.98
Cash paid for investment	900,636,040.00	730,598,000.00
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	5,733,400.00	
Subtotal of cash out-flow from investment activity	916,925,563.04	735,147,479.98
Net cash flow arising from investment activity	-16,013,082.03	-130,337,597.99
III. Cash flows arising from financing activities		
Cash received from absorbing investment		

Cash received from loans	143,000,000.00	190,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash in-flow from financing activity	143,000,000.00	190,000,000.00
Cash paid for settling debts	137,278,123.13	120,000,000.00
Cash paid for dividend and profit distributing or interest paying	12,986,470.41	3,568,402.11
Other cash paid concerning financing activities		
Subtotal of cash out-flow from financing activity	150,264,593.54	123,568,402.11
Net cash flow arising from financing activity	-7,264,593.54	66,431,597.89
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increased amount of cash and cash equivalent	-15,819,251.91	-32,809,152.34
Add: Balance of cash and cash equivalents at the period -begin	77,991,738.05	110,800,890.39
VI. Balance of cash and cash equivalents at the period -end	62,172,486.14	77,991,738.05

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

Current period

In RMB

Item	Current period												
	Owners' equity attributable to parent company										Minorit y interests	Total owner's equity	
	Share capital	Other equity instrument			Capital public reserve	Less: Invento ry shares	Other compre hensive income	Reason able reserve	Surplus public reserve	Provisio n of general risk			Retaine d profit
		Prefer red stock	Perpet ual capita l	Other									

			securi ties										
I. Balance at the end of the last year	297,281,600.00				565,226,274.51				2,952,586.32		97,798,595.80	34,764,517.26	998,023,573.89
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combined under the same control													
Other													
II. Balance at the beginning of this year	297,281,600.00				565,226,274.51				2,952,586.32		97,798,595.80	34,764,517.26	998,023,573.89
III. Increase/ Decrease in this year (Decrease is listed with “-”)							26,422.00		187,331.82		86,736,726.90	14,308,161.26	101,258,641.98
(i)Total comprehensive income							26,422.00				86,924,058.72	-784,079.36	86,166,401.36
(ii)Owners’ devoted and decreased capital												15,092,240.62	15,092,240.62
1. Common shares invested by owners												15,092,240.62	15,092,240.62
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based													

payment													
4. Other													
(III) Profit distribution								187,331.82		-187,331.82			
1. Withdrawal of surplus reserves								187,331.82		-187,331.82			
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 (or share capital)													
2. Surplus reserves conversed to capital (or share capital)													
3. Remedying loss with surplus reserve													
4. Change amount of defined benefit plans that carry forward retained earnings													
5. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													

2. Usage in the report period													
(VI)Other													
IV. Current period	297,28				565,226		26,422.		3,139,9		184,535	49,072,	1,099,2
Balance at	1,600.				,274.51		00		18.14		,322.70	678.52	82,215.
period-end	00												87

Last period

In RMB

Item	Last period												
	Owners' equity attributable to parent company											Minorit y interest s	Total owner's equity
	Share capital	Other equity instrument			Capital public reserve	Less: Invento ry shares	Other compre hensive income	Reason able reserve	Surplus public reserve	Provisio n of general risk	Retaine d profit		
		Prefer red stock	Perpet ual capita l securi ties	Other									
I. Balance at the end of the last year	297,28 1,600. 00				564,192 ,605.51				2,952,5 86.32		30,935, 823.12	13,173, 721.23	908,536 ,336.18
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combined under the same control													
Other													
II. Balance at the beginning of this year	297,28 1,600. 00				564,192 ,605.51				2,952,5 86.32		30,935, 823.12	13,173, 721.23	908,536 ,336.18
III. Increase/ Decrease in this					1,033,6 69.00						66,862, 772.68	21,590, 796.03	89,487, 237.71

year (Decrease is listed with “-”)													
(i)Total comprehensive income											66,862,772.68	-1,081,203.97	65,781,568.71
(ii)Owners’ devoted and decreased capital												22,672,000.00	22,672,000.00
1. Common shares invested by owners												22,672,000.00	22,672,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners’ equity													
1. Capital reserves conversed to capital (or share capital)													

2. Surplus reserves converted to capital (or share capital)													
3. Remedying loss with surplus reserve													
4. Change amount of defined benefit plans that carry forward retained earnings													
5. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Other					1,033,669.00								1,033,669.00
IV).Current period Balance at period-end	297,281,600.00				565,226,274.51				2,952,586.32		97,798,595.80	34,764,517.26	998,023,573.89

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

Current period

In RMB

Item	Current period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Total owner's equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	297,281,600.00				562,032,851.23				2,952,586.32	-1,372,862.05	860,894,175.50

Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	297,281,600.00				562,032,851.23				2,952,586.32	-1,372,862.05	860,894,175.50
III. Increase/Decrease in this year (Decrease is listed with "-")									187,331.82	19,918,712.36	20,106,044.18
(i)Total comprehensive income										20,106,044.18	20,106,044.18
(ii)Owners' devoted and decreased capital											
1. Common shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution									187,331.82	-187,331.82	
1. Withdrawal of surplus reserves									187,331.82	-187,331.82	
2. Distribution for owners (or											



shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (or share capital)											
2. Surplus reserves converted to capital (or share capital)											
3. Remedying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI) Other											
IV. Current period Balance at period-end	297,281,600.00				562,032,851.23				3,139,918.14	18,545,850.31	881,000,219.68

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Total owner's equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	297,281,600.00				560,999,182.23				2,952,586.32	-55,254,452.82	805,978,915.73
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	297,281,600.00				560,999,182.23				2,952,586.32	-55,254,452.82	805,978,915.73
III. Increase/Decrease in this year (Decrease is listed with "-")					1,033,669.00					53,881,590.77	54,915,259.77
(i)Total comprehensive income										53,881,590.77	53,881,590.77
(ii)Owners' devoted and decreased capital											
1. Common shares invested by owners											
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 (or share capital)											
2. Surplus reserves conversed to capital (or share capital)											
3. Remedying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											

2. Usage in the report period											
(VI) Other					1,033,669.00						1,033,669.00
IV. Current period Balance at period-end	297,281,600.00				562,032,851.23				2,952,586.32	-1,372,862.05	860,894,175.50

# SHENZHEN TELLUS HOLDING CO., LTD.

## Notes to Financial Statements

(For the Year Ended 31 December, 2018 Expressed in RMB Yuan)

### I 、 Corporation profile

#### 1.Foundation of Tellus

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

The English name of Tellus: ShenZhen Tellus Holding Co.,Ltd

Registered company address: Tellus Building level 3, Shuibei second Road, Luohu, Shenzhen City, Guangdong Province.

Office address: the 15th Floor of Nuclear Building ,Shennan Road, Futian District, Shenzhen

Stock market: Shenzhen Stock Exchange

Name and code: Tellus A (000025) ,Tellus B (200025)

Legal representative: Fu Chunlong

The number of business license: 91440300192192210U

#### 2. The industry characteristic and business scope with the main products or services

The industry characteristic: The industry of providing energy materials, machinery and electronics equipment

The business scope: automotive integrated services, including the test of equipment maintenance, property leasing and management etc.

The main products or services: sales of vehicles and accessories, the maintenance and inspection of vehicles and the services of property leasing etc.

#### 3. The history of Tellus

Shenzhen Tellus Holding Company Limited ("the Company") was developed from the Shenzhen Tellus Machinery Co.,Ltd., which established on 11 October, 1986. On 2nd January, 1992, with the approval of Shenzhen Municipal People's Government "shen fu ban fu (1992), No. 1850", Shenzhen Tellus Machinery Co.,Ltd. reorganized to a public limited company and renamed to Shenzhen Tellus Machinery Holding Company Limited. On 15 March 1993, with the approval of Bank of China Shenzhen branch "Shen Ren Yin Fu Zi (1993) No.92", the Company issued the initial public registered shares and turned into Limited Liability Company with the name of "Tellus mechanical and electrical co. LTD, Shenzhen". At this moment, the whole share capital is 166.88million shares, including the original 120.9million shares with 45.98million new shares. The new shares is divided into two parts, one is RMB 25.98 million ordinary shares (A shares) ,the other is special shares (B) RMB 20 million shares .

In June 1993, Shenzhen securities management office was about to agree that "Tellus mechanical and electrical co. LTD, Shenzhen" was qualified to list in Shenzhen stock exchange market (shen zheng ban

fu[1993]34) and (shen zheng shi zi [1993]22).On 30 June 1994, the Company changed name to Shenzhen Tellus Holding Company Limited with the approval of Shenzhen administrative bureau for industry and commerce .

On March 15, 1993, with the approval of the branch of people's bank of China in shenzhen special economic zone, the group could issue A ordinary shares 25.98 million with B ordinary shares 20 million (shen ren yin fu zi (1993)092).On June 30, 1994, with the approval of the shenzhen city administration for industry and commerce, Tellus mechanical and electrical co. LTD, Shenzhen was renamed ShenZhen Tellus Holding Co.,Ltd

The capital structure of the Company at listing date:

Category	Amount (share)	Ratio (%)
1. Non-tradable shares		
Include: State shares	120,900,000	72.45
Sub-total of non-tradable shares	120,900,000	72.45
2. Tradable shares		
- A	25,980,000	15.57
- B	20,000,000	11.98
Sub-total tradable shares	45,980,000	27.55
Total	166,880,000	100.00

Change of capital structure after established:

(1) Issue bonus shares in 1993

According to the decision made by general meeting of shareholders in 1993, the company distributed a 2 for 10 bonus shares with cash dividend of RMB 0.5. The whole capital changed into 2,002.56 million shares.

On 22 April 1994, the Shenzhen Stock Management Office agreed about plan of distributing bonus . After plan, the company's capital structure changed as follows:

Category	Amount (share)	Ratio (%)
State - owned shares	145,080,000	72.45
Public shares	31,176,000	15.57
RMB special stock (B shares)	24,000,000	11.98
Total	200,256,000	100.00

(2) Issue bonus shares and increase capital in 1994

On 28 May 1995, the Group shareholder meeting agreed about plan of distributing bonus and increasing capital. On the basis of 2,002.56 million shares in the end of 1994, the Group distributed 0.5 of 10 shares, and give RMB 0.5 from every increasing 0.5 share capital. After the Group's share capital increased to 2,202.816 million shares.

After plan, the company's capital structure changed as follows:

Category	Amount (share)	Ratio (%)
State - owned shares	159,588,000	72.45
Public shares	34,293,600	15.57
RMB special stock (B shares)	26,400,000	11.98
Total	220,281,600	100.00

(3) Majority shareholder change in 1997

On 31<sup>st</sup> March 1997, with the approval of Shenzhen Municipal People's Government "shen fu han (1997), No. 19" and China Securities Regulatory Commission "zheng jian han shang (1997), No. 5", Shenzhen Investment Administrative Company transferred its 159,588,000 shares to Shenzhen Te Fa (Group) Company Limited (hereinafter referred to as "the Te Fa Group"). The shares transferred represent 72.45% of the total issued shares of the Company.

(4) The reform of listing non-tradable shares in 2006

In December 2005, shenzhen, the State-owned Assets Supervision and Administration Commission agreed about the plan of reforming non-tradable shares.

On 4<sup>th</sup> January 2006, Te Fa Group gave 13,717,440 shares to the holders of tradable shares of the company in the A share market. After the split-share reform was completed, it held 66.22% of the shares capital of the Company.

After the split-share reform, the company's capital structure changed as follows:

Category	Amount (share)	Ratio (%)
State - owned shares	145,870,560	66.22
Public shares	48,011,040	21.79
RMB special stock (B shares)	26,400,000	11.98
Total	220,281,600	100.00

(5) Private placement of RMB ordinary shares in 2015

According to the 19<sup>th</sup> special meeting of the 7<sup>th</sup> Board Meeting on April 21<sup>st</sup>, 2015, and the 4<sup>th</sup> stockholders' meeting on June 3<sup>rd</sup>, 2015, the Company private issued RMB ordinary shares (A shares) 77,000,000.00 shares to Shenzhen Tefa Group Co. and Shenzhen Yuanzhifuhai Jewelry Investment Co. The total raising money is less than RMB 646,800,000.00 and it is all by cash. After plan, the company's capital structure changed as follows:

Category	Amount	Ratio (%)
State-owned legal person shares	151,870,560	51.09
Domestic public shares	119,011,040	40.03
RMB special shares (b share)	26,400,000	8.88
Total	297,281,600	100.00

**(6) Shares reduction of controlling shareholders in 2016**

According to Shares Reduction of Controlling Shareholders Announcement, Shenzhen SDG co., LTD reduced 2,972,537 circulation stocks with unrestricted in terms by concentrated bidding during May 4th to May 31st in 2016, which accounts for 1% of total shares of the Company. On September 30th 2016, the Company received Notation of Compliment Shares Reduction Schedule of Tellus A from SDG Company, who reduced 2,972,767 circulation stocks with unrestricted in terms by concentrated bidding during August 29th to September 29th in 2016, accounting for 1% of total shares of the Company. Up to September 29th 2016, SDG Company had completed its shares reduction schedule. The company's capital structure changed as follows:

Category	Amount	Ratio (%)
State-owned legal person shares	145,925,256	49.09
Domestic public shares	124,956,344	42.03
RMB special shares (b share)	26,400,000	8.88
Total	297,281,600	100.00

Till the end of 2018, the Company had issued 29,728.16 million shares, details in VI-32.

**4. The scope of consolidation**

There are 15 subsidiaries included in the 2018 consolidation scope, details in notes 8 "the equity in other entities". Compared with last year (2017), one entity is excluded to the consolidation scope.

**5. The approval and the date of financial statements**

The financial statements of the Company are authorized to be issued to the public on April 1st, 2019 by the Board of Directors.

**II、Basis of Preparation****1. Basis of preparation**

The financial statements of the Company have been prepared on the basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China in February 2006, and Accounting Standards (order No.33 of the Ministry of Finance announced and order No.76 of the Ministry of Finance revised) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2015 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations in Chinese Accounting Standards for Business Enterprises, the Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured by at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are



made in accordance with relevant requirements.

### **III、 Statement of Compliance with Enterprise Accounting Standards**

The financial statements of the Group comply are recognized and measured in accordance with the regulations in the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business results and cash flow of the Group as of 31 December 2018. In addition, in all material respects ,the financial statements of the Company and the Group comply with the revised disclosing requirements for financial statements and the notes ‘Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision)’ issued by China Securities Regulatory Commission (CSRC) in 2014.

### **IV、 Important Accounting Principles and Accounting Estimates**

According to the Chinese Accounting standards,the Group ensures the relevant accounting policies and estimation by means of characteristics of subsidiaries. In terms of the explanation of judgment and estimation of important accounting policies made by Board of Directors, details will be found in note IV.29”the important judgment and estimation”.

#### **1、 Accounting period**

The accounting period of the Group is classified as annual period and interim period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Group is the calendar year from January 1 to December 31.

#### **2、 Operating Cycle**

The normal operating cycle is referring to buying assets used into generating new products to sell products and recollect monetary assets.

#### **3、 Monetary Unit**

Renminbi (RMB) is the currency of the primary economic environment in which the Group and its domestic subsidiaries operate. Therefore, the Group and its domestic subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its functional statements.

#### **4、 Basis of accounting**

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

##### **(1) Business combination involving entities under common control**

A business combination involving enterprises under common control is a business combination in which

all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amount as recorded by the enterprise being combined at the combination date. The differences between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

## (2) Business combination involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The transaction cost arose from issuing of equity securities or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, goodwill can be offset. For a business combination achieved in stages that involves multiple exchange transactions, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any differences between its fair value and its carrying amount is recorded as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to

investment income. Combination cost is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the fair value of the cost of the additional investment at the acquisition date.

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognized due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the differences shall be recognized as profit of the current period.

Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination.

## **5、Preparation of consolidated financial statements**

### **(1) The scope of consolidated financial statements**

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Group and all of the subsidiaries. Subsidiary is an enterprise or entity under the control of the Group.

### **(2) Preparation of the consolidated financial statements**

The subsidiary of the Group is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements. For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment

is made to the opening balance and comparative figures in the consolidated financial statements. Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiaries are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements was re-conciliated on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest and the portion in the net profit or loss not attributable to the Group are presented separately in the consolidated balance sheet within shareholders' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the minority interests.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. The amount recognized in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost. The retained interest is subsequently measured according to the rules stipulated in the "Chinese Accounting Standards for Business Enterprises No.2—Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22—Determination and measurement of financial instruments". Details in Note IV. 9 "Financial instruments" or Note IV.13 "Long-term equity investments".

Control is the foundation of ensuring the scope financial statements. Control is referring to the power of controlling investee via the relevant investing activities with changeable returns and of influencing to

change values of them. The consolidation scope refers to the group and subsidiaries. Subsidiary is entity of the controlled party.

From the day of acquiring the equity and actual control of management decisions, it should be in the scope vice versa. As for the subsidiary of disposition, the assets and monetary flow should be included into the consolidated financial statements, not adjusting the opening balance. Under the non-same control surrounding, the operating results and cash flows have been included in the consolidated financial statements properly and accurately with no adjustment of the opening balance. Under the same control surrounding, the operating results and cash flows have been included in the consolidated financial statements properly and accurately with adjustment of the opening balance.

When making financial statements, if the period of the group and the subsidiary is different, we should necessarily adjust the subsidiary's period in accordance with the group's. As for the non-same control subsidiaries, the values at acquisition date will be applied when adjusting.

The values all major transactions in the group and unrealized profits should be offset in the preparation of consolidated financial statements.

It should be listed individually when the entity of subsidiaries have non-controlling shares. Furthermore, if there are share belonging to the non-controlling shareholders, we should classify it as "Non-controlling interests". If there is a loss in the investment of non-controlling shareholders, we still list the loss in the category of "Non-controlling interests".

When losing the control power of subsidiaries because of depositing partial share capital, for the remaining values, it will be recalculated. The sum of consideration at acquisition date minus the original equity held by the group with the relevant route, the difference should be listed into current investment outcome. The comprehensive income relevant to subsidiaries should be used the same accounting methods to measure. Besides, for the remaining share capital, it should be measured by the accounting standards of NO.2 and NO.22, details will be found in note IV.9 or note IV.13.

It is necessary to distinguish how to lose the control power: for a package of transactions or not. The following would suggest whether affected by a package of transactions: ① fair and equal; ② the result of the entire transaction could be accomplished by the transaction; ③ the transaction happens depends on the other; ④ it will be considered as a whole when measuring the economic results, details will be found in note IV.13.(2)④.

## **6. Joint Venture**

Joint venture refers to an arrangement controlled by two or more than two parties. The group will divide joint venture into joint management and joint ventures in accordance with the standards. Joint venture is the arrangement of acquiring benefits.

The equity method will be used into the calculation, details will be found in note IV.13 (2) ②.

As a party of joint venture, we should ensure the assets and liabilities individually; besides, revenues and

costs of production and sales.

If selling or buying assets, the group should only ensure gain or loss which belonged to the other parties participated in joint venture, accounting standards—8.

## **7. Cash and Cash equivalent**

Cash and cash equivalents of the Group include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

## **8. Foreign exchange**

### **(1) Translation in foreign exchange transactions**

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying the spot exchange rate on the date of the transaction (an exchange rate that approximates the actual spot exchange rate on the date of transaction). The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

### **(2) Translation of monetary foreign currency and non-monetary foreign currency**

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ① those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. ②The exchange difference from changes of other account balance of foreign currency monetary items available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

## **9、Financial instruments**

### **(1) Determination of financial assets and liabilities' fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses quoted price in the active market to establish its fair value. The quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Group establishes fair value by

using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

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

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

### ① Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. the financial asset is acquired for the purpose of selling it in a short term;
- B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;
- C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

Financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions:

- A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.
- B. a group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise's key management personnels. Formal documentation regarding risk management or investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

## ② Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

## ③ Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include note receivables, account receivables, interest receivable dividends receivable and other receivables.

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

## ④ Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and dividends declared by the investee during the period in which the financial assets available-for-trade are held, are recognized in investment gains.

## (3) Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.



The Group makes an impairment test for a financial asset that is individually significant. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment [or individually assessed for impairment]. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognized is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment loss on available-for-trade financial assets

When decision is made with all related factors on whether the fall of fair value investment of an equity instrument available-for-trade is significant or non-transient, it indicates impairment of such equity instrument investment, in which, “significant” means over 20% of fall in fair value and “non-transient” means over 12 months of subsequent fall.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

(4) Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a “pass-through” arrangement;
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a). the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

#### (5) Classification and measurement of financial liabilities

The Group’s financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

##### ① Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

##### ② Other financial liabilities

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

#### (6) Derecognition

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged or cancelled or has expired. An agreement between the Group (an existing borrower) and existing lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### (7) Derivatives and embedded derivatives

Derivatives in the relevant contract are initially recorded at fair value, and subsequent values measured at fair value.

#### (8) Offsetting financial assets and financial liabilities

When the group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

#### (9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to owners' equity.

All types of distribution (excluding stock dividends) made by the Group to holders of equity instruments are deducted from owners' equity. The Group does not recognize any changes in the fair value of equity instruments.

### 10、Account receivables

The account receivable by the Group includes account receivables, and other receivables.

#### (1) Criteria for recognition of bad debts:

The Company carries out an inspection on the balance sheet date. Where there is any objective evidence proving that the receivables have been impaired, an impairment provision shall be made:

- ① A serious financial difficulty occurs to the issuer or debtor;
- ② The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- ③ The debtor will probably become bankrupt or carry out other financial reorganizations;
- ④ Other objective evidences showing the impairment of the receivables.

(2) Method for bad debts provision

- ① Provisions of bad debts in account receivables that is individually significant.

The Group treats account receivables over RMB 1,000,000 and other receivables over RMB 500,000 as individually significant items.

For an account receivable that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognized in profit or loss if there is objective evidence of impairment is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. An account receivable for which an impairment loss is individually recognized is not included in a group of account receivables with similar credit risk characteristics and collectively assessed for impairment.

- ② Provisions of bad debts in account receivables that individually insignificant items with similar credit risk characteristics that have significant risk:

A. Evidence of credit risk characteristics

Whether the financial asset is individually significant or not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Such credit risk reflects the repayment of all due amount under the contract, and is related to the estimation of future cash flow expected to be derived from the assets.

Evidence of portfolios:

Items	Evidence of portfolios
Aging portfolios	Use the aging of account receivables as credit risk characteristics

B. Provision by credit risk characteristics

During the group impairment test, the amount of bad debts provisions is determined by the assessed result from the experience of historical loss and current economic status and the existing loss in the estimated account receivables according to the set of account receivables and credit risk characteristic.

Provisions for difference portfolios:

Item	Method of provision
Aging portfolios	Provision by Aging

a. Provision by Aging analysis

Aging	Accounts receivable (%)	Other receivables (%)
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Within 1 year(inclusive)	No provision	No provision
1-2 years (inclusive)	5	5
2-3 years (inclusive)	20	20
Over 3 years	50	50

③ Provisions of bad debts that is individually insignificant.

The Group treats account receivables under RMB 1,000,000 and other receivables under RMB 500,000 as individually insignificant items.

For the account receivables not individually significant, the Group assesses the account receivables individually for impairment when are of following characteristics: if there is objective evidence indicating the impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly. For example, account receivables with related parties; account receivables under litigations or arbitrations, or account receivables with obvious indication that debtor cannot fulfill the obligation of repayment.

(3) The reversal of bad debts provision

If there is objective evidence of recovery in value of account receivables, and the recovery can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount that exceeds what the amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

## 11、Inventories

(1) Classification of inventory

The Group's inventory mainly include raw materials, goods in stock, work-in-progress and low value consumables, etc.

(2) Valuation method of inventories upon delivery

Inventories are initially carried at the actual cost and delivered at the value by weighted average method. The low value consumables and packaging should be amortized in equal installment.

(3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is normally determined by the difference of the cost

of individual item less its realizable value.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) Inventory system is maintained for stock system.

## **12. Held-to-maturity investment**

Held-to-maturity investments are initially measured at fair value (deducting bond interest that has matured but not yet been retrieved) plus relevant transaction costs when acquired. Interest income is recognized as investment income based on the amortized cost and effective interest rate. If differences between the effective interest rate and coupon rate is negligible, the coupon rate is applicable. The actual interest rate is determined upon acquisition and remains unchanged during the expected remaining period, or a shorter period if applicable. Differences between the proceeds and book values of the investments are recognized as investment income on disposal.

If an asset could be sold under the normal conditions with precise decisions from directors of board in an irrevocable agreement in one year, then it would be regarded as held-to maturity asset. The method of calculation is no depreciation or amortization from the beginning-holding-day, instead of choosing the lower one between book value and fair value minus disposal expenses. If the disposable asset is an asset group under the accounting standards 8 and the goodwill will be divided into this asset group, then it should be included the goodwill.

It should be disclosed individually when it is classified as held-to-maturity asset. If it is classified as the liability connecting to the asset group, it should also list separately.

## **13. Long-term equity investments**

The term of long-term equity investments refers to the investment which has control, joint venture and significant influence over the investees. If the group does not have control, joint venture and significant influence over the investees, then it should be classified as available-for-sale financial asset or the asset measured at fair value and recorded into the profits and losses of the current financial assets, details will be found in notes 4.9 "Financial Instruments".

The term "joint control" refers to the contractually agreed sharing of control over an economic activity, which exists only when the investing parties involved in the economic activity reach a consensus on sharing control over critical financial and operating policies concerning that activity. An entity which is subject to joint control by the investor and other parties is their joint venture.

(1) Determination of investment cost

For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be carrying value of the absorbing party's share of the owners' equity of the party being absorbed at the date of combination. For a business combination not involving

enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. Transaction fee of equity securities or debt securities issued by purchaser's business combination should be calculated in initializing confirming amount of equity securities or debt securities.

The equity investments other than the long-term equity through combination shall be initially measured by cost. The cost shall be recognized to the difference in the way of acquisition of long-term equity investment. These ways include the cash purchase price the Group actually paid, the fair value of equity security issued by the Group, value specified in the investment contract or agreement, the fair value or carrying value of the asset out in the transaction of non-monetary asset exchanges, and the fair value of the long-term equity investment. Other direct cost, tax and necessary expenses related to the acquisition of long-term equity investment are recognized in investment cost.

## (2) Subsequent measurement

Cost method shall be adopted in a long-term equity investment where the investing enterprise does not have common control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be measured reliably. Where an investing enterprise can exercise common control or significant influence over the investee, a long-term investment shall be accounted for using the equity method. When an investing enterprise can no longer exercise joint control or common control nor significant influence over the investee, and its fair value cannot be measured reliably, a long-term investment shall be counted as financial asset ready-for trade.

A long-term equity investment where cost method is adopted in the Company's financial statements can exercise controls over the investee.

### ① Cost method of accounting for long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

### ② Equity method of accounting for long-term equity investments

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost. Where the initial investment cost of a long-term equity investment is less than the investing enterprise's interest in the fair values of investee's identifiable net assets at the time of acquisition, the difference shall be charged to profit or loss for the current period, and

the cost of the long-term equity investment shall adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets etc. at the acquisition date after making appropriate adjustments to confirm with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees on the transferred assets, in accordance with "Accounting Standards for Enterprises No. 8 - Impairment of Assets", are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as other comprehensive income which is included in the capital reserve.

When the investee is recognized net losses, reduce the carrying value of long-term equity investments and long-term equity of net investment (in substance) in investee to zero. In addition, the Group has the obligations on additional losses, then the expected obligation as estimated liabilities and included in the current investment losses. Where the net profit from investee units, restoration confirm the amount of revenue sharing after offset the amount of unrecognized loss sharing.

For long-term equity investments in associates and joint ventures which had been held by the Group before its first time adoption of Accounting Standards for Business Enterprises in 01-01-2007, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight line basis over the original remaining life.

### ③ Acquisition of minority interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against returned earnings.

### ④ Disposal of long-term equity investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note IV.5 applies.

### (3) The accounting methods described at consolidated financial statements

On disposal of a long-term equity investment, the difference between the proceeds actually received and



receivable and the carrying amount is recognized in profit or loss for the period.

For along-term equity investment accounted for using the equity method, the amount included in the owners' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

For any retained interest, it shall be subsequently measured according to the related accounting policies in regard of long-term equity investments or financial assets as described above if its carrying amount is recognized as long-term equity investments or other related financial assets. Retroactive adjustment is made on the basis of relevant policies if the retained interests are settled from cost method to equity method.

Recognition of investee under common control or significant influence

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. Common control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee held the investing enterprise or other parties that are currently exercisable or convertible shall be considered.

The group would lose the power of control over subsidiaries gradually via multiple transactions. If it is a package of transactions, then every transaction would be treated as lose control power. The difference of disposable value and carrying amount would be regarded as other comprehensive profits until the power is certainly ensured that the group lost the power of control.

#### **14、Investment properties**

Investment property is property held to earn rental or for capital appreciation or both. It includes a land use right that is leased out, a land use right held for transfer upon capital appreciation, and a building that is leased out.

The investment properties shall be initially measured in light of their cost when getting it and make a follow-up measurement to the investment real estate through the cost pattern on the date of the balance sheet. The test method of depreciation or impairment of the buildings is the same as fixed assets, the test method of depreciation or impairment of the land use rights is the same as intangible assets.

The details of assess method and impairment provision for investment properties are in Note4.20 "Impairment of non-current non-financial assets".

Where an investment property is disposed or no longer in use permanently and no economic benefits shall be obtained from the disposal, derecognized the investment property. The income from sale, transfer or disposal of the investment property is recorded in the profit or loss after deduction of its carrying amount and related tax.

## 15、Fixed assets

### (1) The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.

### (2) The method for depreciation

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of state of intended use, the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Expected useful life	Estimated residual value (%)	Depreciation (%)
Building & construction	35	3	2.77
Machines & equipments	12	3	8.08
Vehicles	7	3	13.86
Electronic appliances	7	3	13.86
Office and other equipment	7	3	13.86
Private housing renovation costs	10	0	10.00

Expected net residual value of fixed assets is the balance of the Group currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

### (3) Measurement and recognition of fixed assets

Impairment and provisions of fixed assets are disclosed on Note IV.20 “Long-term assets impairment”.

### (4) Others

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Group conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

## 16、Construction in progress

Construction in progress is measured at its actual cost. The actual costs include various construction

expenditures during the construction period and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note IV.20 “Long-term assets impairment”.

## **17、Borrowing costs**

The borrowing costs shall include interests on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before ready for intended used or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

## **18、Intangible assets**

### **(1) Recognition and calculation of intangible asset**

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The

expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Group are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated all of the land use rights and buildings are accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

## (2) Research and Development expenditures

The expenditures of the internal research could be divided into two phrases: a research phrase and a development phrase.

The expenditures happened during research phrase should be regarded as the current profit and loss. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- (e) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

## (3) Methods of impairment assessment and determining the provision for impairment losses of intangible assets

Testing method for provision impairment of intangible assets and accrued method for provision impairment please refer to Note IV.20 “Long-term assets impairment”.

### **19、Long-term prepaid expenses**

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent period together of more than one year. Long-term prepaid expenses are amortized by using straight line method.

### **20、Long-term assets impairment**

On each balance sheet date, the Group will make judgments to determine whether there are signs for impairment to the fixed assets ,construction in progress, definite intangible assets, investment properties& equity investment in subsidiaries& joint ventures& jointly run business measured using the cost method etc. non-current and non-financial assets. If there are signs for impairment, the impairment should be tested by estimating the recoverable amount. Goodwill, indefinite intangible assets and intangible assets having not reached the usable condition, should be yearly tested for impairment no matter whether there are signs for impairment.

The result of impairment test demonstrates that the recoverable amount is less than its carrying amount, the difference will be recorded as provision for impairment and debited as impairment loss. The recoverable amount equals to the greater of 1)fair value less disposal expenses and 2) present value of the predicted future cash flows.

The fair value of the assets is determined by the sale contract price of fair trade; When there are no sale contracts but exist active market ,the fair value will be determined with the quotation from the buyer; When there exist neither sale contracts nor active market, the assets fair value will be determined by the best information available.

The disposal expenses include the legal expenses, related taxes, delivery fees and other direct fees incurred for making the assets reach the salable condition. The present value of the predicted future cash flows is calculated according to the predicted future cash flows generated from the continuous use of the assets and final disposal discounted with the applicable discounted rate. The provision for impairment test should be recognized based on the individual asset. If it is hard to estimate the recoverable amount to individual asset, the recoverable amount of the assets group of which the individual assets are included should be determined. Assets group is the smallest unit that can independently generate the cash inflow.

For the goodwill separately displayed on the financial statement, when making the impairment test, the carry value of the goodwill should be allocated to assets group or the group of assets group predicted to be benefit from the synergistic effect from the enterprises combination. When the rest result shows that the recoverable of the assets group or the group of assets group having been allocated with the relevant goodwill is less than the carrying amount, the related impairment loss should be recognized. The

impairment losses will firstly reduce the book value of the goodwill allocated and then reduce the book value of each asset of the assets group or the group of assets group according to the percentage of each asset to the assets group or the group of assets group beside the goodwill.

The impairment loss of the above assets would not be reversed back once they are recognized.

## **21.Employee benefits**

Employee benefits payable shall be recognized as liabilities in the accounting periods during which the employees provide services to the Group. They are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment: short-term employee, post-employment benefits and other long-term employee benefits.

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

- (a) wages, salaries and social security contributions;
- (b) paid annual leave and paid sick leave;
- (c) profit-sharing and bonuses; and
- (d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

Post-employment benefits include items such as the following:

- (a) retirement benefits (pensions and lump sum payments on retirement);
- (b) other post-employment benefits, such as post-employment life insurance and post-employment medical care.

In the event that the Group terminates the employment relationship with employees unilaterally before the end of the employment contracts, or offers to compensate the employees in order to encourage them to accept voluntary redundancy, if the Company has formally formulated plans for termination of the employment relationship or offer for voluntary redundancy, and the plans will be implemented shortly afterwards, compensations for redundancy shall be recognized as estimated liabilities and charged to profit or loss for the current period.

The plan for early retirement of employees shall be treated in the same way as the above compensations for redundancy. The salaries and social insurance premiums paid by the Company to employees subject to early retirement during the period from termination of service provision to normal retirement shall be recognized as estimated liabilities and charged to profit or loss for the current period (compensations for redundancy).

## **22.Accrued liabilities**

Accrued liabilities (or Provisions) are recognized when following obligations related to a contingency are satisfied simultaneously. They are (a) such obligation is the present obligation of the Group, (b) it is

probable that an outflow of economic benefits will be required to settle the obligation, and (c) the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as risks, uncertainties and time value of money.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

#### (1) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The exceeding part over the assets in the contract shall be recognized as a provision when an executor contract becomes an onerous contract and the obligation arising under the onerous contract satisfies the requirements of provisions.

#### (2) Restructuring Obligation

The amount of a restructuring provision shall be recognized by the total direct expenditures arising from the restructuring when the enterprise has a detailed, formal plan for the restructuring, and a public announcement of the plan has been made for restructuring and above requirements for the provision mentioned above are satisfied.

[For the restructuring obligation carried for the portion of business for sale, the obligation related to the restructuring can only be recognized when the Group has committed for the sales of portion of the business (signing the selling agreement with termination)]

### 23. Revenue

#### (1) Revenue from sales of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably.

The group sales vehicles as the main transaction, so sales' revenue should be ascertained after ensuring accept cash or the right to collect cash or cash equivalents.

#### (2) Revenue from services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The stage of completion of a transaction for rendering services is determined

based on [survey of work performed / services performed to the date of as a percentage of total services to be performed / the proportion that costs incurred to date bear to the estimated total costs of the transaction]

The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied:

- 1) the amount of revenue can be measured reliably;
- 2) it is probable that the associated economic benefits will flow to the Group;
- 3) the stage of completion of the transaction can be measured reliably;
- 4) the costs incurred and to be incurred for the transaction can be measured reliably.

If the outcome of a transaction involving rendering of services cannot be estimated reliably, the revenue is recognized by the cost incurred and estimated compensation, and the actual cost is booked into profit and loss. No revenue is recognized if the cost incurred cannot be recovered.

For contract or agreement entered between the Group and other enterprises with sales of goods and rendering services, if part of goods selling and the part of rendering service can be separated and measured individually, they are settled separately. If the part of goods selling and the part of rendering service cannot be separated or they can be separated but cannot be measured individually, the parts in the contract shall be treated as goods of selling.

### (3) Revenue from royalty revenue

According to the contract or agreement, the revenue is recognized on an accrual basis.

### (4) Revenue from interests

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate.

## **24. Government Grants**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are



recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

For repayment of a government grant already recognized, if there is a related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

## **25. Deferred income tax assets and deferred income tax liabilities**

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

For temporary differences between the carrying amount of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognized except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognized.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset is recognized.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognized if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Group recognizes other deferred income tax assets that can deduct

temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax laws that are expected to apply in the period in which the asset is realized or the liability is settled.

At the balance sheet date, the Group reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Group reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

## **26. Leases**

### **(1) Operating Lease**

#### **① The Group as Lessee under Operating Lease**

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

#### **② The Group as Leaser under Operating Lease**

Lease income from operating leases shall be recognized by the leaser in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

### **(2) Financing Lease**

#### **① The Group as Lessee under Operating Lease**

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset.

The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

## ②The Group as Leaser under Operating Lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income, which is amortized using the effective interest rate method over each period during the lease term.

Finance lease receivable less unearned finance income shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

## **27.Other accounting policies and accounting estimates**

### (1) Termination of business

Refers to the termination of the operation, to meet one of the following conditions have been part of the company's disposal or classified as held for sale, and capable of operating in the preparation of the financial statements separately: the part represents an independent business or a major business area; the part is part of the proposed disposal plans for a major business independent or a major business area; the part is just to sell a subsidiary acquired.

### (2) Repurchase of shares

The consideration and transaction costs paid in the share repurchase to reduce the shareholders' equity, repurchase, transfer or cancellation of the shares of the company, does not recognize gains or losses.

Transfer of stock, according to the actual amount of money received and the difference between the carrying amount of the stock, included in the capital reserve, capital surplus is not reduced, the reduction of surplus reserve and undistributed profits. The cancellation of treasury shares, according to the face value of the stock and cancellation of shares less equity, according to the difference between the carrying amount and the par value of treasury shares canceled, reducing capital surplus, capital surplus is not enough to offset, offset the surplus reserve and undistributed profit.

### (3)Asset Securitization

The company will be part of the assets ("trust") securities, assets trust to the special purpose entity, the entity to investors is the priority of asset-backed securities, the company holding subprime asset-backed securities, subprime assets in support of the priority of asset-backed securities principal and interest payments before the end of may not transfer securities. The company's assets as service providers, providing asset maintenance and daily management, asset disposal plan annual formulation, formulation and implementation of asset disposal program, signed an agreement to dispose of assets and asset services regularly compile reports and other services; at the same time as the company liquidity support

mechanism, the priority of asset-backed securities principal has not been repaid in full supply flow support, to make up the difference between the interest or principal. After the payment of the trust property trust taxes and related expenses, priority for payment of priority asset-backed securities principal, all principal and interest payments remaining after the trust property as subprime asset-backed securities gains, owned by the company. The company retains all the risks and rewards of trust property, so not to confirm the termination of the trust property; at the same time, the company has actual control of the special purpose entity, has to be included in the scope of consolidated financial statements.

## **28. Changes in major accounting policies and accounting estimates**

### **(1) Changes of accounting policies**

①Changes of accounting policy resulting from the implementation of the new enterprise accounting standards.

On June 15, 2018, the Ministry of Finance issued the Circular on Revising and Issuing the Format of General Enterprise Financial Statements for 2018 (Accounting [2018] 15), which revised the Format of General Enterprise Financial Statements. The Company shall execute the aforementioned notice in accordance with the requirements of the Ministry of Finance.

In accordance with the requirements of document [2018] 15, the company adjusts the presentation of the following items in the financial statements and adjusts the comparative data of the comparable accounting period accordingly:

The original "notes receivable" and "accounts receivable" items are incorporated into the newly added "notes receivable and accounts receivable" items.

The original items of "interest receivable", "dividend receivable" and "other receivables" are incorporated into the items of "other receivables".

The original "fixed assets liquidation" and "fixed assets" projects are incorporated into the "fixed assets" project.

The original project of "engineering materials" was merged into the project construction in process

The original "notes payable" and "accounts payable" items are incorporated into the newly added "notes payable and accounts payable" items.

The original "interest payable", "dividend payable" and "other accounts payable" items are combined into "other accounts payable" items.

The original "special payables" are merged into the "long-term payables" project.

A new "R&D cost" project is added. The R&D cost originally included in the "management cost" project is listed separately as the "R&D cost" project.

Under the item of "financial expenses", the detailed items of "interest expenses" and "interest income" are shown.

This change of accounting policy has no substantial impact on the total assets, liabilities, net assets and

net profits of the company in the current period and before the change of accounting policy.

(2) Changes of accounting estimates

There were no changes of main accounting estimations during this period.

**29. Material accounting judgments and accounting estimations**

Because of the inherent uncertainties of the operating activities, the Group needs to make judgments, estimations and assumptions to the financial statement items whose carrying amount cannot be accurately measured. Those judgments, estimations and assumptions are made based on the management's historical experience and taking other relevant factors into account. Those judgments, estimations and assumptions would influence the reported amount of revenue, expense, asset and liability and disclosure of the contingency liability on the balance sheet date. However, the actual result caused by the uncertainty of these estimations may be different with the present estimation made by the management, which may cause significant adjustments to the carrying amount of the influenced assets and liabilities in the future.

The Group are making periodical review on the judgments, estimations and assumptions mentioned above based on the premise of going concern. For the changes of estimations that only influence the current period, the influenced amount will be recognized in the current period. For the changes of estimations that not only influence the current period ,but also affect the future periods, the influenced amount will be recognized in the current period and future period.

As of the balance sheet date, the material areas that need to be judged ,estimated and assumed are listed below:

(1) Classification of lease

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

(2) The provision for allowance for bad debt

The Group applies the allowance method to estimate the bad debt, according to the policy of accounts receivable. The impairment of accounts receivable is based on the evaluation of accounts receivable's possibility of collection. The difference between the actual result and the original estimation would influence the accounts receivable's carrying value and cause the balance of allowance for bad debt to increase or reverse back during the period when the estimation is changed.

(3) Provision for inventory

According to inventory accounting policy, the ending inventory is measured by the lower of cost and net

realizable value. When the cost is greater than the net realizable value and the obsolete and unsalable inventory, the inventory falling price reserve shall be withdrawn. Reduce the inventory to the net realizable value is based on the evaluation the salable of the inventory and its net realizable value. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made and take into consideration the purpose for which the inventory is held and the influences of events occurring after the balance sheet date. The difference between the actual result and original estimation will influence the carrying amount of the inventory and cause the provision for inventory to increase or reverse back during the period when the estimation is changed.

#### (4) The fair value of financial instrument

For the financial instrument lacking active trading market, the Group will use several valuation methods to make sure the fair value. The methods include the model to analyze the discounted cash flow etc. The Group will evaluate the following aspects, such as the future cash flow, credit risk, market volatility and the relativity etc. and then choose the applicable discounted rate, when making the evaluation. There are uncertainties for the relevant assumptions whose changes will influence the fair value of financial instrument.

#### (5) Provision for non-financial and non-current assets

The Group will make judgment on the non-current assets beside the financial assets about whether there are signs for impairment on the balance sheet date. For the intangible assets whose life is uncertain, when there are signs for impairment, it should be tested for impairment, beside the yearly impairment test. Other non-current assets beside the financial statement, when there are signs indicating that the carrying value are unrecoverable, it should be tested for impairment.

When the carrying value of the asset or asset group is greater than the recoverable amount (i.e., the net value of fair value less the cost of disposal and present value of the predicted future cash flow whichever is higher), it indicates impairment.

The net value of fair value less the cost of disposal, is referred to the agreed sale price of similar assets under fair trade or the observable market price, less the incremental cost directly related with the disposal of the assets.

The Group need to make significant judgment to the output of assets (or assets group), sale price, relevant operating cost and the discounted rate when estimating the present value of future cash flows. The Group will make use of any relevant material available when estimating the recoverable amount, including the prediction of the output, sale price and relevant operating cost according to reasonable and supportable assumptions.

The Group will test the goodwill for impairment at least once a year, which requires to estimate the present value of the future cash flows of the assets and assets group allocated with the goodwill.

When estimating the present value to the future cash flow, the Group need to estimate the cash flows

generating from the assets and assets group, and choose the applicable discount rate to determine the present value.

#### (6) Depreciation and amortization

The Group use the straight-line method to depreciate and amortize the investment real estate, fixed assets and intangible assets within the useful life after taking into the consideration of the residual value. By the way, the amount of depreciation and amortization during the report period are determined. The useful life is determined based on past experience and the predicted technical changes of similar assets. If there are significant changes of previous estimations, the depreciation and amortization would be adjusted in the future periods.

#### (7) Deferred tax asset

To the degree that there are sufficient taxable profit to make up the deductible losses, the Group will recognize the deferred tax assets for the un-used deductible losses. It requires the management to apply massive judgments to estimate the time and amount the taxable profits will generate in the future period combining with the strategic of tax planning to determine the amount of deferred tax asset.

#### (8) Income tax

There are some uncertainties for some trades' ultimate tax treatment and calculation. Some items need the determination from the tax authorities about whether they are deductible before tax or not. If the ultimate tax determination are different with the originally estimated amount, the difference will influence the current period income tax and the deferred income tax when the tax determination are finally made.

#### (9) Accrued liabilities

According to the terms of the contract, the existing knowledge and historical experience, the product quality assurance, expected loss of contract, liquidated damages, such as the delay in the estimation and preparation of the corresponding provision. In such contingencies has formed a present obligation, and fulfill the obligations are likely to result in an outflow of economic benefits from the company, the company or the best estimate there are items according to the performance of the current obligation expenditure required confirmation of expected liabilities. The recognition and measurement of the estimated liabilities are largely dependent on management's judgment. In the course of the judgment, the company shall assess the risks, uncertainties, and the time value of the currency.

## V、Principal Taxes Applied

### Taxes and their rates

Category	Taxable basis	Tax rate
Value added tax ("VAT")	Rental income and water charges pay VAT on 5% and 3% rate respectively, Jewellery, automobile and parts sales, auto repair and electric charges pay VAT on 17% rate,	17%, 6%, 5%, 3%

Category	Taxable basis	Tax rate
	property management fee pay VAT on 6% rate. Tax base is difference between out put tax and deductible input tax.	
Construction tax	Turnover tax	7%
Extra charges of education funds	Turnover tax	3%
Local Educational charge	Turnover tax	2%
Income tax	Income tax payable	25%

\*The applied rate in the group is 25% except Shenzhen Xinyongtong Dongxiao Automobile Inspection Equipment Co., Ltd.

## VI、 Notes to the Consolidated Financial Statements

Unless specified, the items of the Opening in the followings (including the notes to the Company financial statements) refers to the date of January 1, 2018, the Closing refers to the December 31, 2018.

### 1、 Monetary assets

Items	Closing balance	Opening balance
Cash on hand	84,099.49	119,576.83
Cash in bank	169,428,161.20	161,673,641.73
Total	169,512,260.69	161,793,218.56

Up to December 31<sup>st</sup>, 2018, The company pays RMB 26,664,140.00 which is supervision fund to Luohu District Urban Renewal Bureau of Shenzhen for upgrading and renovating the project of 03 plot of Teli-Jimeng Gold Jewelry Industrial Park. The ownership of the supervision fund is limited. The opening balance of the money which the ownership is limited worth RMB 20,000,000.00.

### 2、 Notes Receivable and Accounts Receivable

Items	Closing balance	Opening balance
Notes Receivable	--	--
Accounts Receivable	86,104,660.51	44,215,236.68
Total	86,104,660.51	44,215,236.68

#### (1) Accounts receivable by categories

Items	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually	109,050,086.55	80.13	23,367,891.24	21.43	85,682,195.31



Items	Closing balance				
	Book balance		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
significant					
The aging analysis of the receivables that are grouped and impaired	422,465.20	0.31	--	--	422,465.20
Accounts receivable of which provision for bad debts is of individually insignificant	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

(continued)

Items	Opening balance				
	Book balance		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	65,959,038.60	70.59	22,936,980.76	34.77	43,022,057.84
The aging analysis of the receivables that are grouped and impaired	1,193,178.84	1.28	--	--	1,193,178.84
Accounts receivable of which provision for bad debts is of individually insignificant	26,282,070.64	28.13	26,282,070.64	100.00	--
Total	93,434,288.08	100.00	49,219,051.40	52.68	44,215,236.68

① Accounts receivables which has a significant closing balance to prepare bad-debt

Accounts receivables	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
Shenzhen Jinlu Trading Co.,Ltd.	9,846,607.00	9,846,607.00	100.00	Uncertainly withdraw
Guangdong Zhanjiang Sanxing Automobile Co.,Ltd	4,060,329.44	4,060,329.44	100.00	The aging is too long to collect
Changlong WANG	2,370,760.40	2,370,760.40	100.00	The aging is too long to collect
Huizhou Jiandacheng Co.,Ltd.	2,021,657.70	2,021,657.70	100.00	It is hardly to collect

Accounts receivables	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
Jiangling Automobile Factory	1,191,059.98	1,191,059.98	100.00	The aging is too long to collect
Yangjiang Automobile Trading Co.,Ltd.	1,150,000.00	1,150,000.00	100.00	The aging is too long to collect
Guangdong Province Commodity Group	1,862,000.00	1,862,000.00	100.00	The aging is too long to collect
Yueliang Xiao etc.	86,547,672.03	865,476.72	1.00	Jewellery sales on credit, within credit period
Total amount	109,050,086.55	23,367,891.24	21.43	

## ② Bad debt provision by aging

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio (%)
Within 1 year	422,465.20	--	--
Total	422,465.20	--	--

## (2) Recognition, recovery or reversal of provision for bad debts in 2018

The amount of provision for bad debts recognised during the year is RMB 775,287.61. The amount of provision for bad debts reduced during the year changes in the scope of the merger is reversed RMB3,000.00.

## (3) Top 5 entities with the largest balances of accounts receivable

Name of entities	Relationship with the Group	Amount	Age	Proportion of the amount to the total AR (%)
Shenzhen Jinlu Trading Co.,Ltd.	Un-related party	9,846,607.00	Over 3year	7.24
Debing deng	Un-related party	4,776,037.79	Within 1 year	3.51
Guangdong Zhanjiang Sanxing Antomobile Co.,Ltd	Un-related party	4,060,329.44	Over 3year	2.98
Zhenghua xu	Un-related party	3,307,431.83	Within 1 year	2.43
Guochan chen	Un-related party	3,217,271.76	Within 1 year	2.36
Total		25,207,677.82		18.52

(4) Accountreceivables from which the financial instruments had been transferred

There is no situation happened in 2018 under this condition.

(5) The value of transferred accounts receivables changed into asset or liabilities

There is no situation happened in 2018under this condition.

### 3、Prepayments

(1) Aging analysis

Aging	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)
Within 1 year	9,092,219.33	99.78	3,717,452.76	99.46
1-2 years	--	--	--	--
2-3 years	--	--	20,253.94	0.54
Over 3 years	20,253.94	0.22	--	--
Total	9,112,473.27	100.00	3,737,706.70	100.00

(2) Top 5 entities with the largest balances of prepayments

The total amount of top five prepayments as at the end of current year is RMB8,778,008.42, accounting for96.33%of the total advance to suppliers.

### 4、Other receivables

Items	Closing balance	Opening balance
Interest receivable	723,407.50	221,232.88
Dividends receivable	232,683.74	779,868.09
Other receivables	13,527,117.17	14,819,164.11
Total	14,483,208.41	15,820,265.08

(1) Interest receivable by categories

Category	Closing balance	Opening balance
Structural deposits	723,407.50	221,232.88
Total	723,407.50	221,232.88

(2) Dividends receivable

Items (or investees)	Closing balance	Opening balance
China Pufa Machinery Industrial Co.,Ltd.	--	547,184.35
Shenzhen Tefa Tellus Property Management Co., Ltd.	232,683.74	232,683.74
Total	232,683.74	779,868.09

(3) Other receivables

①Other receivables by categories

Category	Closing balance		
	Carrying amount	Bad debt provision	Carrying

	Amount	(%)	Amount	(%)	amount
Other receivables of which provision for bad debts is of individually significant	39,207,653.44	58.15	39,207,653.44	100.00	--
The aging analysis of the other receivables that are grouped and impaired	17,528,573.90	26.00	4,001,456.73	22.83	13,527,117.17
Other receivables of which provision for bad debts is of individually insignificant	10,688,114.23	15.85	10,688,114.23	100.00	--
Total	67,424,341.57	100.00	53,897,224.40	79.94	13,527,117.17

(Continued)

Category	Opening balance				
	Carrying amount		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	39,192,975.09	57.37	39,192,975.09	100.00	--
The aging analysis of the other receivables that are grouped and impaired	18,393,888.57	26.92	3,574,724.46	19.43	14,819,164.11
Other receivables of which provision for bad debts is of individually insignificant	10,735,208.95	15.71	10,735,208.95	100.00	--
Total	68,322,072.61	100.00	53,502,908.50	78.31	14,819,164.11

A、The significant individuals in the end of year

Name of companies	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
Zhongqi Huanan Automobile Sales Co.,Ltd.	9,832,956.37	9,832,956.37	100.00	It is unexpected to collect since the company has gone
Shenzhen Nanfang Industry and Trade Co.,Ltd.	7,359,060.75	7,359,060.75	100.00	It is unexpected to collect since the company has

Name of companies	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
				gone
Shenzhen Zhonghao (Group) Co.,Ltd.	5,000,000.00	5,000,000.00	100.00	Win the case, this company do not have asset to pay.
Jinbeili Household Company	2,706,983.51	2,706,983.51	100.00	It is too long to collect
Shenzhen Xinxingtai Trading Co.,Ltd.	2,418,512.90	2,418,512.90	100.00	It is unexpected to collect since the company has gone
Shenzhen Petrochemical Group	1,916,063.53	1,916,063.53	100.00	It is unexpected to collect
Shenzhen Tefa Huatong Casing Co.,Ltd.	1,212,373.79	1,212,373.79	100.00	It is unexpected to collect since the company has gone
Shenzhen Jinhe Mould Co.,Ltd.	1,023,560.00	1,023,560.00	100.00	It is unexpected to collect since the company has gone
Heyuan Dongfeng Technique Service Station	930,000.00	930,000.00	100.00	It is unexpected to collect since the company has gone
Shenzhen Nuor Electromechanical Co.,Ltd.	906,024.60	906,024.60	100.00	It is too long to collect
Shenzhen South Great Wall Investment Co.,Ltd.	819,460.91	819,460.91	100.00	It is uncertain to collect
Shenzhen Xiandao Chemical Materials Co.,Ltd.	660,790.09	660,790.09	100.00	It is unexpected to collect since the company has gone
Shenzhen Baodong Real Estate Co.,Ltd.	609,773.00	609,773.00	100.00	It is too long to collect
Others	3,812,093.99	3,812,093.99	100.00	It is too long to collect
Total	9,207,653.44	9,207,653.44	100.00	

B、Other receivables by aging balance

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio(%)
Within 1 year	1,281,158.04	--	--
1-2 years	9,012,343.30	450,617.17	5.00

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio(%)
2-3 years	222,322.41	44,464.48	20.00
Over 3 years	7,012,750.15	3,506,375.08	50.00
Total	17,528,573.90	4,001,456.73	22.83

② Recognition, recovery or reversal of provision for bad debts in 2018

The amount of provision for bad debts recognised during this year is RMB603,781.01. The amount of recovered or reversed provision for bad debts during this year is RMB209,465.11.

③ The classification of other receivables

Category	Carrying amount of closing balance	Opening balance
Related-party	5,005,511.88	5,043,179.46
Others	62,418,829.69	63,278,893.15
Total	67,424,341.57	68,322,072.61

④ At 31 December 2018, the top five debtors of other receivable balance:

Name of companies	the nature of payment	Closing balance	Age	Ratio(%)	Bad-debt closing balance
Zhongqi Huanan Automobile Sales Co.,Ltd.	intercourse funds	9,832,956.37	Over 3 years	14.58	9,832,956.37
Chow tai fook jewellery (shenzhen) co. LTD.	intercourse funds	8,818,962.96	Within 1-2 year	13.08	440,948.15
Shenzhen Nanfang Industry and Trade Co.,Ltd.	intercourse funds	7,359,060.75	Over 3 years	10.91	7,359,060.75
Shenzhen Zhonghao (Group) Co.,Ltd.	intercourse funds	5,000,000.00	Over 3 years	7.42	5,000,000.00
Shenzhen Kaifeng Automobile Co., Ltd.	intercourse funds	4,413,728.50	Over 3 years	6.55	2,206,864.25
Total		35,424,708.58		52.54	24,839,829.52

## 5、Inventory

(1) Categories of inventory

Items	Closing balance		
	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	15,047,710.72	14,771,812.17	275,898.55

Items	Closing balance		
	Carrying amount	Provision for inventories	Net carrying amount
Finished 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

(continued)

Items	Opening balance		
	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	15,289,604.77	14,771,812.17	517,792.60
Finished products	26,225,810.26	14,097,375.64	12,128,434.62
Total	41,515,415.03	28,869,187.81	12,646,227.22

## (2) Provision for decline in value of inventories

Items	Opening balance	Increased in 2018		Decreased in 2018		Closing balance
		Withdraw	Others	Written-off	Others	
Raw materials	14,771,812.17	--	--	--	--	14,771,812.17
Finished products	14,097,375.64	5,647.64	--	--	--	14,103,023.28
Total	28,869,187.81	5,647.64	--	--	--	28,874,835.45

## (3) Reason of the change of bad-debt

Item	Withdraw reason	Written-off reason	Resell reason
Finished products	Realizable value is lower than the cost		Products been sold

## 6、Assets held for sale

## (1) Basic information on assets held for sale

Item	Closing balance	fair value	Expected cost of sale	Expected time of sale
non-current assets held for sale	--	--	--	--
less:long-term equity investment	85,017,251.77	--	--	--
Total	85,017,251.77	--	--	--

On December 12, 2017, the thirteenth provisional meeting of the eighth board of directors and the third provisional shareholders' meeting in 2017, the company passed the Bill on the Sale of 43% Equity of

Shenzhen Xinglong Machinery Mould Co., Ltd. and agreed to sell 43% of the equity of the company through public listing. On June 15, 2018, the company and Shenzhen Runhe Joint Investment Development Co., Ltd. (short for "Runhe") signed the Contract for the Transfer of State-owned Property Rights of Enterprises, transferring 43% of the shares of Xinglong Company with RMB 28,667 million yuan. As of December 31, 2018, the company has received a total of 1462.017 million yuan in the first and second stages of equity transfer under the aforementioned equity transfer contract. According to the provisions of the equity transfer contract, the remaining equity transfer amount of 1404.683 million yuan will be paid within one year (i.e. before June 14, 2019) from the date of signing the contract.

According to the provisions of Accounting Standards for Enterprises No. 42 - Holding Non-Current Assets, Disposal Group and Termination of Operation for Sale, the company will divide the balance of long-term equity investment of Xinglong Company up to 30 June 2018 into holding assets for sale, which will not be accounted for by equity method after 30 June 2018.

#### 7、Other current assets

Items	Closing balance	Opening balance
Deductible input tax	2,032,494.45	1,082,250.70
Financial products	330,400,000.00	218,500,000.00
Total	332,432,494.45	219,582,250.70

#### 8、Available-for-sale financial assets

##### (1) Situation of available-for-sale financial assets

Items	Closing balance			Opening balance		
	Book value	Impairment loss	Net book value	Book value	Impairment loss	Net book value
Available-for-sale equity investments	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20
Include: Measured by faie value	--	--	--	--	--	--
Measured by cost value	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20
Total	18,302,857.20	8,126,240.00	10,176,617.20	18,302,857.20	8,126,240.00	10,176,617.20



## (2) Closing balance of available-for-sale financial assets

Names	Carrying amount				Provision for impairment				Ratio (%)
	Opening balance	Increased	Decreased	Closing balance	Opening balance	Increased	Decreased	Closing balance	
China Pufa Machinery Industrial Co.,Ltd.	10,176,617.20	--	--	10,176,617.20	--	--	--	--	4.94
Shenzhen Jingwei Industrial Co.,Ltd.	4,000,000.00	--	--	4,000,000.00	4,000,000.00	--	--	4,000,000.00	12.50
Shenzhen (Moscow) Co.,Ltd.	825,000.00	--	--	825,000.00	825,000.00	--	--	825,000.00	7.00
Wuhan Weite Hotel	640,000.00	--	--	640,000.00	640,000.00	--	--	640,000.00	
Shenzhen Petrochemical Industry (Group) Co., Ltd.	700,000.00	--	--	700,000.00	700,000.00	--	--	700,000.00	100 thousand stock
Shenzhen Shuntian Vehicle Technology Co.,Ltd.	600,000.00	--	--	600,000.00	600,000.00	--	--	600,000.00	11.10
Shenzhen Jinhe Mould Co.,Ltd	453,440.00	--	--	453,440.00	453,440.00	--	--	453,440.00	15.00
Shenzhen Zhongqi Training Center	600,000.00	--	--	600,000.00	600,000.00	--	--	600,000.00	6.25

Minilong	162,000.00	--	--	162,000.00	162,000.00	--	--	162,000.00	6.25
Rishen International Co.,Ltd	145,800.00	--	--	145,800.00	145,800.00	--	--	145,800.00	7.50
Total	18,302,857.20	--	--	18,302,857.20	8,126,240.00	--	--	8,126,240.00	

(3) Changes of impairment provision on available-for-sale financial assets

Items	Available-for-sale equity instrument	Available-for-sale liabilities instrument	Total
Opening balance	8,126,240.00	--	8,126,240.00
Withdraw in 2018	--	--	--
including: from comprehensive profits	--	--	--
Decreased in 2018	--	--	--
including: fair value of return back	--	--	--
Closing balance	8,126,240.00	--	8,126,240.00

9、Held-to-maturity investment

(1) Situation

Item	Closing balance			Opening balance		
	Book value	Bad debt provision	Net book value	Book value	Bad debt provision	Net book value
National coupons	20,000.00	20,000.00	--	20,000.00	20,000.00	--
Total	20,000.00	20,000.00	--	20,000.00	20,000.00	--

10、Long-term receivables

(1) Situation

Items	Closing balance			Opening balance			Discou nt Rate Range
	Book value	Bad debt provision	Net book value	Book value	Bad debt provision	Net book value	
Other:							
Long-term equity	2,179,203.68	2,179,203.68	--	2,179,203.68	2,179,203.68	--	
including: Shenzhen Tellus Automobile Services 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	--	

Note: \*This company is one of the joint companies, the non-operating account receivable is actually the net investment to Shenzhen Tellus Automobile Services Chain Co.,Ltd. At 2018 Dec. 31<sup>st</sup>, the liabilities

exceeds its assets and the owner's equity is negative. The book value of long-term receivables to Shenzhen Tellus Automobile Service is zero. Considering the actual situation of this company which had stopped operation, we have already got 100% preparation for the bad-debt.

### 11、Long-term equity investments

Investee	Opening balance	Change in 2017				
		Increasing investment	Decreasing investment	Investment income under equity-method	Adjustment of comprehensive income	Other changes
I 、 Cooperative enterprise						
Shenzhen Tellus Jimeng Investment Co.,Ltd.	56,244,276.84	--	--	5,794,736.78	--	--
Shenzhen Tellus Xing Investment Co.,Ltd.	10,863,393.76	--	--	390,187.87	--	--
Total	67,107,670.60	--	--	6,184,924.65	--	--
II 、 Joint venture						
Shenzhen Xing Long Mechanical Models Co.,Ltd. *Note	84,792,998.83	--	--	224,252.94	--	--
Shenzhen Tellus Automobile Services Chain Co.,Ltd.						
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	84,114,516.50	--	--	8,588,906.90	--	--
Shenzhen Automobile Industrial Import and Export Co.,Ltd	8,140,473.84	--	--	-658,303.56	--	--
Shenzhen Dongfeng Automobile Co., Ltd.	39,928,427.51	--	--	68,711,727.77	26,422.00	--
Shenzhen Xinyongtong Tenology Co.,Ltd	380,661.87	--	380,661.87	--	--	--

Investee	Opening balance	Change in 2017				
		Increase-in investment	Decrease-in investment	Investment income under equity-method	Adjustment of comprehensive profits	Other changes
Shenzhen Xinyongtong Pump and Environmental Protection Co.,Ltd	127,836.59	--	--	--	--	--
Shenzhen Xinyongtong Consulting Service Co.,Ltd.	41,556.83	--	--	--	--	--
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	--	--	--	--	--	--
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.	--	--	--	--	--	--
Shenzhen Xinyongtong Xinda Inspection Equipment Co.,Ltd	--	--	--	--	--	--
Hunan Changyang Industrial Co.,Ltd.*Note①	1,810,540.70	--	--	--	--	--
Shenzhen Jiecheng Electronic Co.,Ltd.*Note①	3,225,000.00	--	--	--	--	--
Shenzhen Xiandao Chemical Materials Co.,Ltd.*Note①	4,751,621.62	--	--	--	--	--
China Automobile Shenzhen Trading Co.,Ltd. *Note①	400,000.00	--	--	--	--	--
Shenzhen General	500,000.00	--	--	--	--	--

Investee	Opening balance	Change in 2017				
		Increase-ing investment	Decrease-in g investment	Investment income under equity-method	Adjustment of comprehensive profits	Other changes
Standard Co.,Ltd.*Note ①						
Shenzhen Torch Spark Plug Industrial Co.,Ltd.*Note①	17,849.20	--	--	--	--	--
Zhongqi South China Automobile Sales Co.,Ltd. *Note①	2,250,000.00	--	--	--	--	--
Shenzhen Bailiyuan Power Co.,Ltd.*Note①	1,320,000.00	--	--	--	--	--
Shenzhen Yiming Automobile Trading Co.,Ltd. *Note①	200,001.10	--	--	--	--	--
Total	232,001,484.59	--	380,661.87	76,866,584.05	26,422.00	--
III、Others						
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*Note *②	1,956,000.00	--	--	--	--	--
Nanfang Automobile Repairing Center *Note *②	6,700,000.00	--	--	--	--	--
Total	8,656,000.00	--	--	--	--	--
Total	307,765,155.19	--	380,661.87	83,051,508.70	26,422.00	--

(continued)

Investee	Change in 2018	Closing balance	Closing
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	Declaration of cash dividends or profits	Bad debt provisio n	Others		balance for bad debt provision
I 、 Cooperative enterprise					
Shenzhen Tellus Jimeng Investment Co.,Ltd.	--	--	--	62,039,013.62	--
Shenzhen Tellus Xing Investment Co.,Ltd.	--	--	--	11,253,581.63	--
Total	--	--	--	73,292,595.25	--
II 、 Joint venture					
Shenzhen Xing Long Mechanical Models Co.,Ltd. *Note	--	--	-85,017,251.77	--	--
Shenzhen Tellus Automobile Services Chain Co.,Ltd.	--	--	--	--	--
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	52,500,000.00	--	--	40,203,423.40	--
Shenzhen Automobile Industrial Import and Export Co.,Ltd	--	--	--	7,482,170.28	--
Shenzhen Dongfeng Automobile Co., Ltd.	5,000,000.00	--	--	103,666,577.28	--
Shenzhen Xinyongtong Tenology Co.,Ltd	--	--	--	--	--
Shenzhen Xinyongtong Pump and Environmental Protection Co.,Ltd	--	--	--	127,836.59	127,836.59
Shenzhen Xinyongtong Consulting Service Co.,Ltd.	--	--	--	41,556.83	41,556.83
Shenzhen Xinyongtong	--	--	--	--	--

Investee	Change in 2018			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
Automobile Service Co.,Ltd.					
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.	--	--	--	--	--
Shenzhen Xinyongtong Xinda Inspection Equipment Co.,Ltd	--	--	--	--	--
Hunan Changyang Industrial Co.,Ltd.*Note ①	--	--	--	1,810,540.70	1,810,540.70
Shenzhen Jiecheng Electronic Co.,Ltd.*Note ①	--	--	--	3,225,000.00	3,225,000.00
Shenzhen Xiandao Chemical Materials Co.,Ltd.*Note①	--	--	--	4,751,621.62	4,751,621.62
China Automobile Shenzhen Trading Co.,Ltd. *Note①	--	--	--	400,000.00	400,000.00
Shenzhen General Standard Co.,Ltd.*Note ①	--	--	--	500,000.00	500,000.00
Shenzhen Torch Spark Plug Industrial Co.,Ltd.*Note①	--	--	--	17,849.20	17,849.20
Zhongqi South China Automobile Sales Co.,Ltd. *Note①	--	--	--	2,250,000.00	2,250,000.00
Shenzhen Bailiyuan Power Co.,Ltd.*Note①	--	--	--	1,320,000.00	1,320,000.00



Investee	Change in 2018			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
Shenzhen Yiming Automobile Trading Co.,Ltd. *Note①	--	--	--	200,001.10	200,001.10
Total	57,500,000.00		-85,017,251.77	165,996,577.00	14,644,406.04
III、Others					
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*Note *②	--	--	--	1,956,000.00	1,956,000.00
Nanfang Automobile Repairing Center *Note *②	--	--	--	6,700,000.00	6,700,000.00
Total	--	--	--	8,656,000.00	8,656,000.00
Total	57,500,000.00		-85,017,251.77	247,945,172.25	23,300,406.04

Note: \*①Companies have been withdrawn, so we have recognised 100% provision for the bad-debt.

Note: \*② Other details will be founded in Note VIII-1.

Note: \*③According to the provisions of Accounting Standards for Enterprises No. 42 - Holding Non-Current Assets, Disposal Group and Termination of Operation for Sale, the company will divide the balance of long-term equity investment of Xinglong Company up to 30 June 2018 into holding assets for sale, which will not be accounted for by equity method after 30 June 2018.

## 12、Investment properties

### (1) Investment properties measured at cost

Items	House, Building	Total
I. Original book value		
1、Opening balance	161,317,125.12	161,317,125.12
2、Increased at this period	440,708,485.93	440,708,485.93
(1) Land premium	440,708,485.93	440,708,485.93
3、Decreased at this period		
(1) Disposal	--	--

Items	House, Building	Total
4、Closing balance	602,025,611.05	602,025,611.05
II、Total accumulated depreciation and accumulated amortization		
1、Opening balance	88,093,612.91	88,093,612.91
2、Increased at this period	10,009,584.44	10,009,584.44
(1) Provision or amortization	10,009,584.44	10,009,584.44
3、Decreased at this period		
(1) Disposal	--	--
4、Closing balance	98,103,197.35	98,103,197.35
III. Impairment allowance	--	--
IV. Book value		
1、Closing book value	503,922,413.70	503,922,413.70
2、Book value at year beginning	73,223,512.21	73,223,512.21

(2) There are no real estate investment of ownership or use-right restriction.

(3) the situation of real estate investment buildings without property certificate up to December 31<sup>st</sup>, 2018.

Items	Book value	The reasons of without property certificate
Shuibei Jewelry Building	434,033,268.61	Without settlement
Buxin 5.6.7 workshop corridor	17,008.92	Reason left over by history
Building 12, Shaogang	19,945.49	Reason left over by history
Twelfth Shop in Shaogang	62,546.55	Reason left over by history
Third and Fourth Floors of Tellus Building	5,430,314.32	Reason left over by history
Total	439,563,083.89	

**13、Fixed assets****(1) List of fixed assets**

Items	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office equipment and others	Self-owned housing decoration	Total
I.Original book value							
1、Opening balance	271,013,453.39	17,133,707.07	5,543,208.41	10,793,798.87	4,142,044.95	2,697,711.99	311,323,924.68
2、Increased at this period	--	752,625.56	206,203.85	691,051.22	233,555.39	--	1,883,436.02
(1) Purchase	--	752,625.56	206,203.85	691,051.22	233,555.39	--	1,883,436.02
3、Decreased at this period	4,751,291.12	6,212,258.98	662,812.00	1,827,415.77	1,523,015.62	--	14,976,793.49
(1) Disposal or scrap	4,751,291.12	6,212,258.98	662,812.00	1,827,415.77	1,523,015.62	--	14,976,793.49
4、Closing balance	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
II. Accumulated depreciation							
1、Opening balance	153,917,272.35	13,084,301.89	3,946,918.48	8,687,439.96	3,491,998.99	2,416,329.26	185,544,260.93
2、Increased at this period	7,142,048.67	308,857.21	357,160.99	413,651.93	152,965.73	--	8,374,684.53
(1) Provision	7,142,048.67	308,857.21	357,160.99	413,651.93	152,965.73	--	8,374,684.53
3、Decreased at this period	4,115,034.61	4,681,573.33	596,530.80	1,745,757.69	1,468,952.41	--	12,607,848.84
(1) Disposal or scrap	4,115,034.61	4,681,573.33	596,530.80	1,745,757.69	1,468,952.41	--	12,607,848.84
4、Closing balance	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
III. Impairment allowance							
1、Opening balance	3,555,385.70	1,552,359.79	6,165.00	17,984.71	69,562.98	281,382.73	5,482,840.91

Items	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office equipment and others	Self-owned housing decoration	Total
2、Increased at this period							
(1) Provision	--	--	--	--	--	--	--
3、Decreased at this period	--	1,232,684.68	--	--	4,703.17	--	1,237,387.85
(1) Disposal or scrap	--	1,232,684.68	--	--	4,703.17	--	1,237,387.85
4、Closing 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、Closing book value	105,762,490.16	2,642,812.77	1,372,886.59	2,284,115.41	611,712.60	--	112,674,017.53
2、Opening book value	113,540,795.34	2,497,045.39	1,590,124.93	2,088,374.20	580,482.98	--	120,296,822.84

Note: Current depreciation is RMB8,374,684.53. There is no fixed assets transferred from construction in progress in current period.

(2) Temporary idle fixed assets

The Company had no temporary idle fixed assets at the end of this period.

(3) Fixed assets with un-completed property certificates

Items	Book Value	Reasons for un-completed certificates
Shuibei Zhongtian building	1,070,326.26	Reason left over by history
Hostel at North Remin Road	5,902.41	Reason left over by history
Songquan apartment (Mix)	25,184.18	Reason left over by history
Tellus building underground park	10,018,287.68	Unable to handle real estate license
Tellus building conversion layer	1,762,363.16	Unable to handle real estate license
Warehouse of trading department	85,793.89	Reason left over by history
Warehouse	927,401.65	Reason left over by history
The 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> factory building, 3 to 5 layers	4,034,461.36	Reason left over by history
Yongtong building	36,755,890.99	Reason left over by history
The 16th apartment house, Taohua Yuan	1,619,782.08	Reason left over by history
Automobile building	17,429,132.89	Reason left over by history
Floor 1 of business housing, Baoan	1,021,658.85	Reason left over by history
Zhonghe building	5,105,902.29	Reason left over by history
Total	79,862,087.69	

(4) There are no fixed assets with restricted ownership .

## 14、Construction in progress

(1) List of Construction in Progress

Items	Closing balance			Opening balance		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
ShuibeiJewelry industrial park	12,843,571.97	--	12,843,571.97	5,554,512.79	--	5,554,512.79
Shuibei Jewelry Building	--	--	--	372,606,383.90	--	372,606,383.90
Total	12,843,571.97	--	12,843,571.97	378,160,896.69	--	378,160,896.69

Items	Closing balance			Opening balance		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
	7		7	69		9

(2) Changes of significant construction in progress

Name	Budget	Opening balance	Increase at this period	Transferred to fixed assets	Other decrease	Closing balance
Shuibei Jewelry Building	433.62 million	372,606,383.90	65,480,187.03	438,086,570.93	--	--
Total		372,606,383.90	65,480,187.03	438,086,570.93	--	--

(continued)

Name	Proportion (%)	Progress	Capitalization of interest	Including: Current amount of capitalization of interest	Rate of capitalization of interest (%)	Source of funds
Shuibei Jewelry Building	101.03	100.00	17,208,030.28	685,189.90	0.16	Capital funds\ Raising funds
Total	101.03	100.00	17,208,030.28	685,189.90	0.16	

(3) Provision for devaluation for current year.

There is no provision for devaluation for construction in progress at the end of December 31<sup>st</sup>, 2018.

## 15、Intangible assets

(1) List of intangible assets

Items	Land use right	Trademarks	Software	Total
1. Original book value				
1、Opening balance	56,252,774.80	95,800.00	1,070,185.00	57,418,759.80
2、Increased at this period	--	32,700.00	23,000.00	55,700.00
(1) Purchase	--	32,700.00	23,000.00	55,700.00

Items	Land use right	Trademarks	Software	Total
3、Decreased at thisperiod	--	--	--	--
(1) Disposal	--	--	--	--
4、Closing balance	56,252,774.80	128,500.00	1,093,185.00	57,474,459.80
II. Accumulated amortization				
1、Opening balance	4,271,209.65	75,304.83	722,558.40	5,069,072.88
2、Increased at this period	1,219,014.84	7,369.52	166,720.31	1,393,104.67
(1)Provision	1,219,014.84	7,369.52	166,720.31	1,393,104.67
3、Decreased at this period	--	--	--	--
(1) Disposal	--	--	--	--
4、Closing balance	5,490,224.49	82,674.35	889,278.71	6,462,177.55
III.Impairment allowance	--	--	--	--
IV.Book value				
1. Closing book value	50,762,550.31	45,825.65	203,906.29	51,012,282.25
2. Opening book value	51,981,565.15	20,495.17	347,626.60	52,349,686.92

Note: The current year amortization is RMB1,393,104.67.

(2) The intangible assets with restricted ownership

Details of the intangible assets with restricted ownership refer to Note VI-50.

(3) The Company had no Intangible assets with uncertain service life at the end of this period.

#### 16、Long-term deferred expenses

Items	Opening balance	Increase in this period	Amortized expenses	Other decrease	Closing balance
Renovation costs	1,779,713.94	5,275,781.52	1,627,442.68	--	5,428,052.78
Total	1,779,713.94	5,275,781.52	1,627,442.68	--	5,428,052.78

#### 17、Deferred income tax assets/deferred income tax liabilities

(1) Details of the recognized deferred income tax assets

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Allowances for assets impairment	78,513,371.56	19,628,342.90	78,513,371.56	19,628,342.90
Equity investment variance	14,688,370.53	3,672,092.63	14,844,139.31	3,711,034.83
Unrealized Profit on	4,218,604.72	1,054,651.18	4,218,604.72	1,054,651.18

Transactions with associate Companies				
Total	97,420,346.81	24,355,086.71	97,576,115.59	24,394,028.91

(2) Details of the un-recognized deferred income tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	92,121,330.08	92,186,466.78
Deductible loss	44,070,344.23	34,548,078.47
Total	136,191,674.31	126,734,545.25

(3) Deductible losses of the un-recognized deferred income tax asset will expire in the following years

Year	Closing balance	Opening balance	Remark
2018	--	14,595,474.27	
2019	14,499,089.58	14,499,089.58	
2020	505,851.30	505,862.23	
2021	2,121,146.48	1,842,637.49	
2022	7,146,101.41	3,105,014.90	
2023	19,798,155.46	--	
Total	44,070,344.23	34,548,078.47	

18、Other non-current assets

Items	Closing balance	Opening balance
Prepayment for equipment	573,661.62	573,661.62
Prepayment for construction	2,683,303.10	--
Others	100,000.00	100,000.00
Total	3,356,964.72	673,661.62

19、Provision for asset impairment

Items	Opening balance	Increased	Decreased		Closing balance
			Reversal	Other	
I.Bad debt provision	104,901,163.58	1,379,068.62	--	212,465.11	106,067,767.09
II. Provision for impairment of held-to-maturity investments	20,000.00	--	--	--	20,000.00
III.Provision for decline in value of inventories	28,869,187.81	5,647.64	--	--	28,874,835.45
IV.Provision for impairment of	23,300,406.04	--	--	--	23,300,406.04



Items	Opening balance	Increased	Decreased		Closing balance
			Reversal	Other	
long-term investments					
V.Provision for impairment of fixed assets	5,482,840.91	--	--	1,237,387.85	4,245,453.06
VI.Provision for impairment of available-for-sale financial assets	8,126,240.00	--	--	--	8,126,240.00
Total	170,699,838.34	1,384,716.26	--	1,449,852.96	170,634,701.64

## 20、Short-term loan

### (1) Categories of short-term loans

Items	Closing balance	Opening balance
Fiduciary loan	143,000,000.00	120,000,000.00
Total	143,000,000.00	120,000,000.00

(2) There is no overdue short-term loans at the end of this period.

## 21、Notes payable and Accounts payable

Items	Closing balance	Opening balance
Notes payable	--	--
Accounts payable	73,365,876.09	28,032,708.69
Total	73,365,876.09	28,032,708.69

### (1) Accounts payable

Items	Closing balance	Opening balance
Accounts payable	73,365,876.09	28,032,708.69
Total	73,365,876.09	28,032,708.69

Significant accounts payable which aged over one year

Items	Closing balance	The reason for not repaid or carried forward
Shenzhen Tefa Real Estate Co.,Ltd.	6,054,855.46	Not repaid by related company
Total	6,054,855.46	

## 22、Advances from customers

Aging	Closing balance	Opening balance
-------	-----------------	-----------------

Aging	Closing balance	Opening balance
Within 1 year	10,724,147.61	10,035,943.26
1 to 2 years	1,842,649.14	2,699,525.20
2 to 3 years	2,276,416.21	345,811.38
Over 3 years	1,054,551.01	708,739.63
Total	15,897,763.97	13,790,019.47

Note: Advances from customers aging over 3 years were not carried forward, mainly caused by the subsidiary (Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.). The subsidiary's customers have not accepted the installation and debugging of the equipments yet.

### 23、Employee benefits payable

#### (1) Details of employee benefits payable

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Short-term employee benefits	21,442,246.57	53,888,154.77	50,529,795.47	24,800,605.87
II. Post-employment benefit-defined benefit plans	1,728,907.96	5,611,763.95	6,338,607.42	1,002,064.49
III. Termination benefits	--	3,407,487.17	3,407,487.17	--
IV. Other longterm employee benefits with one year	--	--	--	--
Total	23,171,154.53	62,907,405.89	60,275,890.06	25,802,670.36

#### (2) Details of short-term employee benefits

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Salary, bonus, allowance and subsidies	19,225,690.87	46,106,491.61	42,795,337.69	22,536,844.79
II. Employee welfare	--	1,552,261.01	1,552,261.01	--
III. Social insurance premium	10,365.82	2,292,655.24	2,296,587.11	6,433.95
Including: medical insurance premium	9,179.74	2,019,315.06	2,023,246.93	5,247.87

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
Industries insurance premium	513.72	75,370.44	75,370.44	513.72
Maternity insurance premium	672.36	144,226.97	144,226.97	672.36
Other insurance premium	--	53,742.77	53,742.77	--
V. Housing fund	2,035,280.61	2,950,197.45	2,953,513.76	2,031,964.30
VI. Union expenses and employee education expenditure	170,909.27	986,549.46	932,095.90	225,362.83
Total	21,442,246.57	53,888,154.77	50,529,795.47	24,800,605.87

## (3) The details of defined contribution plans

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
I. Basic endowment insurance premium	133,161.62	4,789,003.13	4,792,050.22	130,114.53
II. Unemployment insurance premium	1,268.72	79,871.82	79,877.53	1,263.01
III. Company annuity payment	1,594,477.62	742,889.00	1,466,679.67	870,686.95
Total	1,728,907.96	5,611,763.95	6,338,607.42	1,002,064.49

## 24、Taxes payable

Items	Closing balance	Opening balance
VAT	1,372,624.05	502,040.39
Enterprise income tax	1,914,409.61	2,319,674.83
Individual income tax	261,135.13	286,741.01
Urban construction and maintenance tax	151,417.42	155,053.76
Property tax	266.04	897,951.76
Land VAT	5,362,682.64	5,362,682.64
Land tax	26,459.98	123,484.44
Education surcharge	149,406.46	152,004.54
Stamp tax	93,010.71	62,434.50
Others	45,981.54	65,504.40
Total	9,377,393.58	9,927,572.27

## 25、Other payables

Items	Closing balance	Opening balance
Interest payable	290,215.78	229,494.72
Dividends payable	--	--
Other payables	250,198,878.69	153,099,910.49
Total	250,489,094.47	153,329,405.21

## (1) Interest payable

Items	Closing balance	Opening balance
Interest on short-term borrowings	57,405.37	63,890.56
Interest payable on maturity debt due to maturity	232,810.41	165,604.16
Total	290,215.78	229,494.72

## (2) Other payables

## ①Other payables by categories

Items	Closing balance	Opening balance
Related parties transactions and loan、interest	37,392,791.77	58,367,438.13
Deposit、security bond	22,124,264.01	16,365,292.81
Others	190,681,822.91	78,367,179.55
Total	250,198,878.69	153,099,910.49

**26、Long-term borrowings**

Items	Closing balance	Opening balance
Mortgaged loan	34,934,887.55	38,600,000.00
Total	34,934,887.55	38,600,000.00

**27、Long-term Payables**

Items	Closing balance	Opening balance
Employee housing deposit	3,908,848.40	3,908,848.40
Technical innovation	11,311.96	11,311.96
Total	3,920,160.36	3,920,160.36

**28、Accrued liabilities**

Items	Closing balance	Opening balance
Pending actions	2,225,468.76	--
Total	2,225,468.76	--

China Huarong Asset Management Corporation Shenzhen Branch sued Guangming Watch Co., Ltd. and Shenzhen Automobile Industry and Trading Co., Ltd. in April 2015, the plaintiff want the court verdict CHAMC takeover the whole right of Shen Fu “Jing” Zi NO.801 civil judgment(1997). Meanwhile, Shenzhen Automobile Industry and Trading Co., Ltd. did not establish a liquidate team to liquidate the

associate in legal deadline, “should bear the joint liability”.

Up to May 29, 2014, the company had to pay RMB350,000 .00 of debt principal, RMB65,200.08 of interest, RMB12,010.00 of case admission fee and RMB946,697.54 of debt interest during the delay of performance. The total amount of principal and interest was RMB1,361,897.62 . According to the bank's borrowing rate for the same period, the total amount of principal and interest that the company may have to pay up to May 29, 2019 is RMB1,854,557.30 . If China Huarong Asset Management Corporation Shenzhen Branch offers an additional 20% penalty and the court supports it, the maximum loss of the company may be RMB2,225,468.76 .

## 29、Other non-current liabilities

Items	Closing balance	Opening balance
Deferred income *	--	14,520,000.00
Total	--	14,520,000.00

Note\*: Deferred income of the Company is rent received in advance of Shuibei Jewelry Building, which is subsequently measured at amortized cost using the effective interest method.

## 30、Share capital

Items	Opening balance	Changes for the period (+ -)					Closing balance
		New issue	Bonus issue	Capitalization of public reserve	Other	Subtotal	
Total shares	297,281,600	--	--	--	--	--	297,281,600

## 31、Capital reserve

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
Capital premium	559,544,773.35	--	--	559,544,773.35
Other reserves	5,681,501.16	--	--	5,681,501.16
Total	565,226,274.51	--	--	565,226,274.51

**32、Other comprehensive income**

Items	Opening balance	Amount incurred in the current year					Closing balance
		tax expenses	Less:Transfer to profit and loss in the current period when other comprehensive gains are included in the earlier period	Less: Income tax expenses	Total comprehensive income attributable to owners of parent company after tax	comprehensive income attributable to minority interests after tax	
1	--	--	--	--	--	--	--
Other comprehensive income that can not be reclassified into profit and loss	--	--	--	--	--	--	--
Other comprehensive income that can be reclassified into profit and loss	--	26,422.00	--	--	26,422.00	--	26,422.00
Less:Other Comprehensive Benefits of Convertible Profits and Losses under Equity Law	--	26,422.00	--	--	26,422.00	--	26,422.00
The Total comprehensive income	--	26,422.00	--	--	26,422.00	--	26,422.00

**33、Surplus reserve**

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
Statutory surplus reserve	2,952,586.32	187,331.82	--	3,139,918.14
Total	2,952,586.32	187,331.82	--	3,139,918.14

**34、Undistributed profit**

Items	Current period	Previous period
Before adjustment: Undistributed profits at the end of prior year	97,798,595.80	30,935,823.12
Adjustment: Total undistributed profits at beginning of year (Increase +, decrease -)	--	--
After adjustment: Undistributed profits at beginning of year	97,798,595.80	30,935,823.12
Add: Net profit attributable to shareholders of the parent	86,924,058.72	66,862,772.68
Less: Appropriation to statutory surplus reserve	187,331.82	--
Appropriation to discretionary surplus reserve	--	--
Appropriation to common risk provision	--	--
Common stock dividend payable	--	--
Common stock dividends converted to shares	--	--
Retained profits at the period end	184,535,322.70	97,798,595.80

**35、Operating Revenues and Operating Costs**

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	406,367,890.86	329,601,886.66	339,883,476.08	251,553,114.95
Other operating activities	7,870,888.10	2,745,468.46	7,353,813.72	2,701,845.70
Total	414,238,778.96	332,347,355.12	347,237,289.80	254,254,960.65

**36、Taxes and surcharges**

Items	Amount of current period	Amount of previous period
City construction and maintenance tax	656,864.88	729,864.63
Education surcharges	634,126.71	510,822.53

Items	Amount of current period	Amount of previous period
Land tax	465,573.05	497,236.36
Property tax	3,631,029.91	1,488,204.94
Stamp tax	338,855.21	208,932.59
Others	550,162.89	203,393.32
Total	6,276,612.65	3,638,454.37

### 37、Selling and distribution expenses

Items	Current period	Previous period
Employment benefits	13,414,059.17	10,546,913.38
Advertisement	1,764,907.46	1,147,158.13
Depreciation	1,174,246.34	968,936.09
Office expenses	673,424.89	826,075.39
Water and electricity fee	668,104.46	444,640.83
Travel expenses	410,088.07	300,686.39
Others	1,882,576.11	2,255,969.50
Total	19,987,406.50	16,490,379.71

### 38、Administration expenses

Items	Current period	Previous period
Staff cost	33,404,269.03	25,843,768.29
Office expenses	1,340,677.75	2,273,112.45
Travel expenses	600,746.40	1,163,867.36
Entertainment expenses	724,055.97	776,245.62
Depreciation and amortization	1,798,242.55	1,828,593.64
Consultation and service fee	3,957,788.47	2,063,764.41
Others	2,405,596.39	2,785,931.82
Total	44,231,376.56	36,735,283.59

### 39、Financial expenses

Items	Current period	Previous period
Interest expenses	9,594,540.10	5,605,718.38
Less: Interest income	2,755,755.76	2,776,945.85
Less: Interest capitalized	685,189.90	1,415,874.08
Exchange difference	106,434.89	-170,406.06
Others	248,084.86	277,676.47
Total	6,508,114.19	1,520,168.86



**40、 Loss of assets impairment**

Items	Current period	Previous period
Loss of bad debts	1,379,068.62	274,636.07
Loss of inventory valuation	5,647.64	88,597.87
Total	1,384,716.26	363,233.94

**41、 Other income**

Items	Current period	Previous period	Non-recurring gain or loss
Maternity allowance	3,482.07	25,753.22	3,482.07
Total	3,482.07	25,753.22	3,482.07

**42、 Investment income**

Items	Current period	Previous period
Investment income from long-term equity investments under the cost method	547,184.35	547,184.35
Investment income from long-term equity investments under the equity method	83,051,508.69	21,297,772.09
Investment income from disposal of long-term equity investments	-4,424,801.74	5,279,153.36
Investment income from holding financial products	9,611,577.38	6,606,218.86
Investment income from available-for-sale financial assets	--	-130,468.57
Total	88,785,468.68	33,599,860.09

**43、 Gains(losses)from disposal of assets**

Items	Current period	Previous period	Non-recurring gain or loss
Gain on disposal of fixed assets	--	374,583.14	--
Total	--	374,583.14	--

**44、 Non-operating income**

Items	Current period	Previous period	Non-recurring gain or loss
Gain from writing off the unnecessary payment	180,000.00	232,077.95	180,000.00
Others	1,559,055.65	493,440.12	1,559,055.65
Total	1,739,055.65	725,518.07	1,739,055.65

**45、 Non-operation expenses**

Items	Current period	Previous period	Non-recurring gain or loss
-------	----------------	-----------------	----------------------------

Items	Current period	Previous period	Non-recurring gain or loss
Loss on scrap of non-current assets	1,114,134.90	29,444.35	1,114,134.90
Expected pending litigation losses	2,364,761.45	--	2,364,761.45
Others	139,740.62	5,675.96	447.93
Total	3,479,344.28	35,120.31	3,479,344.28

#### 46、Income tax expenses

##### (1) Income tax expenses

Items	Amount of current period	Amount of previous period
Current income tax	4,182,336.77	3,687,877.38
Deferred income tax	38,942.20	-193,768.86
Adjustment of previous income tax	190,601.48	-350,274.34
Total	4,411,880.45	3,143,834.18

##### (2) Reconciliation of income tax expenses to the accounting profit is as follows

Items	Amount of current period
Profit before tax	90,551,859.81
Income tax calculated at applicable tax rates	22,637,964.95
Impact of various tax rates applicable to subsidiaries	--
Adjusted income tax of prior year	190,601.48
Impact of non-taxable income	-21,655,124.03
Impact of non-deductible cost, expense and loss	-155,355.07
Impact of deductible losses deferred income tax assets unconfirmed in the previous use period	-5,937,697.16
Impact of the deductible temporary differences or deductible loss of unconfirmed deferred tax assets of this year.	9,331,490.28
Changes of the deferred tax assets/liability caused by the adjustment of tax rate	--
Income taxes	4,411,880.45

#### 47、Notes to items in the cash flow statements

##### (1) Cash receipts related to other operating activities

Items	Current period	Previous period
Intercourse funds	17,430,949.29	6,641,288.62
Interest income	2,253,581.14	2,776,945.85
Total	19,684,530.43	9,418,234.47

##### (2) Cash paid relating to other operating activities

Items	Current period	Previous period
Cash paid to general and administrative expenses	26,950,280.43	27,207,903.46
Intercourse funds and others	14,389,201.40	23,901,361.04
Total	41,339,481.83	51,109,264.50

## (3) Cash received relating to other investing activities

Items	Current period	Previous period
Receipt of equity transfer deposit	107,511,100.00	40,000,000.00
Total	107,511,100.00	40,000,000.00

## (4) Cash paid relating to other investing activities

Items	Current period	Previous period
Cash paid to Equity Transfer Transaction Service Fee	5,733,400.00	--
Total	5,733,400.00	--

## (5) Cash paid relating to other financing activities

Items	Current period	Previous period
Return advance rent in advance	16,144,956.00	--
合计	16,144,956.00	--

## 48、Supplementary information to the cash flow statement

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

Items	Current period	Previous period
<b>1、Adjusting net profit to cash flow from operating activities</b>		
Net profit	86,139,979.36	65,781,568.71
Add: Impairment loss provision of assets	1,384,716.26	363,233.94
Depreciation of fixed assets, oil and gas assets and consumable biological assets	18,356,950.61	12,873,230.19
Amortization of intangible assets	649,475.55	273,988.12
Amortization of Long-term deferred expenses	793,975.37	706,077.49
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets (gain as in "-")	--	-374,583.14
Loss on scrap of fixed assets (gain as in "-")	1,114,134.90	29,444.35
Loss on fair value changes (gain as in "-")		
Financial cost (gain as in "-")	9,015,785.09	4,151,985.16
Loss on investment (gain as in "-")	-88,785,468.68	-33,599,860.09

Items	Current period	Previous period
Decreased in deferred income tax assets (increase as in "-")	38,942.20	38,942.20
Increased of deferred income tax liabilities (increase as in "-")	--	-232,711.06
Decreased of inventories (increase as in "-")	297,725.18	-840,846.76
Decreased of operating receivables (increase as in "-")	-45,530,744.97	-41,562,369.89
Increased of operating Payable (decrease as in "-")	9,949,549.17	-9,701,167.27
Others		
Net cash flows from operating activities	-6,574,979.97	-2,093,068.05
<b>2、Significant investment and financing activities that without cash flows:</b>		
Debt-to-capital conversion	--	--
Convertible loan due within 1 year	--	--
Fixed assets acquired under financial lease	--	--
<b>3、Movement of cash and cash equivalents:</b>		
Ending balance of cash	142,848,120.69	141,793,218.56
Less: Beginning balance of cash equivalents	141,793,218.56	178,497,640.10
Add: Ending balance of cash equivalents	--	--
Less: Beginning balance of cash equivalents	--	--
Net increase of cash and cash equivalents	1,054,902.13	-36,704,421.54

## (2)Cash received by disposal subsidiaries this year

Items	Amount of money
Cash or cash equivalents received by disposal of subsidiaries this year	892,700.00
less: Shenzhen XinYongtong Dongxiao Automobile Testing Co., Ltd.	892,700.00
less: Cash and cash equivalents held by subsidiaries on the day of loss of control	1,974.74
less: Shenzhen XinYongtong Dongxiao Automobile Testing Co., Ltd.	1,974.74

Items	Amount of money
Net cash received by disposal of subsidiaries	890,725.26

## (3) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash		141,793,218.5
	142,848,120.69	6
Including: Cash on hand	84,099.49	119,576.83
Bank deposits		141,673,641.7
	142,764,021.20	3
Other monetary funds		
II. Cash equivalents	--	--
Including: Investments in debt securities due within three months	--	--
III. Balance of cash and cash equivalents at the period end	142,848,120.69	141,793,218.5
		6
Including: Restricted cash and cash equivalents of Parent company or subsidiaries in the Group		

Note: Cash and cash equivalents belong to the company or its subsidiaries were not included in this sheet.

**49、Ownership or use-right restricted assets**

Items	Book value at the end of thisperiod	Reason of restriction
Monetary asstes	26,664,140.00	Note VI-1
Intangible assets	49,079,520.00	
Long-term equity investment	40,201,353.60	Note IX-5(2)
Total	115,945,013.60	

Note: 1. In June 24<sup>th</sup>, 2014, in order to support the Tellus Shuibei Jewelry Building project, the subsidiary Shenzhen Zhongtian Industrial Co., Ltd. borrowed RMB 300 million from the Construction Bank Shuibei Jewelry Branch by signing a mortgage contract (Di Jie 2014 Gu 250 Tianbei) on pledge of the land, which is certificated as Shenfang Di Zi No.2000609764. The term of borrowing is from June 24<sup>th</sup>, 2014 to June 23<sup>rd</sup>, 2024. The Company assumes joint and several liability for Shenzhen Zhongtian Industrial Co., Ltd by signing a contract (Bao Jie 2014 Gu 250 Tianbei). At the end of this period, the loan is RMB34,934,887.55

**50、Foreign currency monetary items**

## (1) Foreign currency monetary items

Items	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary funds			
Including: Cash-USD	856.00	6.8632	5,874.90

## 51、Government Subsidies

### (1) Situation of Government Subsidies

Items	Current period	Presentation	Amount included in current profits and losses
Receipt of Maternity insurance allowance	3,482.07	the other income	3,482.07

## VII、Change of scope of consolidation

### 1、Business combination not under the same control

No change of business combination not under the same control in the reporting period.

### 2、Business combination under the same control

No change of business combination under the same control in the reporting period.

### 3、Counter purchase

There is no counter purchase in the reporting period.

### 4、Disposal of subsidiaries

The company lose the control right of Shenzhen Xinyongtong Dongxiao Automobile Inspection Equipment Co.,Ltd..signed a termination agreement with Binghua Miao on 3January 2018. The company withdrew RMB 892,700.00 which was less than book value of net asset audited on 31December2017 RMB 2,104,711.80.

### 5、Changes in consolidation scope due to other reasons

No Changes in consolidation scope

## VIII、Equity in other entities

### 1、Equity in subsidiary

#### (1) The structure of the enterprise group

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Ways of acquisition
				Directly	Indirectly	
Shenzhen Tellus	Shenzhen	Shenzhen	Service	100.00		Establish/Investment

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Ways of acquisition
				Directly	Indirectly	
Xinyongtong Automobile Development Co.,Ltd.						
Shenzhen Dongchang Yongtong Automobile Inspection Co.,Ltd.	Shenzhen	Shenzhen	Service		95.00	Establish/Investment
Shenzhen Baoan Shiquan Industrial Co.,Ltd.	Shenzhen	Shenzhen	Business		100.00	Establish/Investment
Shenzhen Tefa Tellus Real Estate Co.,Ltd.	Shenzhen	Shenzhen	Manufacture	100.00		Establish/Investment
Shenzhen Tellus Chuangying Technology Co., Ltd. *2	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.	Shenzhen	Shenzhen	Service	51.00		Establish/Investment
Shenzhen Automobile Industry and Trading Co., Ltd.	Shenzhen	Shenzhen	Business	100.00		Establish/Investment
Shenzhen Automobile Industry supply and marketing Co.,Ltd.	Shenzhen	Shenzhen	Service		100.00	Establish/Investment
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	Shenzhen	Shenzhen	Service	60.00		Establish/Investment
Shenzhen Huari Anxin Automobile Inspection Equipment Co.,Ltd.	Shenzhen	Shenzhen	Service		100.00	Establish/Investment
Shenzhen Zhongtian Industrial Co.,Ltd.	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Huari Toyota Automobile sales and	Shenzhen	Shenzhen	Business	60.00		Establish/Investment

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Ways of acquisition
				Directly	Indirectly	
services Co.,Ltd.						
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*	Shenzhen	Shenzhen	Ceramic technology	80.00		Establish/Investment
Shenzhen Nanfang Automobile Repairing center *	Shenzhen	Shenzhen	Automobile repairment		100.00	Establish/Investment
Anhui Tellus Star Jewelry Investment Co., LTD	Hefei	Hefei	Business	51.00		Establish/Investment
Anhui Tellus Xingguang Jinzun Jewelry Co., LTD	Hefei	Hefei	Business		60.00	Establish/Investment
Sichuan Tellus Jewelry Technology co., LTD	Chengdu	Chengdu	Business	66.67		Establish/Investment

Note: \*The operating period of Shenzhen Hanli Hi-technology Ceramics Co., Ltd. was from September 9<sup>th</sup>, 1993 to September 21<sup>st</sup>, 1998, and the operating period of Shenzhen Nanfang Automobile Repairing center was from July 12<sup>th</sup>, 1994 to July 11<sup>th</sup>. For stop operating and did not participate annual inspections, the industry and commerce registration of these two companies were revoked by the administrative department of industry and commerce. Therefore, these two companies do not included in the scope of consolidation, and the book value of net investment is zero.

(2) Shenzhen Tellus Real Estate Trading Co., Ltd. changed its name to Shenzhen Tellus Chuangying Technology Co., Ltd. on November 23, 2018. It has completed the registration of industrial and commercial change and obtained business license.

(2) Important non wholly owned subsidiary

Names of the subsidiary	Shareholding ratio of minority shareholders (%)	Gains and losses attributable to the minority shareholders	Dividend and profit paid to minority shareholders	Closing balance of minority equity
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	40%	1,400,728.91	--	838,537.06
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	40%	-615,664.56	--	10,937,677.34



(3) The main financial information of important non wholly owned subsidiary

Names of the subsidiary	Closing balance					
	Current assets	Fixed assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	50,501,290.59	3,303,588.99	53,804,879.58	51,708,536.94	--	51,708,536.94
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	42,821,429.72	27,874,888.18	70,696,317.90	43,352,124.56	--	43,352,124.56

(Continued)

Names of the subsidiary	Opening balance					
	Current assets	Fixed assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	48,902,736.46	1,164,059.81	50,066,796.27	51,472,275.89	--	51,472,275.89
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	46,281,176.84	29,886,773.06	76,167,949.90	47,284,595.12	--	47,284,595.12

Names of the subsidiary	Current period				Previous period			
	Operation revenue	Net profit	Comprehensive income	Operating cash flow	Operation revenue	Net profit	Comprehensive income	Operating cash flow
Shenzhen Huari Toyota Automobile sales and	171,904,862.83	3,501,822.26	3,501,822.26	-377,065.57	194,934,139.85	2,929,767.26	2,929,767.26	7,385,474.75

Names of services Co.,Ltd.	Current period				Previous period			
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	35,692,198.19	-1,539,161.44	-1,539,161.44	5,447,723.52	36,550,379.42	137,080.56	137,080.56	3,323,405.53

(4) The limitation of using Group's assets and repaying Group's debts.

There is no significant limitation of using Group's assets and repaying Group's debts.

## 2、The transaction of holding equity changed in a subsidiary without a change in control

There is no transaction of holding equity changed in a subsidiary without a change in control.

## 3、The equity in joint venture or associated company

(1) The significant joint venture or associated enterprise

Names	Main operating place	Registration place	Nature of business	Holding proportion ( % )		Accounting treatment of investment in joint venture/associated enterprise
				Directly	Indirectly	
Associated company:						
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen	Shenzhen	Mercedes-Benz sales、repairment	35.00		Equity method
Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen	Shenzhen	Automobile production、repairment		25.00	Equity method
Joint venture:						
Shenzhen Tellus Jimeng investment Co.,Ltd.	Shenzhen	Shenzhen	Industrial investment、property management、leasing	50.00		Equity method

(2) Key financial information of significant associated company

Items	Closing balance/Current period	Opening balance/Previous period
-------	--------------------------------	---------------------------------

	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.
Current assets	257,589,051.00	617,799,827.49	390,613,571.00	685,184,923.52
Fixed assets	22,136,628.00	228,248,688.85	23,214,032.00	241,719,824.00
Total assets	279,725,679.00	846,048,516.34	413,827,603.00	926,904,747.52
Current liabilities	164,858,755.00	370,192,355.97	173,500,413.00	708,700,096.37
Non-current liabilities	--	70,203,098.25	--	60,436,348.10
Total liabilities	164,858,755.00	440,395,454.22	173,500,413.00	769,136,444.47
Equity of minority shareholders	--	-9,013,246.97	--	-1,945,407.03
Shareholders' equity of the company	114,866,924.00	414,666,309.09	240,327,190.00	159,713,710.08
Net assets calculated by shareholding proportion	40,203,423.40	103,666,577.28	84,114,516.50	39,928,427.51
Adjustment	--	--	--	--
—Goodwill	--	--	--	--
—Unrealized profit of internal transaction	--	--	--	--
—Others	--	--	--	--
The book value of investment in associated company	40,203,423.40	103,666,577.28	84,114,516.50	39,928,427.51
The fair value of the equity investment in associated company which have open quotation in market	--	--	--	--

Items	Closing balance/Current period		Opening balance/Previous period	
	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.
Operating revenue	1,212,159,355.00	494,413,981.09	1,246,685,891.00	708,394,340.47
Net profit	24,539,734.00	274,312,241.81	49,997,245.00	16,335,024.83
Net profit gain from the termination of operation	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	24,539,734.00	274,312,241.81	49,997,245.00	16,335,024.83
Dividends received from associated company this period	52,500,000.00	5,000,000.00	9,100,000.00	--

## (3) Key financial information of significant joint ventures

Items	Shenzhen Tellus Jimeng investment Co.,Ltd.	
	Closing balance/Current period	Opening balance/Previous period
Current assets	30,578,378.74	45,981,179.66
Including: Cash & Cash Equivalents	9,055,687.59	14,656,470.18
Fixed assets	362,263,866.80	388,901,782.46
Total assets	392,842,245.54	434,882,962.12
Current liabilities	12,764,218.35	38,394,408.48
Non-current liabilities	256,000,000.00	284,000,000.00
Total liabilities	268,764,218.35	322,394,408.48
Equity of minority shareholders	--	--
Shareholders' equity of the Company	124,078,027.19	112,488,553.64
Net assets calculated by shareholding	62,039,013.62	56,244,276.84

Items	Shenzhen Tellus Jimeng investment Co.,Ltd.	
	Closing balance/Current period	Opening balance/Previous period
proportion		
Adjustment		
—Goodwill	--	--
—Unrealized profit of internal transaction	--	--
—Others	--	--
Book value of investment in joint ventures	62,039,013.62	56,244,276.84
Fair value of the equity investment in joint ventures which have open quotation in market	--	--
Operating revenue	77,472,993.92	53,060,351.06
Financial expense	17,263,494.71	19,353,675.76
Income tax	1,549,682.33	
Net profit	11,589,473.55	-1,873,272.99
Net profit gain from the termination of operation	--	--
Other comprehensive income	--	--
Total comprehensive income	11,589,473.55	-1,873,272.99
Dividends received from joint ventures this period	--	--

## (4) Other financial information of joint ventures and associated enterprises

Items	Closing balance/Current period	Opening balance/Previous period
Joint ventures:		
Total book value of investment	11,253,581.63	10,863,393.76
Total amount of the pro rata calculation of the following items		
—Net profit	390,187.87	124,180.08
—Other Comprehensive	--	--

Items	Closing balance/Current period	Opening balance/Previous period
income		
—Total comprehensive income	390,187.87	124,180.08
income		
Associated enterprises:		
Total book value of investment	7,482,170.28	93,314,134.54
Total amount of the pro rata calculation of the following items		
—Net profit	-658,303.56	-277,670.68
—Other Comprehensive income	--	--
—Total comprehensive income	-658,303.56	-277,670.68

## (5) Excess deficit in joint ventures or associated enterprises

Names	Accumulated unrealized losses at the end of previous period	Unrealized losses at the end of current period	Accumulated unrealized losses at the end of current period
Shenzhen Tellus Automobile Services Chains Co.,Ltd.	98,104.52	816.62	98,921.14
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	1,057,579.35	440,564.18	1,498,143.53
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	221,136.79	562,275.92	783,412.71

## 4、Significant common operation

There is no significant common operation in this reporting period.

## IX、Related parties and related-party transactions

## 1、Parent company information

Names	Registered address	Nature	Registered capital	Parent company's shareholding ratio (%)	Parent company's vote ratio (%)
Shenzhen	Shenzhen	Real estate	2,582.82	49.09	49.09

Names	Registered address	Nature	Registered capital	Parent company's shareholding ratio (%)	Parent company's vote ratio (%)
Tefa Group Co.,Ltd.	n	development and management, domestic commerce	million		

Note: The final control of the Company is Shenzhen State-owned Assets Supervision and Administration Commission

## 2、Information on the subsidiaries of the Company

Details refer to the Note VIII-1.

## 3、Information on the joint ventures and associated enterprises of the Company

Details refer to the Note VIII-3.

## 4、Other Related parties information

Names	Relationship to the Company
Shenzhen Special Microfinance Co., Ltd.	Subject to the same party controls
Shenzhen Tefa Swan Enterprise Co.,Ltd.	Subject to the same party controls
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	Subject to the same party controls
Shenzhen Tefa Real Estate Co.,Ltd.	Subject to the same party controls
Hongkong Yujia Investment Co., Ltd.	Subject to the same party controls
Shenzhen Tellus Real Estate(Yue Yang) Co.,Ltd.	Subject to the same party controls
Shenzhen Tefa Development Center Construction Management Co.,Ltd.	Subject to the same party controls
Shenzhen Tellus Yang Chun Real Estate Co.,Ltd.	Subject to the same party controls
Shenzhen Tellus Real Estate(Long Gang) Co.,Ltd.	Subject to the same party controls
Shenzhen Tefa Tellus Property Management Co., Ltd.	Subject to the same party controls
Chengdu Hezhiyuan jewelry Co., Ltd. and Yungui Xiong	Related party and related natural person of the shareholder of the subsidiary
Anhui Jinzun Jewellery Co., Ltd.	The shareholder of the subsidiary

## 5、Related transactions.

### (1) Related Transactions for Purchasing and Selling Goods, Providing and Accepting Labor Services

#### ①Procurement of goods/acceptance of services

related party	Contents of Related Transactions	Amount incurred in the current year	Amount incurred in the previous year
Shenzhen Special Development Project	Supervision fee	1,488,380.80	920,000.00

related party	Contents of Related Transactions	Amount incurred in the current year	Amount incurred in the previous year
Management Co., Ltd.			
Shenzhen Tefa Tellus Property Management Co., Ltd.	Property service fee	7,511,817.17	744,701.05

## ② Sales of goods/provision of services

related party	Contents of Related Transactions	Amount incurred in the current year	Amount incurred in the previous year
Shenzhen Special Microfinance Co., Ltd.	Property service fee	33,801.10	--

## (2) Relevant Trusteeship/Trusteeship Management

Our company has no trusteeship/trusteeship status during the reporting period.

## (3) Relevant Contracts

The company has no contracting links during the reporting period.

## (4) Relevant lease

## ① Tellus is the leaser

lessee	Type of lease	Lease income recognized in current period	Lease income recognized in previous period
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Houses leasing	5,047,619.20	5,047,619.20
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	Houses leasing	565,588.54	545,923.80
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	Houses leasing	414,857.19	396,904.78
Shenzhen Special Microfinance Co., Ltd.	Houses leasing	48,997.16	--
Shenzhen Tefa Tellus Property Management Co., Ltd.	Houses leasing	95,633.36	105,434.32

## (5) Guarantee between related parties

## ① The Company as guarantor

1、According to the hypothecation contract signed by the company and the Ren Fu Automotive Management Co.,Ltd. (bellows short for Ren Fu Shenzhen) ,from the settle date of associated company,Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd. (below short for Ren Fu Tellus) , to the end date of the joint venture contract between Ren Fu Shenzhen and the Company, the Company take 35% responsibility for the loan which



total amount less than RMB 100 million, and use 35% equity of the Company in Ren Fu Tellus as counter guarantee pledge to Ren Fu Shenzhen. The applicable scope of this regulation includes: (1) Ren Fu Shenzhen offering entrusted loans to Ren Fu Tellus, ;( 2) Ren Fu Tellus receive bank or business loans under the guarantee of Ren Fu Shenzhen

All other conditions except above the Company as guarantore offering guarantee to subsidiaries.

2、Shenzhen Xinglong Machinery Mould Co., Ltd. (bellows short for "Xinglong Company") is a one of the subsidiaries in the Company. The company holds 43% of the shares of Xinglong Company. In order to construct Xinglong Gold Jewelry Building, Xinglong Company signed a fixed assets loan contract with Shenzhen Branch of China Construction Bank Co., Ltd. ((bellows short for "Construction Bank") in 2016. The loan amount is 280 million yuan. Xinglong Company provided Xinglong Gold Jewelry Building Land Certificate (land number H309-0024 (1) as collateral. Xinglong Company intends to apply to the Construction Bank to cancel the mortgage of land certificate for the real estate certificate of Xinglong Golden Jewelry Building Project. During the period of processing the real estate certificate, the shareholders of Xinglong Company pledge their shares of Xinglong Company to the Construction Bank at the same time to provide temporary mortgage guarantee for the loan of Xinglong Company.

## ②The Company as secured creditor

SichuanTellus Jewelry Technology co., LTD is one of the subsidiaries in the Company. Chengdu Caizhiyuan Jewelry Co.is one of the shareholders in the subsidiary.Chengdu Hezhiyuan jewelry Co., Ltd and Yungui Xiong are related party and related natural person respectively in the subsidiary.Chengdu Ruihang Jewelry Co., Ltd. Is one of the shareholder of Sichuan Teli Jewelry Technology Co., Ltd., and Hang linis related natural person to shareholder.Chengdu Zhongjin Guifu Jewelry Co., Ltd. Is one of the shareholder of Sichuan Teli Jewelry Technology Co., Ltd., and tonggui Lin is related natural person to shareholder , Chengdu Caizhiyuan Jewelry Co and Yungui Xiong , Chengdu Ruihang Jewelry Co., Ltd and Hang lin, Chengdu Zhongjin Guifu Jewelry Co and Lin Tonggui , set up the maximum guarantee for creditors with Sichuan Teli Jewelry Technology Co., Ltd. SichuanTellus Jewelry Technology co., LTD is treated as the secured creditor and expected tooffer the maximum amount guarantee. The scope of claims which is secured by the right of pledge of account receivables from wenbing Xu etc.The guaranteed amount is RMB86 million 550 thousand yuan.

## 6、Fees forfunds occupation of related parties

Related parties	Content	Amount of current period	Amount of previous period
Borrowing:			

Related parties	Content	Amount of current period	Amount of previous period
Shenzhen Tefa Group Co.,Ltd.	Fees for funds occupation	--	928,296.36
Lending:			
Shenzhen Xing Long Mechanical Models Co.,Ltd.	Fees for funds occupation	76,041.64	76,041.64

## 7、Rewards for the key management personnel

Items	Amount of current period (RMB'0000)	Amount of previous period (RMB'0000)
Rewards for the key management personnel	698.00	634.00

## 6、Receivables and payables of related parties

## (1) Receivables

Names	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivables:				
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	927,602.00	927,602.00	1,359,506.00	927,602.00
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.	680,400.00	680,400.00	997,200.00	680,400.00
Total	1,608,002.00	1,608,002.00	2,356,706.00	1,608,002.00
Other receivables:				
Shenzhen Tellus Automobile Services Chains Development Co.,Ltd.	1,359,297.00	1,359,297.00	1,359,297.00	1,359,297.00
Shenzhen Xinyongtong Tecnology Co.,Ltd.	--	--	116,480.22	58,240.11
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd	531,882.24	531,882.24	529,111.24	529,111.24
Shenzhen Xiandao New Chemical Materials Co.,Ltd.	660,790.09	660,790.09	660,790.09	660,790.09
Shenzhen Xing Long Mechanical Models Co.,Ltd.	2,338,766.22	1,074,239.56	2,262,724.58	1,036,172.99

Names	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Tellus Xinyongtong Automobile Service Co.,Ltd.	114,776.33	114,776.33	114,776.33	114,776.33
Total	5,005,511.88	3,740,985.22	5,043,179.46	3,758,387.76
Dvidend receivable				
Shenzhen Tefa Tellus Property Management Co., Ltd.	232,683.74	--	232,683.74	--
Total	232,683.74	--	232,683.74	--
Long-term receivables:				
Shenzhen Tellus Automobile Services 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) Payables

Names	Closing balance	Opening balance
Accounts payables:		
Shenzhen Tefa Real Estate Co., Ltd.	6,054,855.46	6,054,855.46
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	45,300.00	45,300.00
Shenzhen Tefa Tellus Property Management Co., Ltd.	--	279,793.26
Shenzhen Tellus Jimeng investment Co.,Ltd.	200,000.00	--
Total	6,300,155.46	6,379,948.72
Other payables:		
Shenzhen Tefa Real Estate Co., Ltd.	335,701.34	335,701.34
Hongkong Yujia Investment Co., Ltd.	2,116,056.82	2,009,360.35
Shenzhen Tefa Swan Enterprise Co.,Ltd.	20,703.25	20,703.25
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	1,554,196.80	1,554,196.80
Shenzhen Tefa Group Co.,Ltd.	23,079,380.77	51,122,660.84
Shenzhen Tellus Real Estate(Long Gang) Co.,Ltd.	1,095,742.50	1,095,742.50
Shenzhen Tellus Yang Chun Real Estate Co.,Ltd.	476,217.49	476,217.49

Names	Closing balance	Opening balance
Shenzhen Xing Long Mechanical Models Co.,Ltd.	--	78,515.56
Shenzhen Tellus Xinyongtong Technoledge Co., Ltd.	139,200.00	320,000.00
Shenzhen Tellus Xing Investment Co.,Ltd.	192,129.00	--
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	28,340.00	24,340.00
Anhui Jinzun Jewellery Co., Ltd.	5,530,000.00	1,330,000.00
Shenzhen Tefa Tellus Property Management Co., Ltd.	1,763,953.00	--
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd	833,334.00	--
Shenzhen Special Microfinance Co., Ltd.	227,836.80	--
Total	37,392,791.77	58,367,438.13

## X、Commitment issues

### 1、Significant Commitment issues

#### (1) Capital commitment

Items	Closing balance	Opening balance
Signed but not confirmed in financial report		
—commitment of purchase long-term assets	23,314,560.50	100,505,887.53
Total	23,314,560.50	100,505,887.53

### 2、Contingency

#### (1) Lawsuits

①In October of 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, which were all dealt as a loss in last report term.) It was the amount money that was distrained forcibly. The Fu Tian District People's Court had adjudged that the Company won the lawsuit and the forcible execution had been applied by the Company. The company has not yet received the money at the date of the approval of the financial report.

In April 2006 Shenzhen Development Bank brought an accusation against Jintian's overdueing loan two million U.S. dollars and the company who guaranteed for this case. 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 the 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. The company has made a progress in the property execution. The attorney from

the company is consulting Jintian about the liquidation scheme. Jintian is in the process of bankruptcy reorganization.

On January 29<sup>th</sup> 2018, Shenzhen Intermediate People's Court has ruled that process of bankruptcy reorganization was completed. Further distribution of money is still in progress. The company has not yet received the money from Jintian at the date of the approval of the financial report.

The company failed to communicate with Jintian for many times about the cash and equity allocated to us after the bankruptcy and reorganization of Jintian Company, the company filed a lawsuit in the People's Court of Qianhai Cooperation Zone on August 15, 2018, requesting the court to order Jintian Company and its shareholders to pay 325,000 yuan in cash to our company and 427,604 shares in A shares and 163,886 shares in B shares in Jintian Company. The case has been filed but has not yet opened a court session.

②Shenzhen Tellus Real Estate Development Co., Ltd. ("Real Estate Co."), a wholly-owned subsidiary of the company, entered into a Joint Property Construction Contract with Shenzhen Jinlu Industrial and Trade Company ("Jinlu Company") at November 29, 1994 to build a real estate in Shenzhen. Real Estate Co. paid RMB 9,822,500.00 to Jinlu Company as of December 31, 1996. However, Jinlu Company breached the contract and cooperated with Guangzhou Military Area Shenzhen Property Administrative Department ("GMAA") to develop the real estate and paid the RMB9,822,500 received from Real Estate Co. to GMAA. Therefore, Real Estate Co. lodged a claim against Jinlu Company. The Futian District People's Court admitted GMAA as the third party of this case according to the law of the PRC. It was ruled by the Futian District People's Court that the contract was of no effect; GMAA shall repay Jinlu Company the principal of RMB9,822,500, interests and judicial proceeding expense, which shall be transferred to Real Estate Co. within three days of the reception by Jinlu Company. GMAA applied for further trial that was allowed, and the original judgment was suspended during the retrial.

Real Estate Co., and Jinlu Company sued GMAA in March, 2005 as co-plaintiffs, appeal the judgement of enforcing the defendants deliver Yelihui Food Street (11,845 m<sup>2</sup> which worth RMB 11,851,357) to plaintiffs. Meanwhile, the defendants should pay RMB 5,034,664.94 which is the rent income since 1998. At the same time, Real Estate Co., signed agreement with Jinlu Company stated that the Real Estate Co., will allocated 6,000 m<sup>2</sup> of Yelihui Food Street, and the residual part belong to Jinlu Company. If the Food Street is less than 6,000 m<sup>2</sup>, then all of it belong to Real Estate Co.. The profits gained from this case will equally allocated between Real Estate Co., and Jinlu Company. Shenzhen Intermediate People's Court tried this case on August 2010, however, the case is too complicated to make pronouncement of judgement in court.

As Real Estate Co. received Min Wu Chu Zi NO.82 civil order which stated that the Yelihui Food Street is illegal building and the Court cannot judge on it, the Court reject Real Estate Co.'s request. The company has recognized bad debt provision in full of investment fund of Tellus Real Estate.

③In 2014, the subsidiary, Shenzhen Automobile Industry and Trading Co., Ltd., (bellow short for Automobile Industry and Trading) received the court summons from Shenzhen Futian District People's Court. China Huarong Asset Management Corporation Shenzhen Branch (bellow short for CHAMC) sued Automobile Industry and

Trading to take joint liability due to the claims and disputes of Shenzhen Guangming Watch Co., Ltd. and its creditor. According to Shenzhen Futian People's Court (1997) Shen Fu "Jing" Zi NO.801 civil judgment, verdict the Guangming Watch Co., Ltd. repays 7 million and interest to China Citic Bank Co., Ltd., The Guangming Watch Co., Ltd. did not repay the loan after the verdict. Then the China Citic Bank Co., Ltd. apply enforcement, token back RMB 561,398.30, there are no more other assets to execute, Shenzhen Futian People's Court verdict Termination of execution by Shen Fu Fa "zhi" Zi NO.102 in December 10, 1998. The original debtor the China Citic Bank Co., Ltd. transferred the debt to CHAMC in July, 2013. The company has not received a verdict yet at the date of the approval of the financial report.

④Guangming Watch Co., Ltd. was canceled the business licence by Shenzhen Administration of Industry and Commerce in Feb. 28, 2002. China Huarong Asset Management Corporation Shenzhen Branch sued Guangming Watch Co., Ltd. and Shenzhen Automobile Industry and Trading Co., Ltd. in May 2015, the plaintiff want the court verdict CHAMC takeover the whole right of Shen Fu "Jing" Zi NO.801 civil judgment(1997). Meanwhile, Shenzhen Automobile Industry and Trading Co., Ltd. did not establish a liquidate team to liquidate the associate in legal deadline, "should bear the joint liability".

⑤In October 2010, Shenzhen Futian District Construction Bureau sent Doc. SFJJ NO.[2010]115 Decision of Paying House and Public Utility Special Fund in Limit Time to Shenzhen Automobile Industry and Trading Co., Ltd, Shenzhen Fuyida Investment Development Co., LTD and Wenzhou Huaou Real Estate Development Co., LTD to pay RMB 2,161,910.40 of house and public utility special fund.

⑥Shenzhen Nigang Industrial Co., LTD sued the Company to Shenzhen Luohu District People's Court about parcel land NO.H403-0054(B) in 2016, according to the first-instance judgement, the Company should return 1,585.84 m<sup>2</sup> lands and RMB 347,271.74 land occupancy charge plus RMB 7,268 per month to the plaintiff. The Company had already appealed to Guangdong Higher People's Court. In September 2017, Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd. has won the trial of second instance.

## **XI、Subsequent Event**

### **1、Profit distribution**

Pursuant to the resolution of Board at the Board of Directors' meeting on April 1st, 2019, the Company will neither distribute profits nor capitalize capital surplus for the current period. The allocation of profit resolution still need the board of shareholders to approval.

### **2、The Impact of the Implementation of the New Accounting Standards on January 1, 2019**

On March 31, 2017, the Ministry of Finance promulgated Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017), 'Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets (Revised in 2017)', 'Accounting Standards for Enterprises No. 24 - Hedging Accounting (Revised in 2017)', 'Accounting Standards No. 23 - Transfer of Financial Assets (Revised in

2017), 'Accounting Standards No. 24 - Hedging (Revised in 2017)', 'No. 37 of the Accounting Standards for Enterprises - Financial Instruments Reporting (Revised in 2017)' was issued on May 2, 2017 (hereinafter referred to as the "New Financial Instruments Standards"), and the listed companies in China were required to implement it as of January 1, 2019. By the resolution of the second meeting of the ninth board of directors on April 1, 2019, the company will implement the new financial instrument standards mentioned above on January 1, 2019, and will change the relevant accounting policies in accordance with the provisions of the new financial instrument standards mentioned above.

The following are the main contents and impacts of the accounting policy changes involved:

Under the new Financial Instruments Standard, all recognized financial assets are subsequently measured at the amortized cost or fair value.

On the date of implementation of the new financial instrument standards, the business model of managing financial assets is evaluated on the basis of the existing facts and circumstances of the company on that day, and the characteristics of contractual cash flow on the financial assets are evaluated on the basis of facts and circumstances at the time of initial confirmation of financial assets. The financial assets are divided into three categories: measuring according to the amortized cost, measuring according to the fair value and accounting for the changes in other comprehensive benefits. It is measured at fair value and its changes are recorded in profits and losses. Among them, when the financial asset terminates recognition, the accumulated gains or losses previously included in other comprehensive gains will be transferred from other comprehensive gains to retained gains, not into current profits and losses, for equity instrument investment measured at fair value and whose changes are included in other comprehensive gains.

Under the new financial instrument standards, based on the expected credit loss, the company makes provision for impairment of financial assets measured at amortized cost, investment in debt instruments measured at fair value and its changes included in other comprehensive gains, lease receivables, contractual assets and financial guarantee contracts, and confirms the loss of credit impairment.

## **XII、Other significant events**

### **1、Early error correction**

The Company does not have any early error correction in this reporting period.

### **2、Debt restructuring**

The Company does not have any information of debt restructuring to disclose in this reporting period.

### **3、Non-monetary asset replacement**

The Company does not have any information of non-monetary asset replacement to disclose in this reporting period.

### **4、Segment reporting**

Financial information of segment reporting.

## Year 2018

Items	Automobile sales	Vehicle inspection & Components sales	Leasing and services	Jewellery sales	Inter-segment elimination	Total
Principal operating income	122,236,609.61	77,343,350.30	89,624,398.51	151,227,106.85	-34,063,574.41	406,367,890.86
Principal operating cost	116,630,283.37	66,380,430.70	45,907,201.42	139,519,914.92	-38,835,943.75	329,601,886.66
Total assets	24,976,289.65	98,908,850.55	2,625,796,106.92	13,367,177.65	-1,104,752,893.77	1,658,295,531.01
Total liabilities	34,092,999.92	60,351,604.30	838,159,391.07	8,674,740.89	-382,265,421.04	559,013,315.14

## Year 2017

Items	Automobile sales	Vehicle inspection & components sales	Leasing and services	Inter-segment elimination	Total
Principal operating income	146,150,511.84	77,745,757.53	104,689,290.86	42,719,844.04	-31,421,928.19
Principal operating cost	141,236,154.23	65,753,628.39	37,281,610.86	38,718,354.34	-31,436,632.87
Total assets	32,681,904.29	97,711,493.10	2,150,019,964.74	60,842,941.31	-937,941,709.02
Total liabilities	43,416,707.60	59,498,814.63	682,141,153.33	4,660,481.26	-384,426,136.29

## XIII、Notes of main items in financial reports of the company



## 1、Note receivables and Accounts receivable

Items	Closing balance	Opening balance
Notes Receivable	--	--
Accounts Receivable	38,274.00	--
Total	38,274.00	--

## (1) Disclosure by category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable of individual significance and subject to individual impairment assessment	--	--	--	--	--
Accounts receivable subject to impairment assessment by credit risk characteristics of portfolio	38,274.00	7.32	--	--	38,274.00
Accounts receivable of individual insignificance but subject to individual impairment assessment	484,803.08	92.68	484,803.08	100.00	--
Total	523,077.08	100.00	484,803.08	92.68	38,274.00

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable of individual significance and subject to individual impairment assessment	--	--	--	--	--
Accounts receivable subject to impairment assessment by credit risk characteristics of portfolio	--	--	--	--	--
Accounts receivable of individual insignificance but subject to individual impairment assessment	484,803.08	100.00	484,803.08	100.00	--
Total	484,803.08	100.00	484,803.08	100.00	--

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion ( % )	Amount	Proportion ( % )	
	8		8		

## 2、Other receivables

Items	Closing balance	Opening balance
Interest receivable	723,407.50	221,232.88
Dividends receivable	232,683.74	779,868.09
Other receivables	114,826,853.13	98,321,166.40
Total	115,782,944.37	99,322,267.37

### (1) Interest receivable by categories

Category	Closing balance	Opening balance
Structural deposits	723,407.50	221,232.88
Total	723,407.50	221,232.88

### (2) Dividends receivable

Items (or investees)	Closing balance	Opening balance
China Pufa Machinery Industrial Co.,Ltd.	--	547,184.35
Shenzhen Tefa Tellus Property Management Co., Ltd.	232,683.74	232,683.74
Total	232,683.74	779,868.09

### (3) Other receivables

#### (1) Disclosure by category

Category	Closing balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion ( % )	Amount	Proportion ( % )	
Other receivable of individual significance and subject to individual impairment assessment	12,259,692.71	9.42	12,259,692.71	100.00	--
Other receivable subject to impairment assessment by credit risk characteristics of portfolio	116,005,681.76	89.15	1,178,828.63	1.02	114,826,853.13
Other receivable of individual	1,852,833.06	1.43	1,852,833.06	100.00	--

Category	Closing balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
insignificance but subject to individual impairment assessment					
Total	130,118,207.53	100.00	15,291,354.40	11.75	114,826,853.13

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable of individual significance and subject to individual impairment assessment	12,247,785.36	10.79	12,247,785.36	100.00	---
Other receivable subject to impairment assessment by credit risk characteristics of portfolio	99,412,903.49	87.59	1,091,737.09	1.10	98,321,166.40
Other receivable of individual insignificance but subject to individual impairment assessment	1,833,967.78	1.62	1,833,967.78	100.00	--
Total	113,494,656.63	100.00	15,173,490.23	13.37	98,321,166.40

## ① Other Receivable accounts with large amount individually and bad debt provisions were provided

Other receivable (Unit)	Closing balance			
	Other receivable	Bad debt provision	Proportion (%)	Reason
Shenzhen ZhongHao (Group) Co.,Ltd.	5,000,000.00	5,000,000.00	100.00	Won the lawsuit, no assets recoverable
Jinbeili electrical appliances Co.,Ltd.	2,706,983.51	2,706,983.51	100.00	Aging long, not expected to withdraw

Other receivable (Unit)	Closing balance			
	Other receivable	Bad debt provision	Proportion (%)	Reason
Shenzhen Petrochemical Industry (Group) Co., Ltd.	1,916,063.53	1,916,063.53	100.00	Aging long, not expected to withdraw
Huatong casing Co.,Ltd.	1,212,373.79	1,212,373.79	100.00	Aging long, not expected to withdraw
Shenzhen Pilot New Chemical Materials Co.,Ltd.	660,790.09	660,790.09	100.00	Aging long, not expected to withdraw
Others_VAT (Trade department)	763,481.79	763,481.79	100.00	Aging long, not expected to withdraw
Total	12,259,692.71	12,259,692.71		

②In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Other receivable	Bad debt provision	Proportion (%)
Within 1 year	113,533,779.05	--	--
1 to 2 years	76,041.64	3,802.08	5.00
2to 3years	76,346.64	15,269.33	20.00
Over 3 years	2,319,514.43	1,159,757.22	50.00
Total	116,005,681.76	1,178,828.63	1.02

(2) The amount of bad debt provision during the current year is RMB117,864.17.

(3) Other receivables classified by nature

Nature	Closing balance	Opening balance
Internal current account	113,272,049.06	96,526,430.14
Unit account	2,999,556.31	2,923,514.67
Others	13,846,602.16	14,044,711.82
Total	130,118,207.53	113,494,656.63

(2) The top five of other receivables classified by debtor at period end

Debtors	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Shenzhen ZhongHao (Group) Co.,Ltd.	Unit account	5,000,000.00	Over 3 years	3.84	5,000,000.00
Jinbeili Electrical Appliances Co.,Ltd.	Unit account	2,706,983.51	Over 3 years	2.08	2,706,983.51

Debtors	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Shenzhen Petrochemical Industry (Group) Co., Ltd.	Unit account	1,916,063.53	Over 3 years	1.47	1,916,063.53
Huatong Casing Co.,Ltd.	Unit account	1,212,373.79	Over 3 years	0.93	1,212,373.79
Others_VAT (Trade department)	Unit account	763,481.79	Over 3 years	0.59	763,481.79
Total		11,598,902.62		8.91	11,598,902.62

## (5) Accounts receivables related to government subsidy

There are no accounts receivables related to government subsidy in this reporting period.

## (6) Terminated recognize of other receivables due to financial assets transfer.

There is noterminated recognize of other receivables due to financial assets transfer.

## (7)Assets or liabilities caused by transferring other receivables

There are no assets or liabilities caused by transferring other receivables.

**3、Long-term equity investments**

## (1) Disclosure by category

Items	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to the subsidiaries	724,743,472.73	1,956,000.00	722,787,472.73	555,771,572.73	1,956,000.00	553,815,572.73
Investment to joint ventures/as-sociated enterprises	123,283,180.97	9,787,162.32	113,496,018.65	245,802,348.25	9,787,162.32	236,015,185.93
Total	848,026,653.70	11,743,162.32	836,283,491.38	801,573,920.98	11,743,162.32	789,830,758.66

## (2) Investment to the subsidiaries

Names	Opening balance	Increased	Decreased	Closing balance	Impairment provision in current year	Closing balance of impairment provision
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Names	Opening balance	Increased	Decreased	Closing balance	Impairment provision in current year	Closing balance of impairment provision
Shenzhen Tefa Tellus Real Estate Co.,Ltd.	31,152,888.87	--	--	31,152,888.87	--	--
Shenzhen Tellus Real Estate Exchange Co.,Ltd.	2,000,000.00	--	--	2,000,000.00	--	--
Shenzhen Tellus Xinyongtong Automobile Development Co.,Ltd.	57,672,885.22	--	--	57,672,885.22	--	--
Shenzhen Zhongtian Industrial Co.,Ltd	270,708,622.90	98,971,900.00	--	369,680,522.90	--	--
Shenzhen Automobile Industry and Trading Co.,Ltd.	126,251,071.57	--	--	126,251,071.57	--	--
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	19,224,692.65	--	--	19,224,692.65	--	--
Shenzhen	1,807,411.52	--	--	1,807,411.52	--	--

Names	Opening balance	Increased	Decreased	Closing balance	Impairment provision in current year	Closing balance of impairment provision
Huari Toyota Automobile Co.,Ltd.						
Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.	10,000,000.00	--	--	10,000,000.00	--	--
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*	1,956,000.00	--	--	1,956,000.00	--	1,956,000.00
Anhui Tellus Star Jewelry Investment Co., LTD	4,998,000.00	--	--	4,998,000.00	--	--
SichuanTellus Jewelry Technology co., LTD	30,000,000.00	70,000,000.00	--	100,000,000.00	--	--
Total	555,771,572.73	168,971,900.00	--	724,743,472.73	--	1,956,000.00

Note : \*The detail information of Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.refers to Note VIII-1.Subsidiaries.

(3) Investment to joint ventures and associated enterprises

Names	Opening	Increased /Decreased in reporting period
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	balance	Increased	Decreased	Gain/Loss of investment under equity method	Adjustment of other comprehensive income	Other equity changes
I. Joint ventures						
Shenzhen Tellus Jimeng Investment Co.,Ltd.	56,244,276.84	--	--	5,794,736.78	--	--
Shenzhen Tellus Xing Investment Co.,Ltd.	10,863,393.76	--	--	390,187.87	--	--
Subtotal	67,107,670.60	--	--	6,184,924.65	--	--
II. Associated enterprises						
Shenzhen Xing Long Mechanical Model Co.,Ltd.	84,792,998.83	--	--	224,252.94	--	--
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	84,114,516.50	--	--	8,588,906.90	--	--
Hunan Changyang Industrial Co.,Ltd.*	1,810,540.70	--	--	--	--	--
Shenzhen Jiecheng Electronic Co.,Ltd.*	3,225,000.00	--	--	--	--	--
Shenzhen Pilot New Chemical Materials Co.,Ltd.*	4,751,621.62	--	--	--	--	--
Subtotal	178,694,677.65	--	--	8,813,159.84	--	--
Total	245,802,348.25	--	--	14,998,084.49	--	--

(continued)

Names	Increased /Decreased in reporting period	Closing balance	Closing balance
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	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		of impairment provision
I. Joint ventures					
Shenzhen Tellus Jimeng Investment Co.,Ltd.	--	--	--	62,039,013.62	--
Shenzhen Tellus Xing Investment Co.,Ltd.	--	--	--	11,253,581.63	--
Subtotal	--	--	--	73,292,595.25	--
II. Associated enterprises					
Shenzhen Xing Long Mechanical Model Co.,Ltd.	--	--	-85,017,251.77	--	--
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	52,500,000.00	--	--	40,203,423.40	--
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 Pilot New Chemical Materials Co.,Ltd.*	--	--	--	4,751,621.62	4,751,621.62
Subtotal	52,500,000.00	--	-85,017,251.77	49,990,585.72	9,787,162.32
Total	52,500,000.00	--	-85,017,251.77	123,283,180.97	9,787,162.32

Note: \*Full provision for impairment has been made for these companies due to the revocation of Business License.

#### 4、Operating income and operating costs

Items	Current year		Previous year	
	Income	Cost	Income	Cost
Principal operating activities	42,607,127.11	12,747,839.01	44,035,720.63	3,662,936.04
Total	42,607,127.11	12,747,839.01	44,035,720.63	3,662,936.04

**5、Investment Income**

Items	Current year	Previous year
Income from long-term equity investment measured by cost method	547,184.35	547,184.35
Income from long-term equity investment measured by adopting the equity method	14,998,084.49	17,123,423.23
Investment income received from holding of held-to-maturity investment	-5,733,400.00	7,332,683.74
Income from financial products	6,486,519.16	6,046,686.15
Total	16,298,388.00	31,049,977.47

**XIV、Supplementary information****1、Non-recurring profit and loss for the current year**

Items	Amount	Description
Gains or losses from disposal of non-current assets after expending impairment provisions	-4,424,801.74	
Exceeded-authority approved, non-official approved or accidental tax repayment and relief	--	
Government grants recognized through profits or loss for the current reporting period, excluding grants which are closely related to the Company's operating activities and of which the quota or approval is eligible for automatic renewal in accordance with relevant regulations	3,482.07	
Financial resource usage fees charged on non-financial institution recognized through profit or loss for the current reporting period	76,041.64	
Gains arising from bargain purchase in business combination and investments in associates and joint ventures	--	
Non-monetary assets exchange	--	
Consigned investment and asset management	9,611,577.38	
Impairment provision resulting from force majeure, e.g. natural disasters	--	
Debt restructuring	--	
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.	--	
Profit or loss attributable to the evidently unfair portion of transaction price,	--	

Items	Amount	Description
being transacted price in excess of fair transaction price, of a transaction		
Net profits or losses achieved by an acquired under-common-control entity during the period from the start of the period to the acquisition date	--	
Gains or losses arising from contingent events unconnected with the Company's daily operating activities	-2,364,761.45	
Fair value changes of tradable financial assets and tradable financial liabilities held and gains or losses arising from disposals of tradable financial assets, tradable financial liabilities and available-for-sale financial assets, excluding hedging contracts relevant to the Company's daily operating activities	--	
Reversal of provision for account receivables that are tested for impairment losses individually	--	
Profit or loss on entrusted loans	--	
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model	--	
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the period requirements of tax laws and accounting laws and regulations	--	
Custodian fees earned from entrusted operation	--	
Other non-operating income or expenses other than the above	624,472.82	
Other profit or loss that meets the definition of non-recurring profit or loss	--	
Subtotal	3,526,010.72	
Tax effects	-161,206.61	
Effects attributable to minority interests (after tax)	49,242.45	
Total	3,637,974.88	

Note: "+" means income or gain and "-" means loss or expense.

The Company defines items as non-recurring profit or loss items according to "Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1---Non-recurring Profit or Loss"(CSRC No.[2008]43).

## 2、Rate of return on net assets and earnings per share

Profit category	Rate of the weighted	Earnings per share
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	average net profit (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	8.6344	0.2924	0.2924
Recurring profit or loss attributable to ordinary shareholders	8.2730	0.2802	0.2802

## **Section XII 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 2018 carrying the signatures and seals of the legal representative, CFO and manager of Financial Department;
2. Original Auditors' Report (Chinese and English Version) carrying the seals of accounting firms, and signatures and seals of the CPA;
3. All original documents and notifications of the Company disclosed in newspapers that designated by CSRC in report period;
4. Annual report disclosed in other securities market (Summary).